Target Price: SAR17.5/share
Current Price: SAR17.92/share
Upside: -2.3% (+Div. Yield: 5.6%)
Rating: Neutral

Jarir Marketing Company (Jarir)

2Q earnings beat on better margins; TP revise to SAR17.5

- 2Q26 topline rose 7.2% y/y (largely in line), aided by robust smartphone demand and 29% y/y growth in GCC sales; Earnings (+19.5 y/y) beat our estimates on better margin.
- Store expansion, favorable mix and healthy margins support 7.3% earnings CAGR over 2025-28e, despite competitive pressures and expansion costs.
- We remain positive on Jarir and revise our blended 1-year forward TP at SAR17.5/sh but maintain our rating to Neutral post ~40% YTD gain in stock price.

Stock data	
TASI ticker	4190
Mcap (SARmn)	21,504
Trd. Val (3m) (SARmn)	47.1
Free float	72.6%
QFI holding	21.8%
TASI FF weight	0.90%

Source: Bloomberg

Prices indexed to 100

Source: Bloomberg

2Q26 results: Jarir reported revenues of SAR2,774mn, up 7.2% y/y, largely in line with our (SAR2,871mn) and consensus (SAR2,916mn) estimates. This was supported by growth across all segments, particularly smartphones, as well as stronger contributions from GCC subsidiaries. Meanwhile, gross profit outpaced revenue growth, rising 24.0% y/y to SAR340mn, reflecting robust sales momentum and a favorable shift in the product mix toward relatively higher-margin categories, mainly school supplies and books, alongside subscription services. The gross margin expanded to 12.3% in 2Q26 from 10.6% in 2Q25 as supply constraints led the company to limit promotional price discounts. Consequently, net profit grew by 19.5% y/y to SAR236mn, ahead of our estimate of SAR214mn (consensus: SAR222mn). However, earnings growth lagged gross profit growth due to higher S&M expenses, increased G&A costs, and lower other income; nevertheless, the net profit margin improved to 8.5% from 7.6% in 2Q25.

Supply readiness and footprint expansion strengthen the growth outlook… Jarir's proactive inventory readiness measures positioned it to meet demand and capitalize on supply shortages across the region caused by shipping disruptions, particularly in other GCC markets, where Jarir's sales grew strongly by 29% y/y in 2Q26. Despite lower sales volumes compared to last year, average selling prices for electronics increased by ~25–30% in recent months, driven by global semiconductor shortages, particularly for chips used in AI-enabled devices. Jarir also continued to benefit from the growing contribution of its digital channel, with e-commerce sales increasing 11% y/y and accounting for 32% of total sales in 2Q26 vs. 27% in 2Q25.

Figure 1: Key financial metrics

SARmn	2024a	2025a	2026e	2027e	2028e
Revenue	**10,619**	**11,365**	**12,356**	**12,987**	**13,478**
Revenue growth	*0.2%*	*7.0%*	*8.7%*	*5.1%*	*3.8%*
Gross Profit	**1,324**	**1,416**	**1,579**	**1,653**	**1,712**
Gross profit margin	*12.5%*	*12.5%*	*12.8%*	*12.7%*	*12.7%*
Operating profit	**1,053**	**1,125**	**1,248**	**1,312**	**1,360**
Operating margin	*9.9%*	*9.9%*	*10.1%*	*10.1%*	*10.1%*
Net profit	**974**	**1,049**	**1,176**	**1,247**	**1,296**
Net profit growth	*0.1%*	*7.7%*	*12.1%*	*6.0%*	*3.9%*
Net profit margin	*9.2%*	*9.2%*	*9.5%*	*9.6%*	*9.6%*
EPS (SAR)	0.81	0.87	0.98	1.04	1.08
DPS (SAR)	0.83	0.89	0.98	1.04	1.08
P/E	22.1x	20.5x	18.3x	17.2x	16.6x
EV/EBITDA	18.0x	17.0x	15.5x	14.8x	14.3x

Source: Company data, GIB Capital

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Nevertheless, physical showrooms remained the primary sales channel. During 1H26, Jarir expanded its retail network by opening three new showrooms in Saudi Arabia and replacing two existing locations in Kuwait and Jeddah, bringing its total showroom count to 78, including 67 in Saudi Arabia and 11 across the rest of the GCC. Notably, newly opened showrooms contributed ~33% of 2Q26 sales growth. Looking ahead, Jarir plans to continue expanding its footprint and is expected to close the year with 82 showrooms. Accordingly, we slightly raise our revenue outlook and project a 5.8% top-line CAGR (5.1% earlier) over 2025–28e.

