SAUDI CONSUMER ELECTRONICS

INITIATION – eXtra and Jarir

8 October 2024

MORE CATALYSTS FOR EXTRA, LESS VISIBILITY FOR JARIR

We initiate coverage of two consumer electronics (CE) stocks in Saudi Arabia: United Electronics Company (eXtra) and Jarir Marketing Company (Jarir). Our preferred stock in the sector is eXtra. We believe the company is well-positioned to continue increasing its market share in the lucrative white goods sector, driven by its strong customer proposition and established omni-channel platform. We like eXtra's growth initiatives, such as its partnership with Panda Retail and its entry into the fintech space. The latter is particularly promising given the market's low penetration, and the upcoming Tas'heel IPO could unlock significant value for shareholders. We view Jarir's position as more vulnerable due to its less diversified product mix and its higher exposure to commoditized goods, such as smartphones. This makes the company more susceptible to intense competition, we believe.

CE Market: A Favorable Secular Macro Backdrop and Cyclical Recovery. The ambitious socio-economic reforms, a young and growing population, and rising female labor participation provide a favorable backdrop for the broader consumption sector in KSA, in our view. The CE market, which has been sluggish in the post-pandemic era, could see renewed support from on-device AI developments and a falling interest rate cycle.

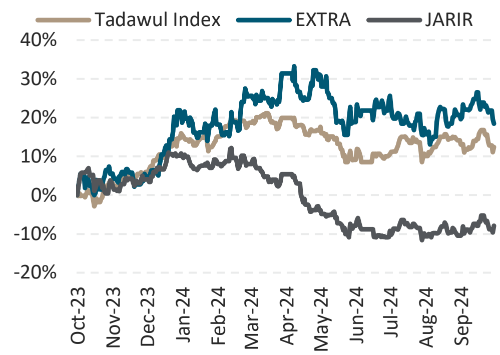
eXtra's Position in the Market Is More Favorable. We think eXtra will continue to capitalize on its strong presence in the home appliance sector (holding a 30-40% market share across categories), especially as big-box competitors exit the market, and the company strengthens its customer proposition through its omni-channel platform, ancillary services, and loyalty initiatives. Despite having a strong brand, we view Jarir's high exposure to commoditized goods – such as smartphones (around 50% of sales) and laptops (50% of the market) – as the main risk, especially given the tight competition from online marketplaces and mobile operators.

More Catalysts for eXtra Over the Mid-Term. We expect a key catalyst to materialize for eXtra by the end of the year: a Tas'heel IPO that would unlock value at a higher multiple for the consumer finance (CF) business and pave the way for a special dividend. Jarir could see a seasonally stronger 3Q, while its visibility regarding the evolution of the product mix is limited.

eXtra's Historical Discount Might Turn into a Premium. Historically, eXtra has traded at an average discount to Jarir of 10% on PE, but this gap has diminished. Given eXtra's stronger growth profile and additional initiatives to create value – such as its partnership with Panda and the expansion of Tas'heel – we believe the discount might turn into a premium. Currently, eXtra is trading at a 2024/2025 PE of 15.9x/13.3x, while Jarir is at 16x/15x, based on our estimates.

Risks. The macro deterioration in KSA due to falling oil prices may weaken consumer spending on discretionary goods. Supply chain disruptions could affect working capital cycle. Increasing competition in the commoditized electronics sector might continue to pressure basket sizes and erode margins. Additionally, poor execution at Tas'heel could result in loan quality deterioration and weaker returns for eXtra.

EXTRA AND JARIR VS TADAWUL INDEX, 12M



Source: Bloomberg

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RATING AND VALUATION SUMMARY, SAR

	Price*	YE25 TP	DY**	Total return	Rating	PE 2025F, x	ROE 2025F	Adj. FCF yield 2025F
United Electronics Company (eXtra)	91.2	121.0	4.9%	37.6%	Buy	13.3	36.8%	6.4%
Jarir Marketing Company (Jarir)	13.0	14.0	6.2%	13.8%	Hold	15.0	56.3%	6.4%

*Source: Bloomberg, Roemer Capital. *COB 7 October 2024, **dividends paid in calendar 2025*

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INVESTMENT SUMMARY

Ongoing socio-economic reforms in the kingdom, along with a **young and growing population**, provide a favorable backdrop for a broad consumption sector in the country, in our view.

Over the next 24 months, we expect the **recovery of the consumer electronics and appliances markets** to be supported by advancements in on-device AI and a declining interest rate cycle. We anticipate continued consolidation, particularly in the big appliances segment, as several big-box retailers exit the market. Competition in commoditized digital goods, such as smartphones, is likely to remain tight due to the presence of marketplaces like Amazon and Noon, as well as mobile network operators (MNOs) like STC.

