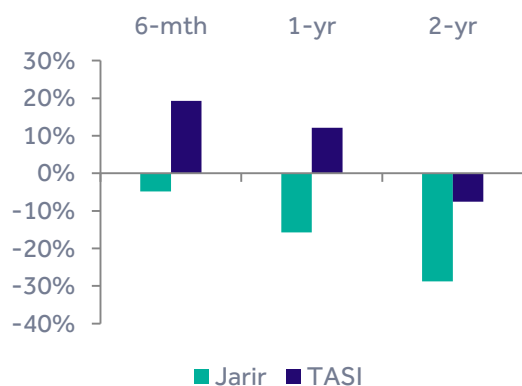


Market Data	
52-week high/low	SAR 17.62 / 14.00
Market Cap	SAR 16,992 mln
Shares Outstanding	1,200 mln
Free-float	72.58%
12-month ADTV	1,816,652
Bloomberg Code	JARIR AB



## Price Competition Continues Margin Reduction

April 22, 2024

Upside to Target Price	20.1%	Rating	Buy
Expected Dividend Yield	6.5%	Last Price	SAR 14.16
Expected Total Return	26.6%	12-mth target	SAR 17.00

Jarir Marketing	1Q2024	1Q2023	Y/Y	4Q2023	Q/Q	RC Estimate
Sales	2,650	2,718	(3%)	2,802	(5%)	2,659
Gross Profit	295	324	(9%)	328	(10%)	350
Gross Margins	11%	12%		12%		13%
Operating Profit	238	264	(10%)	290	(18%)	289
Net Profit	219	248	(12%)	273	(20%)	281

(All figures are in SAR mln)

- Jarir's top-line dropped by -3% Y/Y to SAR 2.7 bln for 1Q24, mostly driven by lower sales in electronics, computers, and smartphone products. Sequentially, Jarir's total sales decreased by -5% Q/Q, while gross profits also fell -10% Q/Q. Gross profits came under particularly hard pressure, as management had strategically lowered prices for smart phones in order to maintain their current market share; bringing down gross profit Y/Y by -9% as well.
- Cascading price competition had a slight effect on gross margins, as they contracted -79 bps Y/Y and -58 bps Q/Q, to 11% this quarter. The decline Q/Q and Y/Y was driven by decreases in pricing from computers, including smart phones, while the Company increased its price competitive stance. In tandem with lower gross margins, EBIT also decreased, dropping -10% Y/Y and -18% Q/Q; coming in at SAR 238 mln. Increases in selling and marketing expenses drove lower EBIT, causing a deviation from estimates.
- Net margins came in at 8%, slightly down from 9% in 1Q23 and 10% in 4Q23, almost parallel to gross margin declines. We trim our target price to SAR 17.00 and maintain our Buy rating, based on management's commentary regarding market share; while we also desire more certainty over the pricing strategy given continued contraction in margins.

**Brennan Eatough**  
 brendan.eatough@riyadcapital.com  
 +966-11-203-6808

## ■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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