…and resilient execution keeps profitability healthy despite intensifying competition: Jarir's strong logistics capabilities in rerouting shipments and utilizing alternative ports and routes, coupled with prudent inventory management through early procurement and hedging strategies, enabled the company to secure inventory ahead of the recent wave of supplier price increases. At the same time, an improved sales mix—supported by the continued growth of subscription services and support programs, which now account for more than 30% of the phones segment sales—contributed to better-than-expected gross margins in 1H26. While these factors supported a strong margin performance, we believe sustaining current margin levels will be challenging. Competitive intensity is expected to remain elevated, while the ongoing expansion of the store network is likely to weigh on profitability through showroom ramp-up costs. Accordingly, we forecast gross margins to average ~12.7% and operating margins ~10.1% throughout 2028e. Combined with revenue growth and lower financing costs, this margin profile should support earnings growth, with net profit projected to increase at a 7.3% CAGR over 2025–28e (+6.2% earlier). Supported by its strong free cash flow generation, we also expect Jarir to maintain an attractive shareholder payout, forecasting DPS of SAR0.98/share in 2026e and SAR1.04/share in 2027e, implying a dividend yield of 5.5–5.8%.

Valuation and risks: Following the 1H26 results, we remain positive on Jarir's fundamentals, supported by its expanding showroom network, healthy margin profile, 2026e low-to-mid double-digit earnings growth outlook, robust free cash flow generation, and attractive dividend yield. Based on a blended valuation approach with an equal mix of DCF and P/E multiple (16.5x on avg 2026-27e EPS), we revise our blended 1-year forward TP at SAR17.5/sh (SAR16.5/sh earlier). However, after the stock's ~40% YTD appreciation, we believe much of the upside has been priced in and therefore maintain our Neutral rating. Key downside risks are global recessions/demand weakness, a structural shift to online education models, aggressive competition, entry of newer online players, global supply chain issues, and one-sided related party transactions.

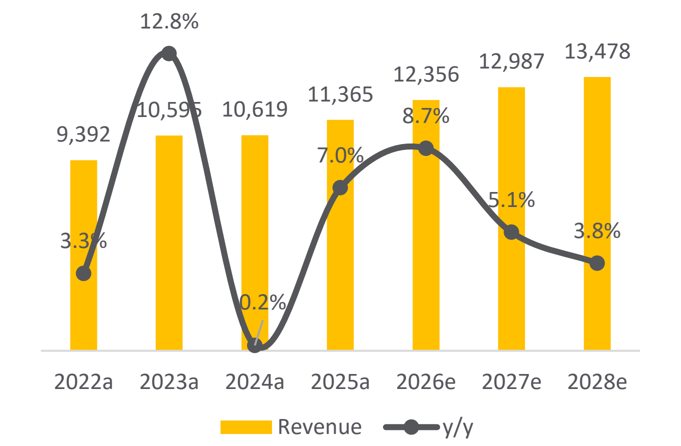
Figure 2: 2Q26 results summary

SARmn	2Q26	2Q25	y/y %	1Q26	q/q %	GIBC est.	Variance %
Revenues	**2,774**	**2,589**	**7.2%**	**3,039**	**-8.7%**	**2,871**	**-3.4%**
Cost of sales	2,434	2,314	5.2%	2,697	-9.8%	2,566	-5.2%
Gross profit	**340**	**274**	**24.0%**	**342**	**-0.4%**	**304**	**11.8%**
Opex	88	58	52.7%	73	20.1%	**78**	**12.5%**
Operating profit	**253**	**217**	**16.4%**	**269**	**-6.0%**	**226**	**11.6%**
Net income	**236**	**197**	**19.5%**	**254**	**-7.1%**	**214**	**10.1%**
Margins							
Gross margin	12.3%	10.6%		11.2%		10.6%	
Operating margin	9.1%	8.4%		8.8%		7.9%	
Net margin	8.5%	7.6%		8.3%		7.5%	

Source: Company data, GIB Capital. 2Q25 earnings include a one-off gain worth ~SAR11mn from land sales and reversal of zakat.

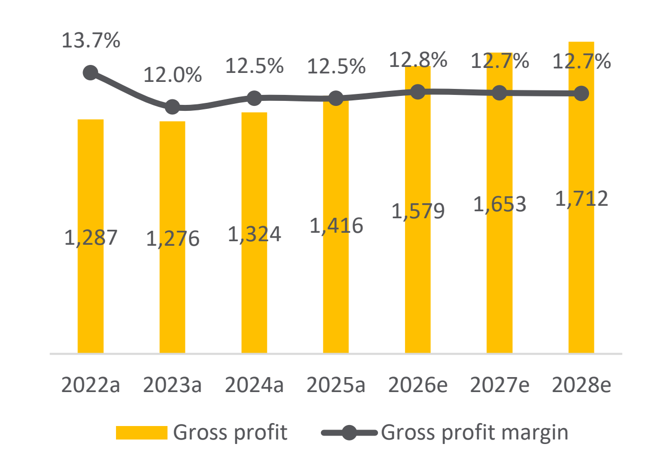
Financial analysis in charts

Figure 3: Revenue trend (SARmn)