Share performance review: eXtra vs Jarir. eXtra's share price is up 18% over the last twelve months and 1.7% YTD, outperforming the Tadawul All-Share Index (+12% and -0.5%, respectively) and Jarir (-8% and -16%, respectively).

eXtra's solid performance was driven by earnings recovery over the last twelve months: net income (YoY) in 1H23 / 2H23 / 1H24 at -35% / +13% / +37%, respectively, with one-off losses booked in 1H23 due to its Egypt exit. The performance was further bolstered by news surrounding Tas'heel's planned IPO target for 4Q24 and the corresponding shareholder and *regulatory approval*.

Jarir's performance was negatively impacted by a sales drawdown in 1Q24, while it continued to see margin contraction given a rising share of less lucrative smartphones in the product mix, with aggressive pricing campaigns to protect market share this year. Net income (YoY) in 1H23 / 2H23 / 1H24 was at -6% / +5% / -3%, respectively.

Valuation comparisons: eXtra is trading at 15.9x PE for 2024 (a 4% discount to its historical 12Y average), and 13.3x for 2025, as per our estimates. Jarir stock has derated and is trading at 16x PE for 2024 (a 13% discount to its historical average), and 15x for 2025.

Historically, eXtra has traded at an average discount to Jarir of 10%, but the gap has diminished over the last several quarters. Going forward, provided that the Tas'heel IPO is successful and Jarir does not revamp its product mix to boost growth and margins, we think **eXtra's historical discount might turn into a premium**.

In terms of the **PEG** ratio, we see eXtra as one of the most attractively priced company in the consumer discretionary space in Saudi Arabia. We estimate eXtra's PEG at 0.9, compared to Jarir at 2.4 (see the valuation table on the next page).

We project a 2024-2026 **sales CAGR** of 12.3% for eXtra and 5.1% for Jarir. In terms of profitability, we expect consolidated **net income margins** of 6.6% in 2024 and 6.8% in 2025 for eXtra, while Jarir's net margin is projected to remain stable at 8.9%. **Earnings CAGR** for 2024-2026 is forecast at 18% for eXtra and 4.4% for Jarir.

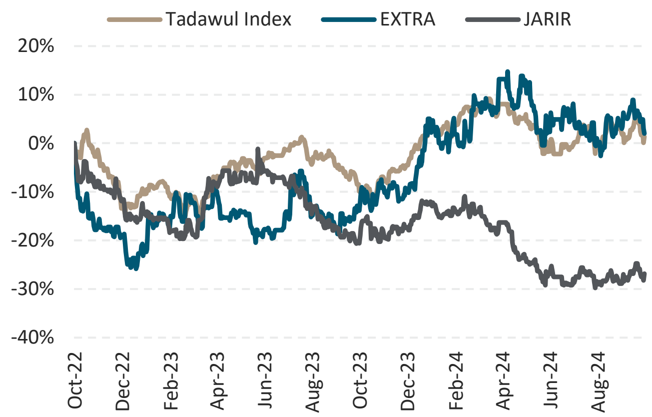
FCF conversion should remain solid, on our estimates, with **dividend yields** to be paid in the calendar 2025 expected at 4.9% for eXtra and 6.2% for Jarir. The Tas'heel IPO could provide **additional dividends** for eXtra shareholders, with a special dividend yield from the proceeds potentially ranging between 4.6% and 7.7%, based on a 30-50% payout, as per our estimates.

Tas'heel's IPO could unlock significant value for shareholders, in our view. We believe eXtra's CF subsidiary should trade at a premium compared to its core CE business, given its stronger growth prospects. This is further supported by the valuations of comparable stocks within the banking and consumer finance space.

Jarir's risk/reward profile appears more balanced at this juncture. However, visibility regarding developments in its product mix and margin dynamics remains limited, especially when compared to eXtra.

