



US\$1.648bn Market cap	87% Free float	US\$1.761mn Avg. daily volume
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Target price	182.0	17.78% over current
Consensus price	176.0	13.9% over current
Current price	154.5	as at 17/4/2011

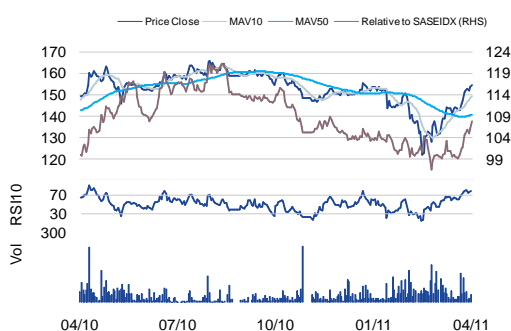
Existing rating

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

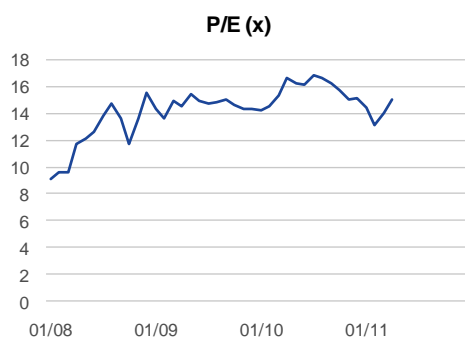


Earnings

Period End (SAR)	12/10A	12/11E	12/12E	12/13E
Revenue (mn)	3,015	3,467	3,976	4,509
Revenue Growth	18.0%	15.0%	14.7%	13.4%
EBITDA (mn)	418	458	507	563
EBITDA Growth	3.8%	9.6%	10.7%	10.9%
EPS	10.02	10.95	12.12	13.14
EPS Growth	7.2%	9.2%	10.7%	8.5%

Source: Company data, Al Rajhi Capital

Valuation



Source: Company data, Al Rajhi Capital

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Jarir

Q1 results: above expectations

Jarir released Q1 preliminary results with impressive year-on-year growth in revenues of 19%, and robust growth in net income of 15%. Both top and bottom lines growth were above our expectation of 12% and 5% respectively. Gross and operating profits remarkably grew by 14% and 15%, which alleviates the concerns of contracting margins. We suspect that like-for-like sales growth has been extremely strong driven by new electronics sales such as tablets and smart phones. Therefore, we expect to maintain our Overweight rating but increase our target price slightly.

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 reported revenues of SAR945mn in Q1 2011 opposed to SAR795mn in 2010 same period. This implies year-on-year growth of 19%, which was well above our estimate of 12%. We believe that all segments' sales grew, but electronics continued to drive sales. We also suspect that new electronics such as tablets and smart phones are taking over and outperformed other categories in terms of sales growth.
- Gross & Net profit:** Jarir reported gross profit of SAR163mn; this implies a gross margin of 17.2%, which is slightly better than our estimate of 16.9%. This has put an end to the declining profit margins which has been a continuous concern since Q1 2010. It also supports our view that the major adverse impact on margins from the company's electronics operations has already been felt in 2010. Net profit also grew by 15% year-on-year from SAR118mn in Q1 2010 to SAR136mn in Q1 2011.
- Same Store Sales growth still healthy:** Jarir opened only three new stores in 2010, and we suspect that it opened one new store in Q1, but we are waiting for the full results to confirm that. We thus believe that like-for-like sales growth remains at a strong level of above 10%, implying that over 80% of sales came from existing stores. This is one of the key facts we like about Jarir. Driven by electronics sales, we expect same store sales growth to stay above 8% in 2011.
- Valuation:** Jarir is a well-respected company with strong positions in the electronics, office and school supplies, and books markets. In our view, Q1 results are impressive, especially in terms of profitability which has been a serious concern in 2010. Moreover, we still expect strong same store sales growth, a handsome dividend yield, high economic profit and the company's transparency to support the stock price. Therefore, we expect to maintain our Overweight rating and raise our target price slightly



Corporate summary

Jarir Marketing Company is one of the leading retail companies in the GCC with a market value of US\$1.6bn. The company retails and wholesales books, school supplies, office supplies, laptops, software, and other electronic products. The retail sector of the company contributes to approximately 90% of the revenues. The company owns 29 branches, 25 are in Saudi while the remaining four are elsewhere in the GCC region and in Egypt.

Share information

Market cap (SAR/US\$) 6.18bn / 1.648bn
52-week range 122.0 - 166.0
Daily avg volume (US\$) 1.761mn
Shares outstanding 40.00mn
Free float (est) 87%

Performance:	1M	3M	12M
Absolute	17%	0.5%	3.3%
Relative to index	9.4%	4%	8.4%

Major Shareholder:

Jarir Investment company	12%
Mohammed Abdulrahman Alaqeel	9%

Source: Bloomberg, Al Rajhi Capital

Valuation

Period End	12/10A	12/11E	12/12E	12/13E
Revenue (SARmn)	3,015	3,467	3,976	4,509
EBITDA (SARmn)	418	458	507	563
Net Profit (SARmn)	401	438	485	526
EPS (SAR)	10.02	10.95	12.12	13.14
DPS (SAR)	8.24	8.62	9.05	9.50
EPS Growth	7.2%	9.2%	10.7%	8.5%
EV/EBITDA (x)	14.5	13.4	12.2	11.2
P/E (x)	15.4	14.1	12.8	11.8
P/B (x)	7.7	6.9	6.0	5.3
Dividend Yield	5.3%	5.6%	5.9%	6.2%

Source: Company data, Al Rajhi Capital



Disclaimer and additional disclosures for Equity Research

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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 15% 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 5% below the current share price and 15% above the current share price on a 6-9 month time horizon.

"**Underweight**": Our target price is more than 5% 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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