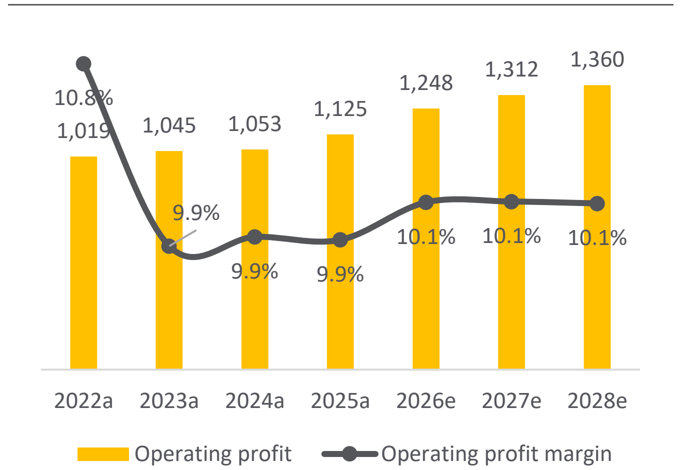
Source: Company data, GIB Capital

Figure 4: Gross profit (SARmn) and gross margin trend



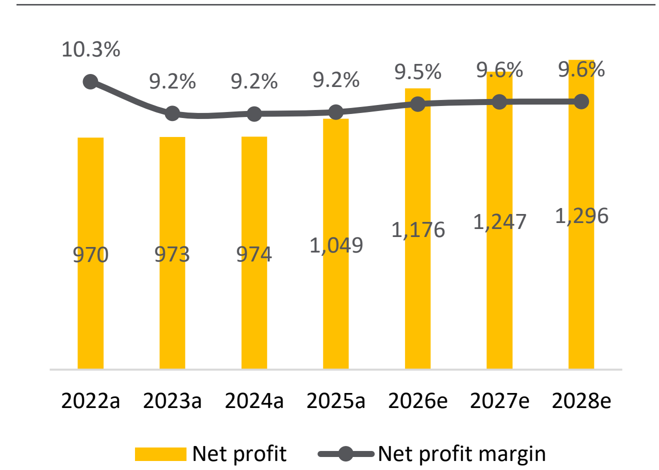
Source: Company data, GIB Capital

Figure 5: Operating profit (SARmn) and operating margin trend



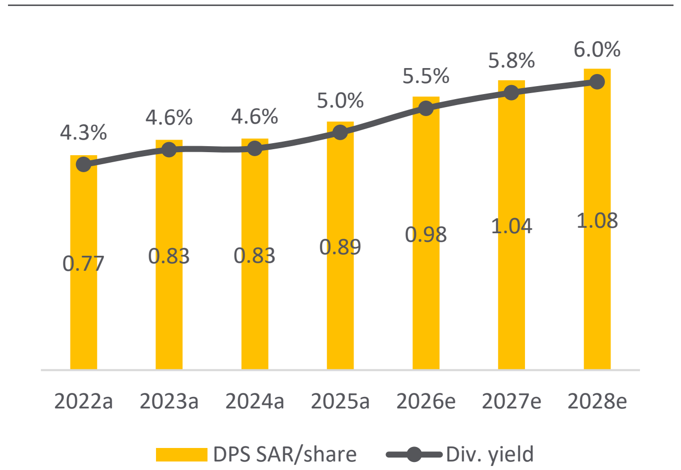
Source: Company data, GIB Capital

Figure 6: Net income (SARmn) and net margin trend



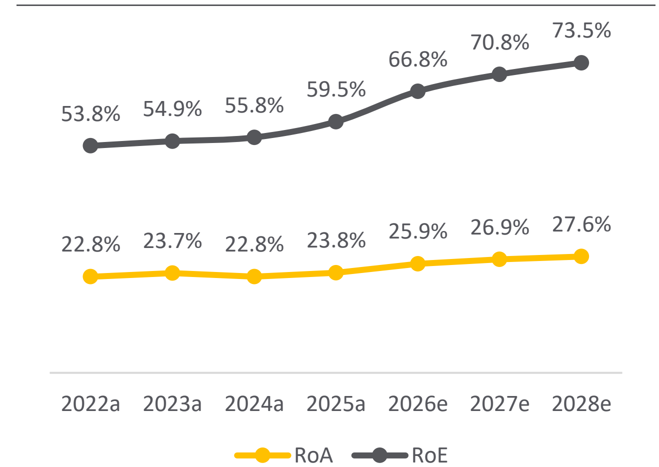
Source: Company data, GIB Capital

Figure 7: Dividend yield



Source: Company data, GIB Capital

Figure 8: RoA and RoE trend



Source: Company data, GIB Capital

Financials

Figure 9: Summarized basic financial statements (SARmn)