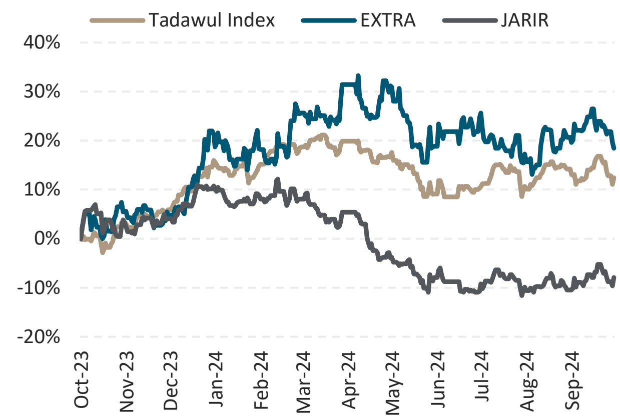
STOCKS PERFORMANCE AND VALUATIONS

EXTRA AND JARIR SHARES VS TADAWUL INDEX, 24M



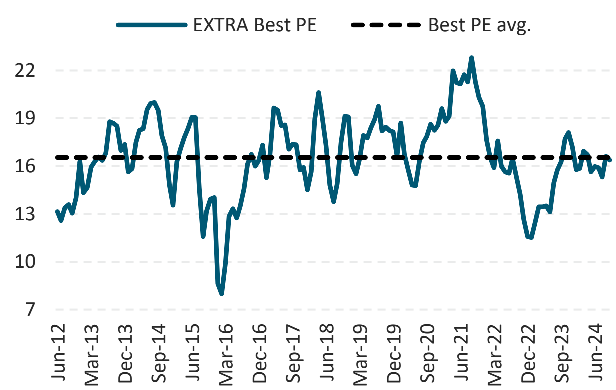
Source: Bloomberg

EXTRA AND JARIR SHARES VS TADAWUL INDEX, 12M



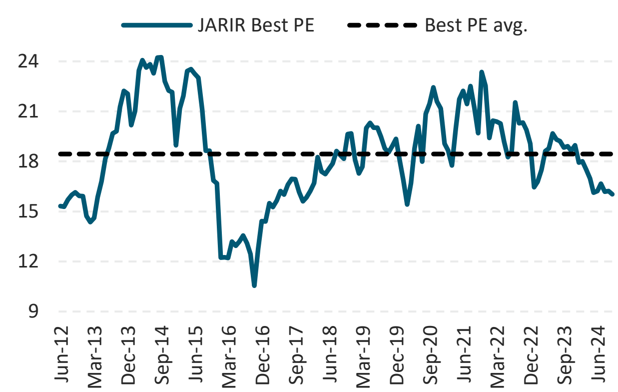
Source: Bloomberg

EXTRA FORWARD PE DYNAMICS (BEst)



Source: Bloomberg

JARIR FORWARD PE DYNAMICS (BEst)



Source: Bloomberg

SAUDI CONSUMER DISCRETIONARY STOCKS' VALUATIONS

		Adj. EV/EBITDA, x		PE, x					Net margin		Div. yield	
	Mkt Cap (USDmn)	2024F	2025F	2024F	2025F	PEG*	Sales 24-26F CAGR	Net profit 24-26F CAGR	2024F	2025F	2024F	2025F
Consumer electronics												
United Electronics (eXtra)	**1,942**	**14.4**	**13.2**	**15.9**	**13.3**	**0.9**	**12.3%**	**18.0%**	**6.6%**	**6.8%**	**4.5%**	**5.4%**
Jarir Marketing	**4,160**	**12.8**	**12.2**	**16.0**	**15.0**	**2.4**	**5.1%**	**4.4%**	**8.9%**	**8.9%**	**5.9%**	**6.3%**
Fitness clubs												
Leejam Sports	2,781	14.5	12.6	23.8	21.3	1.7	15.4%	17.2%	28.2%	27.3%	2.3%	2.6%
Travel / Bookings												
Seera Group	1,826	8.9	8.0	31.1	21.9	0.7	15.4%	19.9%	5.4%	6.7%	0.6%	1.9%
Car rental												
Budget Saudi	1,706	9.6	8.5	19.6	15.3	1.0	20.3%	17.7%	17.1%	17.8%	2.1%	3.0%
Lumi Rental	1,126	9.2	8.1	22.7	18.2	1.1	18.9%	18.7%	12.0%	13.6%	2.2%	2.4%
Restaurants (QSR)												
Americana Restaurants	5,763	12.0	9.7	29.7	20.7	0.9	7.4%	11.8%	9.0%	10.8%	2.2%	3.1%
Alamar Foods	513	10.8	8.0	39.7	21.1	0.6	6.4%	34.8%	5.2%	8.6%	2.1%	3.4%

*Source: Roemer Capital, Bloomberg; *PEG ratio: PE24 to net profit 25-26E CAGR; pricing as of COB 7 October 2024*

