

JARIR MARKETING CO.



This is an extract of our published report, the full version of which can be found on the nbc.com website

COMPANY UPDATE

Margin stability required to provide upside

We remain Neutral on Jarir with a PT of SR148. Although top and bottom line growth should continue to be strong in 2012, we believe much of this is priced in. Given the continued strength of electronic sales, sustaining margins may prove to be a challenge, although signs that margins are bottoming will be a key catalyst for the stock.

- iPad 3 to support sales in 2Q12, but YoY growth may be limited:** The successful launch of iPad 3 in 2Q12 is expected to support Jarir's top-line. However, on YoY basis, growth may be curtailed due to the impact of salary bonuses in 2Q11 which aided sales at Jarir. The company's plans to open only two stores in 2012 (compared to the three planned earlier) also holds back our top-line growth estimate.
- Margins may expand YoY in 2H12, but could prove hard to sustain:** We believe Jarir's margins could expand during 2H12 YoY, primarily due to the expected increase in sales of high-margin school items (due to the "back to school" season) and lower YoY sales of low-margin electronic products (due to one-off high electronic sales in 2011 given the salary bonuses). However, sustaining this margin expansion could be a challenge due to the growing percentage of sales coming from lower margin electronics.
- New stores and margins the key catalysts:** The opening of seven new stores during 2009-11 (from 23 to 30 stores) and increasing demand for electronics has aided Jarir in recording strong revenue growth in the past few years. The extent to which Jarir can continue opening new stores is thus a key potential catalyst for the company. Additionally, margin pressure in the past few years given the shift to electronic sales is another key theme; any stability in margins would be a key positive catalyst for the company.
- Fairly valued at current levels, although attractions present:** We believe Jarir is fairly valued at current levels. Margin stability would be a key catalyst in order for us to re-visit our rating. We note though that in the current climate of global economic uncertainty, Jarir, with its focus on domestic consumer spending and strong dividend yield can be seen as an attractive investment. Jarir currently trades at 15.2x 2012 P/E, a 9% discount to its average.

Summary Financials

SR mn	2011A	2012E	2013E	2014E	2015E	CAGR (%)
Sales	4,147	4,858	5,475	6,043	6,519	12.0
Gross income	655	753	842	924	987	10.8
Gross margin (%)	15.8	15.5	15.4	15.3	15.1	
Operating income	507	596	669	734	780	11.4
Operating margin (%)	12.2	12.3	12.2	12.1	12.0	
Net income	513	607	681	746	793	11.5
Net margin (%)	12.4	12.5	12.4	12.4	12.2	
EPS (SR)	8.5	10.1	11.3	12.4	13.2	11.5

Source: Company, NCBC Research estimates

NEUTRAL

Target price (SR) 148

Current price (SR) 153

STOCK DETAILS

M52-week range H/L (SR)	165/109
Market cap (\$mn)	2,455
Shares outstanding (mn)	60
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	0.8	(1.0)	31.3
Rel. to market	4.3	10.6	27.8

Avg daily turnover (mn)	SR	US\$
3M	8.5	2.3
12M	8.0	2.1

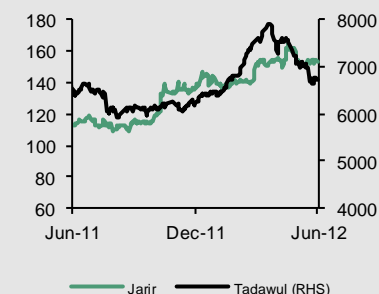
Reuters code	4190.SE
Bloomberg code	JARIR AB
	www.jarirbookstore.com

VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	17.9	15.2	13.5
P/B (x)	10.1	9.0	8.1
EV/EBITDA (x)	13.0	15.1	13.3
Div Yield (%)	4.6	5.4	6.1

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Reuters

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17 JUNE 2012

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www.alahlibrokerage.com**Corporate website**www.ncbc.com**NCBC Investment Ratings**

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

- NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations
- CS: Coverage Suspended. NCBC has suspended coverage of this company
- NC: Not covered. NCBC does not cover this company

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