Income statement	2024	2025	2026e	2027e	2028e
Revenue	**10,619**	**11,365**	**12,356**	**12,987**	**13,478**
Revenue y/y	*0.2%*	*7.0%*	*8.7%*	*5.1%*	*3.8%*
COGS	9,295	9,949	10,777	11,334	11,766
Gross Profit	**1,324**	**1,416**	**1,579**	**1,653**	**1,712**
Gross profit margin	*12.5%*	*12.5%*	*12.8%*	*12.7%*	*12.7%*
Sales & Marketing	203	222	228	238	245
G&A	144	154	167	182	187
Operating profit	**1,053**	**1,125**	**1,248**	**1,312**	**1,360**
Operating margin	*9.9%*	*9.9%*	*10.1%*	*10.1%*	*10.1%*
Finance costs	(52)	(52)	(45)	(39)	(37)
Net income	**974**	**1,049**	**1,176**	**1,247**	**1,296**
Net margin	*9.2%*	*9.2%*	*9.5%*	*9.6%*	*9.6%*
y/y	*0.1%*	*7.7%*	*12.1%*	*6.0%*	*3.9%*
EPS	**0.8**	**0.9**	**1.0**	**1.0**	**1.1**
DPS	0.8	0.9	1.0	1.0	1.1
Payout	102%	102%	100%	100%	100%
EBITDA	**1,215**	**1,288**	**1,411**	**1,477**	**1,528**

Balance Sheet	2024	2025	2026e	2027e	2028e
Inventories	1,817	1,709	1,852	1,947	2,022
Accounts and Notes Receivable	174	189	206	216	224
Prepaid Expenses and Other	326	354	354	354	354
Cash and Equivalents	33	271	300	346	378
Total Current Assets	**2,349**	**2,523**	**2,711**	**2,863**	**2,978**
Right of Use Assets	627	615	615	615	615
Property Plant & Equipment - Net	995	997	914	849	802
Total Non-Current Assets	**1,924**	**1,893**	**1,835**	**1,770**	**1,722**
Total Assets	**4,273**	**4,416**	**4,546**	**4,633**	**4,700**
Current Liabilities	1,736	1,837	1,948	2,022	2,080
Non-current Liabilities	792	817	836	848	858
Equity	1,745	1,762	1,762	1,762	1,762
Total Equity and Liabilities	**4,273**	**4,416**	**4,546**	**4,633**	**4,700**
BVPS	1.5	1.5	1.5	1.5	1.5

Cashflow	2024	2025	2026e	2027e	2027e
Cashflow from Operations	1,122	1,473	1,310	1,392	1,448
Cashflow from Investing	-63	-38	-80	-100	-120
Cashflow from Financing	-1,064	-1,062	-1,176	-1,247	-1,296
Total Cashflows	**-4**	**372**	**54**	**46**	**32**

Source: Company data, GIB Capital

Figure 10: Key ratios

Key ratios	2024	2025	2026e	2027e	2028e
Profitability ratios					
RoA	23%	24%	26%	27%	28%
RoE	56%	60%	67%	71%	74%
Sales/Assets	249%	257%	272%	280%	287%
Net margin	9.2%	9.2%	9.5%	9.6%	9.6%
Liquidity ratios					
Current Assets/ Current Liabilities	1.4	1.4	1.4	1.4	1.4
Receivable Days	6	6	6	6	6
Inventory Days	71	63	63	63	63
Payable days	47	49	49	49	49
Debt ratios					
Net Debt/EBITDA (w/o IFRS liab.)	0.0	-0.2	-0.2	-0.2	-0.2
Net Debt/EBITDA (w/ IFRS liab.)	0.6	0.4	0.3	0.3	0.2
Debt/Assets (w/o IFRS liab.)	0.0	0.0	0.0	0.0	0.0
Debt/Equity (w/o IFRS liab.)	0.0	0.0	0.0	0.0	0.0
Valuation ratios					
P/E	22.1	20.5	18.3	17.2	16.6
P/B	12.3	12.2	12.2	12.2	12.2
EV/EBITDA	18.0	17.0	15.5	14.8	14.3
Div. yield	4.6%	5.0%	5.5%	5.8%	6.0%

Source: Company data, GIB Capital

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