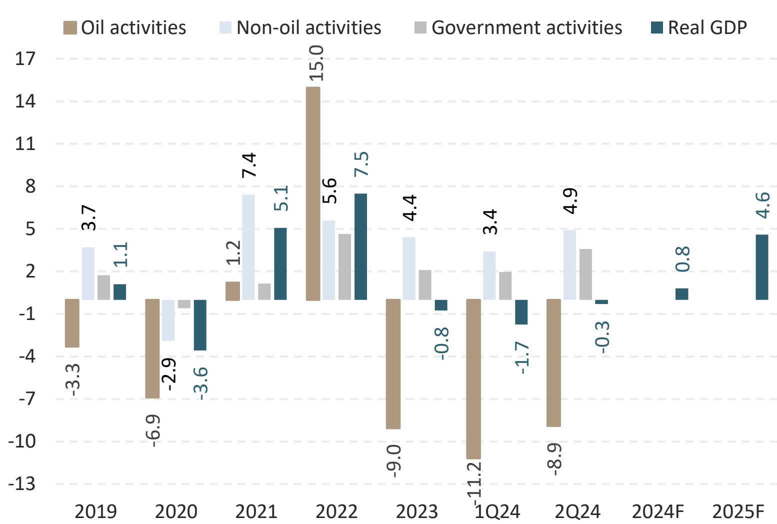
SAUDI ECONOMIC AND CONSUMER OUTLOOK

The Economy Driven by Non-Oil Activities

The Saudi Arabian economy is undergoing a transformation driven by ongoing reforms and advances towards achieving the key pillars of the Saudi Vision 2030 program. Real GDP decreased by 0.8% year-on-year (YoY) in 2023, as oil activities declined by 9.0%, while non-oil activities grew by 4.4%; the pattern repeated itself in 2Q24 with GDP declining by 0.3% YoY, with non-oil activities rising by 4.9% YoY. The IMF's July outlook estimates Saudi Arabia's real GDP growth at 1.7% in 2024 and 4.7% in 2025. The recent budget from the Ministry of Finance projects real GDP growth at 0.8% in 2024, driven by a 3.7% increase in non-oil activities, with a 4.6% rise expected in 2025.

The government's stated main priority is to increase the private sector's share in the economy. Thus, the share of non-oil activities rose to around 50% of GDP in real terms in 2023, compared to 47.5% in 2016 when the Vision 2030 program was announced.

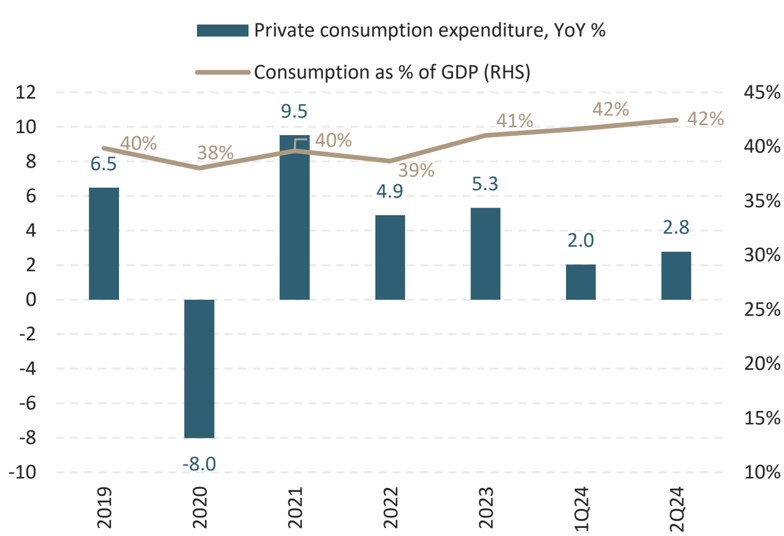
REAL GDP GROWTH RATE BY ACTIVITIES, YoY %



Source: Ministry of Finance

Private consumption slowed to 2.8% YoY in 2Q24, following a growth of 5.3% in 2023 owing to the base effect in the aftermath of end of Covid. Consumption as a percentage of GDP has been rising gradually, reaching around 42% of GDP in Q2 2024.

PRIVATE CONSUMPTION TRENDS

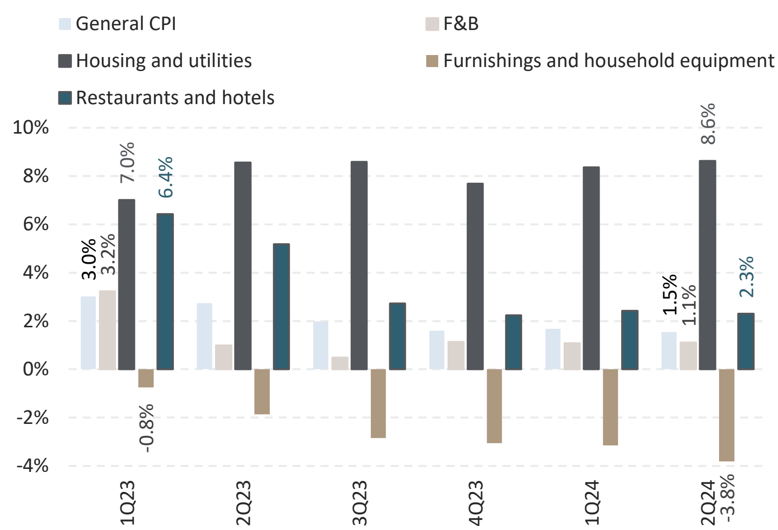


Source: Ministry of Finance

Inflation Remains Relatively Low, Except for Housing Costs

The general Consumer Price Index (CPI) in the Kingdom printed 1.5% YoY in 2Q24, with food and beverage prices rising by 1.5%. In contrast, housing and utilities continued to show upward pressure, increasing by 8.6%, driven by rising rents. Household goods remained in a deflationary trend.

