

JARIR MARKETING CO.



EVENT FLASH

Reasonable numbers, in line with estimates

Jarir announced its preliminary 2Q12 results on 7 July 2012. Revenue growth was reasonable at 10%, leading to 7-9% growth in all profit lines. The results were broadly in-line with our estimates with most profit lines only 2-4% below what we expected. We await full details before updating our model

- **Sales:** 2Q12 came in at SR1,065mn vs. NCBC estimate for 2Q12 at SR1,104mn. 2Q12 was an increase of 10% YoY (SR968mn in 2Q11)
- **Gross profit:** 2Q12 came in at SR137mn vs. NCBC estimate for 2Q12 at SR141mn. 2Q12 was an increase of 7.3% YoY (SR128mn in 2Q11)
- **Net Income:** 2Q12 came in at SR107mn vs. NCBC estimate for 2Q12 at SR112mn. 2Q12 was an increase of 8.4% YoY (SR99mn in 2Q11).
- In summary, Jarir reported a reasonable set of 2Q12 results, broadly in-line with NCBC estimates. The top line grew by 10% YoY with this leading to 7-9% YoY growth across all profit lines. However, the result came in marginally below our estimate; while revenues were 3.5% below our estimate, all profit lines came in 2-4% below what we had been expecting. However, all margin lines were broadly in line with our expected levels; gross margin was only higher by 8bps, while net margin was lower by only 9bp.
- Sales growth was reasonable at 10% due largely to the successful launch of iPad 3 in 2Q12. YoY growth was held back given the strong growth in 2Q11 off the back of the bonus payments given to locals.
- Management cited the following reasons for this high level of growth: 1) Strong sales in electronic items such as Smart phones, PCs and Tablets and 2) Opening of a new store in Yanbu taking the total store count to 31.
- Gross margins declined by 33bps to 12.9% in 2Q12 with net margins down by 15bps YoY to 10.0%; we believe this will have been due to the ongoing shift in the sales mix towards the lower margin electronic items, as well as aggressive pricing by Jarir.
- Although falling margins remains our primary concern, we believe Jarir will continue to post good sales growth through new store openings as well as increased market share in the electronics segment; any evidence of margin bottoming out will be a key positive catalyst for the stock.
- We are currently Neutral on Jarir with a PT of SR148. The stock trades at 14.8x 2012e P/E

Result Summary

SR mn	2Q12A	2Q11A	% Y o Y	2Q12E	% Var [^]
Sales	1,065	968	10.0	1,104	(3.5)
Gross income	137	128	7.3	141	(2.9)
Operating income	106	97	9.0	109	(2.4)
Net income	107	99	8.4	112	(4.3)
EPS*	1.78	1.64	8.4	1.86	(4.3)

Source: Company, NCBC Research [^] % Var indicates variance from NCBC forecasts *Based on the current 60mn shares

NEUTRAL

Target price (SR) 148

Current price (SR) 149.5

STOCK DETAILS

M52-week range H/L (SR)	165/109
Market cap (\$mn)	2,395
Shares outstanding (mn)	60
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(2.9)	(2.9)	28.6
Rel. to market	(4.4)	10.1	25.5

Avg daily turnover (mn)	SR	US\$
3M	7.4	2.0
12M	8.0	2.1

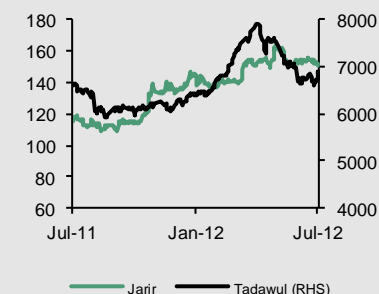
Reuters code	4190.SE
Bloomberg code	JARIR AB
	www.jarirbookstore.com

VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	17.5	14.8	13.2
P/B (x)	9.9	8.8	7.9
EV/EBITDA (x)	13.0	14.7	13.0
Div Yield (%)	4.7	5.5	6.2

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Reuters

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OVERWEIGHT:	Target price represents expected returns in excess of 15% in the next 12 months
NEUTRAL:	Target price represents expected returns between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

Other Definitions

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