



US\$4.418bn Market cap **87%** Free float **US\$3.833mn** Avg. daily volume

Target price 215.8 17.2% over current
Consensus price 233.0 26.5% over current
Current price 184.1 as at 7/10/2015

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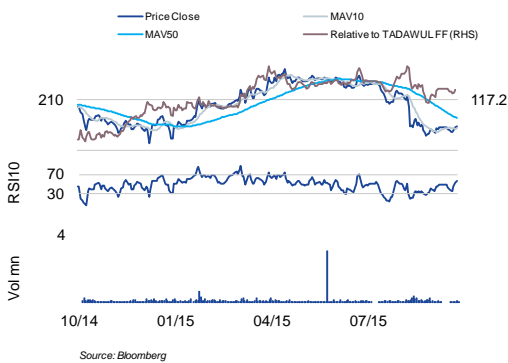
Existing rating

Underweight Neutral **Overweight**

Flash view

Flash View is an analyst's preliminary interpretation of a results announcement or the impact of a major event. Our investment rating and earnings estimates are not being changed in this report. Any formal changes to our investment rating or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed here.

Performance

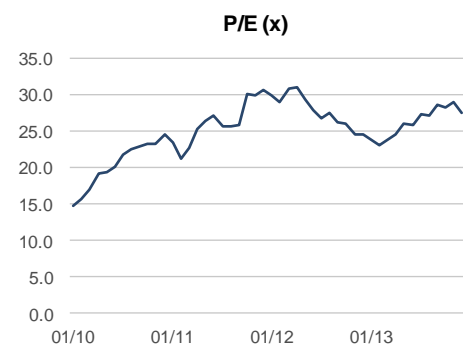


Earnings

Period End (SAR)	12/12A	12/13A	12/14A	12/15E
Revenue (mn)	4,634	5,243	5,699	6,551
Revenue Growth	11.7%	13.1%	8.7%	15.0%
EBITDA (mn)	584	669	758	878
EBITDA Growth	10.7%	14.6%	13.3%	15.8%
EPS	4.22	5.81	8.28	9.39
EPS Growth	38.8%	37.6%	42.6%	13.4%

Source: Company data, Al Rajhi Capital

Valuation



Source: Company data, Al Rajhi Capital

Jarir Marketing
Q3: Meets expectations

Jarir's Q3 2015 net income of SAR218.5mn (+7.6% y-o-y) closely met our estimate of SAR217.8mn, but was slightly below consensus figure of SAR227.7mn. The company's revenue grew 7.7% y-o-y to SAR1,536mn, supported by increase in total stores from 35 to 39. Jarir has opened 4 new stores so far in 2015, including a replacement store. Going forward, we expect the company to add another 1-2 stores this year. Also, we expect fourth quarter earnings to be boosted by new product launches like the iPhone 6S. Overall, growth is likely to be in early double digits due to the higher base impact of Q4 2014 as well as the current subdued economic scenario. For now, we reiterate our Overweight rating on Jarir with a target price of SAR215.8 per share.

Earnings vs. our forecast	Above	In Line	Below
Likely impact:			
Earnings estimates	Up	No Change	Down
Dividend estimates	Up	No Change	Down
Recommendation	Upgrade	No Change	Downgrade
Long term view	Stronger	Confirmed	Weaker

- Revenues:** Jarir's revenues rose 7.7% y-o-y to SAR1,536.1mn, in line with our SAR1,515.6mn estimate, but slightly lower than consensus estimate of SAR1,592mn. Top-line growth was supported by the increase in total stores to 39 at the end of Q3 2015, from 35 in the same period last year. All product segments witnessed increase in sales, especially electronic items.
- Gross and Operating profit:** Gross profit grew 6.7% y-o-y to SAR253.4mn, meeting our SAR253.1mn estimate. Gross profit margin was mostly flat y-o-y at 16.5%. Operating profit stood at SAR216mn, up 7.4% y-o-y, compared to our estimate of SAR214.9mn and consensus figure of SAR226.7mn. Operating margin also remained flat y-o-y at 14.1%.
- Net profit:** Jarir's net profit came in at SAR218.5mn (+7.6% y-o-y), in line with our SAR217.8mn estimate, but slightly below consensus estimate of SAR227.7mn. The bottom line was supported by higher other income as well as lower financial charges on account of reduction in loans.

Figure 1 Jarir: Summary of Q3 2015 results

(SAR mn)	Q3 2014	Q2 2015	Q3 2015	% chg y-o-y	% chg q-o-q	ARC est
Revenue	1,426.2	1,405.8	1,536.1	7.7%	9.3%	1,515.6
Gross profit	237.4	191.4	253.4	6.7%	32.4%	253.1
Gross profit margin	16.6%	13.6%	16.5%			16.7%
Operating profit	201.1	151.7	216.0	7.4%	42.4%	214.9
Net profit	203.0	154.9	218.5	7.6%	41.1%	217.8

Source: Company data, Al Rajhi Capital



Valution: Jarir's results matched our expectations with revenue and net profit rising 7.7% and 7.6% y-o-y, respectively. Going forward, the company is likely to add 1-2 new stores in the last quarter. Jarir is also expected to benefit from the launch of iPhone 6S and other new product launches. However, the higher base of Q4 2014 as well as the current economic scenario are likely to limit top-line growth.

Retail stocks have corrected sharply over the last few months on concerns about the impact of lower oil prices on consumer spending and permitting complete foreign ownership. Though Jarir is likely to be impacted by the current subdued economic scenario, it remains our top pick in the sector due to its strong brand loyalty, new store additions and improving margins. We maintain our Overweight rating on the company with a target of SAR215.8.

Major Developments

New store opened in Abu Dhabi

Jarir opened its second store in Abu Dhabi in the last week of August, taking its store network to 39. The store, spread over an area of 36,000 square meters, involves a total investment of SAR15mn.



Disclaimer and additional disclosures for Equity Research

Disclaimer

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Additional disclosures

1. Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

"Overweight": Our target price is more than 10% above the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

"Neutral": We expect the share price to settle at a level between 10% below the current share price and 10% above the current share price on a 6-9 month time horizon.

"Underweight": Our target price is more than 10% below the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

2. Definitions

"Time horizon": Our analysts make recommendations on a 6-9 month time horizon. In other words, they expect a given stock to reach their target price within that time.

"Fair value": We estimate fair value per share for every stock we cover. This is normally based on widely accepted methods appropriate to the stock or sector under consideration, e.g. DCF (discounted cash flow) or SoTP (sum of the parts) analysis.

"Target price": This may be identical to estimated fair value per share, but is not necessarily the same. There may be very good reasons why a share price is unlikely to reach fair value within our time horizon. In such a case we set a target price which differs from estimated fair value per share, and explain our reasons for doing so.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

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