INFLATION TRENDS, YoY %



Source: The Saudi Arabian Monetary Agency (SAMA)

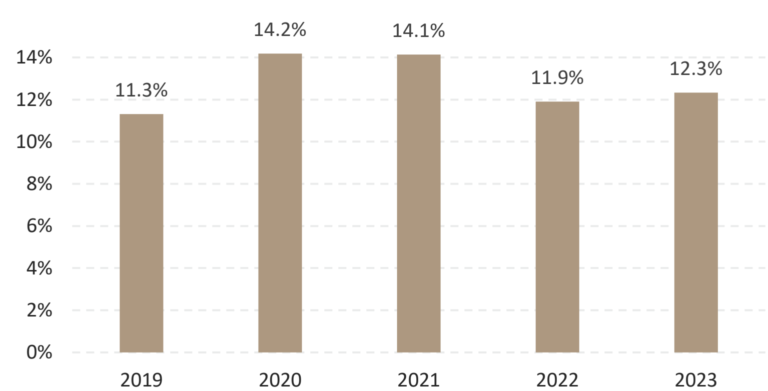
Modest Debt Levels in Both Public and Private Sectors

The public debt reached SAR1trn, or 26.2% of GDP in YE23, compared to some 70% level for emerging markets and middle-income economies and 110% for advanced economies, according to the IMF.

According to the Bank for International Settlements (BIS), the total household debt to GDP ratio in Saudi Arabia was around 33% at YE23, compared to the Euro area average of approximately 54%, with China at 62%, India at 42%, South Africa at 34%, and Poland at 24%.

Similarly, the penetration of consumer loans and credit card loans (excluding real estate loans) issued by banks and non-banking financial institutions (NBFIs or finance companies) was low at 12.3% of GDP at YE23. Total consumer credit card loans amounted to SAR28bn at YE23, representing a 75% increase from YE18, still accounting for a small fraction of around 6% of the total consumer loan portfolio, according to our estimates.

CONSUMER LOAN* PENETRATION

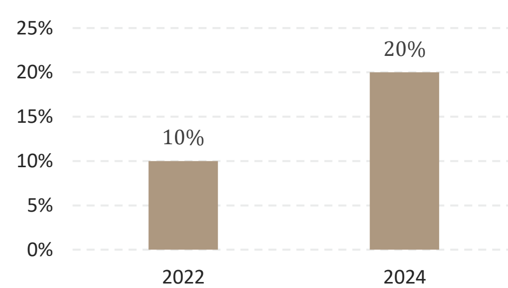


**Consumer loans and credit cards issued by banks and consumer finance companies (excl. housing loans and leasing) as % of GDP*

Source: SAMA

*The **Buy Now, Pay Later (BNPL)** market is booming in Saudi Arabia, with local champions like Tabby and Tamara available at nearly every counter, including eXtra and Jarir stores.*

BNPL PENETRATION* IN UAE AND KSA



**% of users/population*

Source: Redseer Research

Favourable Demographics and Labor Market

According to the latest census, Saudi Arabia's total population reached 32mn in 2022 (+34% since 2010), with Saudis making up 58% (50% female) and non-Saudis 42%. Notably, 63% of the population is younger than 35 years old, and the working-age population accounts for 73% of the total, or 23.4mn people.

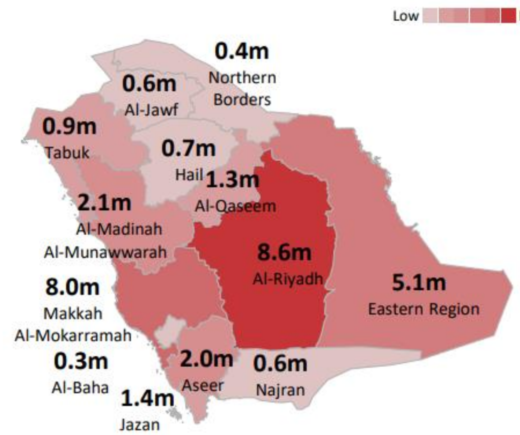
Saudi Arabia's overall unemployment rate fell to very low 3.3% in 2Q24 (down 0.2 ppt QoQ and down 0.8 ppt YoY), according to the General Authority for Statistics (GASTAT). The jobless rate among Saudi nationals decreased to 7.1% (down 0.5 ppt QoQ and down 1.4 ppt YoY).

The economy is undergoing a significant transformation, and one of the most notable developments is the rising female participation in the labour force, which reached 36% in 2022, up from 26% in 2019-2020, surpassing the Vision 2030 target.

We see the rising female labor participation as a powerful trend that boosts household spending power, reducing the financial burden on the working male in an average Saudi family. According to Charlie Robertson from FIM Partners (*a link to his note*), the inclusion of women in the economy could significantly increase GDP by 10-20% over the long term and raise per capita GDP by roughly a quarter within the next five years (USD8,000 vs. 2023 per capita GDP at USD31,500).

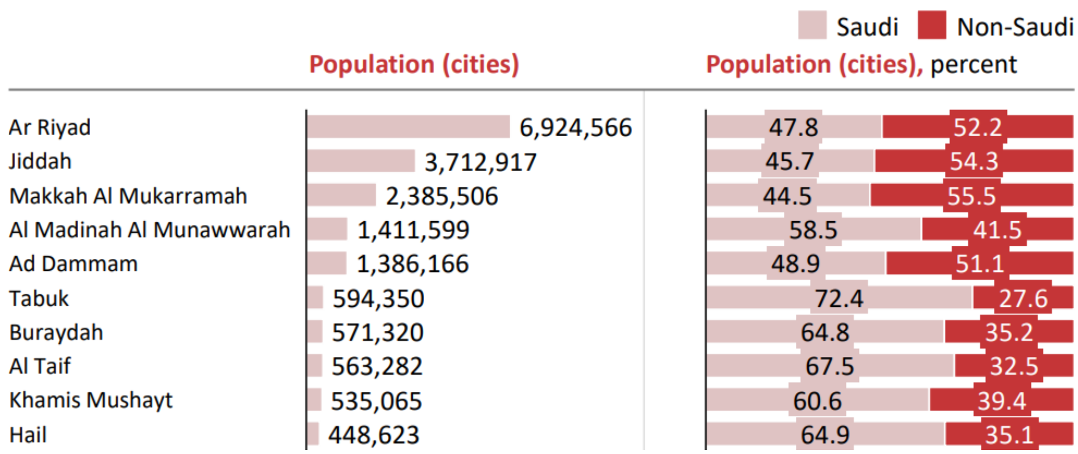
During our trip to Saudi Arabia in late August, we noted visible women's participation in various places such as malls, airports, cafés, and banks – evidently contributing to a high-quality labor supply in the growing service sector.

TOTAL POPULATION COUNT BY REGION IN KSA



Source: GASTAT

KSA HAS 31 CITIES WITH A POPULATION MORE THAN 100K PEOPLE



Source: GASTAT

CONSUMER ELECTRONICS MARKET TRENDS

Awaiting the Recovery

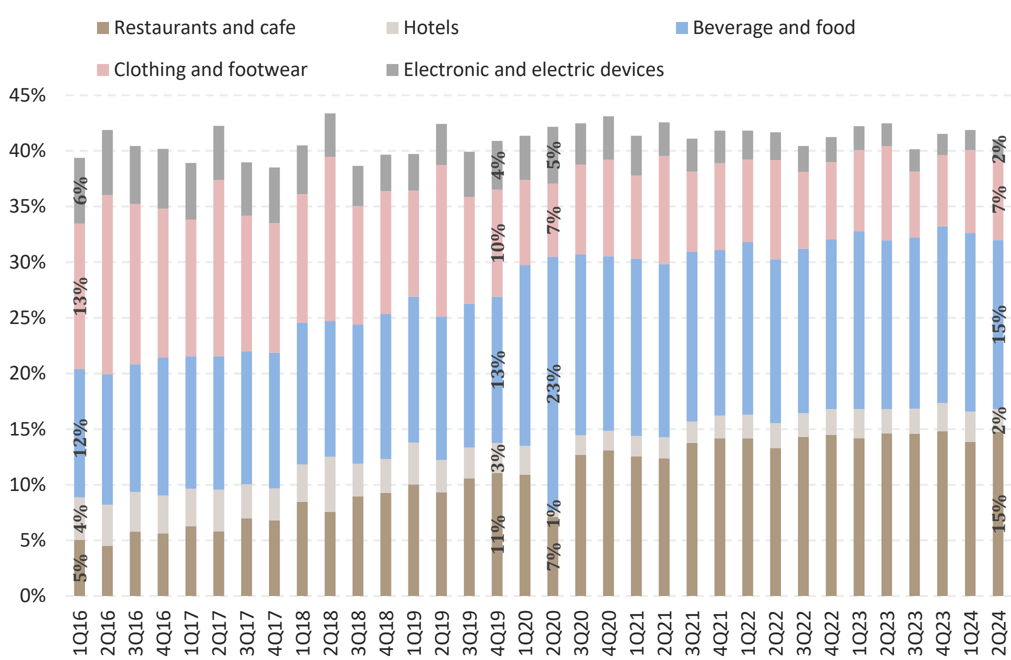
The consumer electronics market has been under pressure over the last three years, following pent-up demand during the pandemic. The main factors contributing to pent-up demand in 2020 were the work-from-home trend and the increase in VAT from 5% to 15% in Saudi Arabia in July 2020.

The period of soaring demand for durables and electronics during the pandemic was followed by a consumer shift toward services over goods. The services sector has also benefited from Vision 2030 reforms, such as the lifting of the cinema ban in 2018 and the removal of gender segregation in restaurants in 2019, which stimulated rising demand for leisure and entertainment in the Kingdom.

The Saudi Central Bank (SAMA) point-of-sale (POS) data shows that the share of restaurants and cafés in total sales increased to 15% in 2Q24, up from just 5% in 1Q16, while the share of electronic and electric device transactions declined from 6% to 2% over the same period. However, the SAMA POS data excludes e-commerce and installment schemes such as Buy-Now-Pay-Later (BNPL) purchases, which are rapidly penetrating many categories, including consumer electronics, and significantly impacting the respective POS figures.

The share of non-cash payments in total retail transactions has grown from 10% in 2010 to 70% in 2023. SAMA expects digital and non-cash payments to surpass 80% of consumer payments by 2030.

POINTS OF SALE (POS)* TRANSACTIONS BY SECTORS

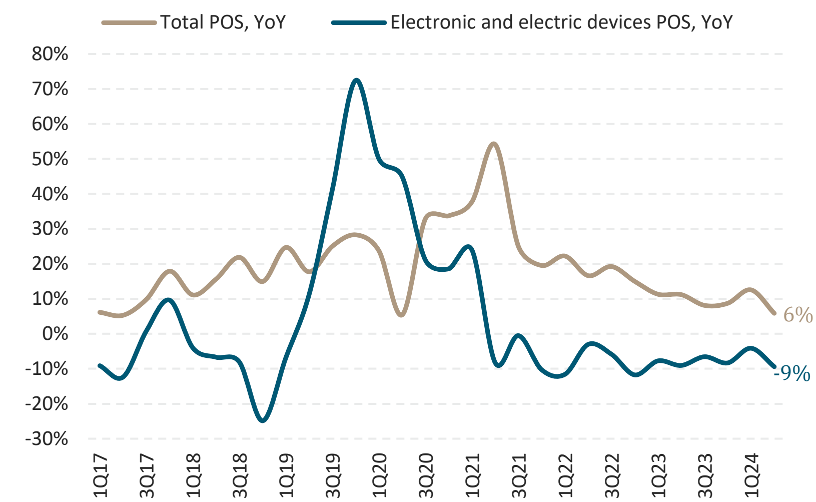


**excl. e-commerce transactions; as % of total transactions*
Source: SAMA

POS data for electronic and electric devices' purchases shows contraction for thirteen consecutive quarters, with sales in 2Q24 down 9% YoY, while total POS sales increased by 6% YoY (see the chart below).

According to eXtra management, the overall consumer electronics and appliances market is showing flat performance this year, and the company expects a stable-to-positive performance next year.

POS* DYNAMICS – TOTAL AND ELECTRONICS



*excl. e-commerce transactions
Source: SAMA

We believe several factors could support the consumer electronics and appliances market over the next 24 months.

One factor is the smartphone and PC replacement cycle after four years post-pandemic, supported by the proliferation of on-device AI.

Another positive is that the home appliance segment is expected to benefit from residential real estate developments in Saudi Arabia, with falling interest rates (as SAMA follows the Federal Reserve due to the currency peg) driving demand and government initiatives aimed at increasing affordability and boosting the construction of new large-scale residential projects.

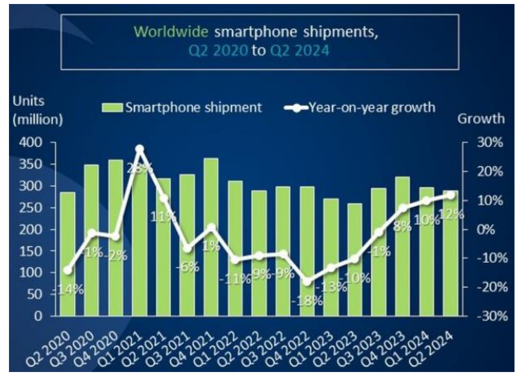
We see offline sales for retailers as increasingly important for large home appliances, as consumers typically prefer to purchase big-ticket items in stores that offer proper consultation and accompanying services, such as warranty and after-sales support.

A GLOBAL PERSPECTIVE

Global smartphone and PC markets have seen a recovery for the third consecutive quarter in 2Q24.

According to Canalys and IDC, on-device AI adoption could accelerate the replacement cycle and support average selling prices (ASP) going forward forward.

GLOBAL SMARTPHONE MARKET UP 12% IN 2Q24



Source: Canalys

The PC market is also expected to be supported by the end of service for Windows 10 and the Windows 11 refresh cycle in 2025, according to Canalys.

GLOBAL PC MARKET UP 3% IN 2Q24

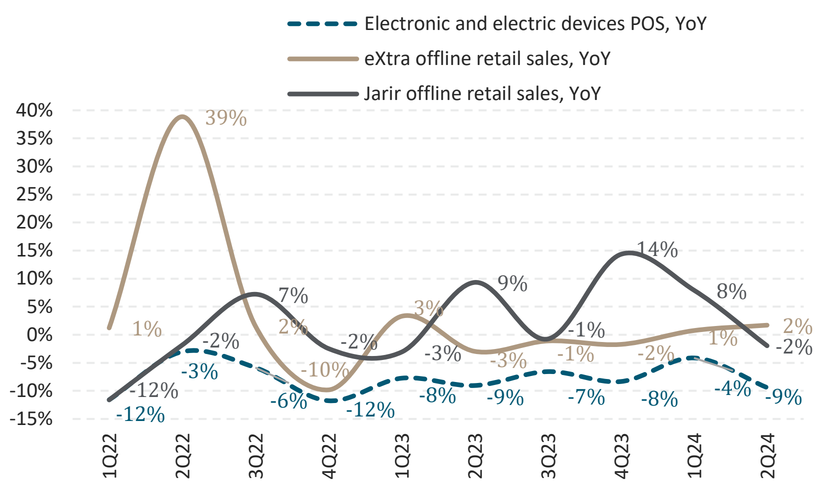
Source: Canalys

EXTRA AND JARIR VS THE MARKET: COMPETITIVE POSITIONING

eXtra and Jarir Have Consistently Outperformed

Despite a prolonged contraction in POS data, eXtra and Jarir have shown a much better in-store sales dynamic (excluding e-commerce), indicating that both companies have been increasing their market share.

EXTRA AND JARIR OFFLINE RETAIL SALES VS POS* DATA



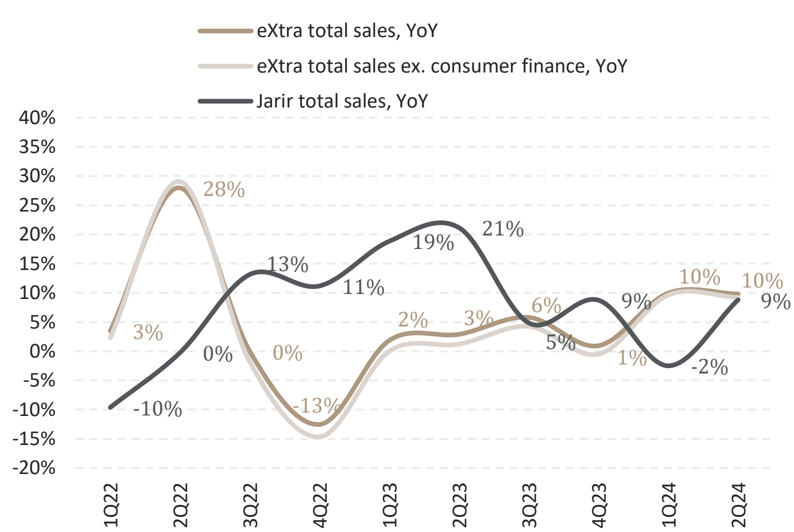
*excl. e-commerce transactions
Source: SAMA, Company data

On a consolidated basis, sales growth has been stronger and largely positive for both eXtra and Jarir since 1Q22, with the e-commerce segment becoming a major contributor to overall performance.

eXtra was the first retailer to launch online shopping in 2011. Its share of e-commerce in the retail segment (excluding the consumer finance business) increased from approximately 22% in 1H21 to around 24% in 1H24.

Jarir entered the online segment later and saw its e-commerce sales as a share of retail sales rise from approximately 8% in 1H21 to over 22% in 1H24, which boosted sales.

EXTRA AND JARIR TOTAL SALES DYNAMICS



Source: Company data

Market Consolidation Is Expected to Continue

The ongoing consolidation of the market means easing competitive pressures, we consider. Several players have exited the Saudi consumer electronics market over the past few quarters, including major retailers such as Kuwait's Xcite (which closed 11 stores in Saudi Arabia, 8 of them in Riyadh), Eddy (which closed 28 stores across six major cities), Electro, Emax, among others.

Competition in the smartphone segment is tight, with the market dominated by mobile network operator (MNO) outlets, particularly STC, as well as e-commerce platforms such as Amazon and Noon.

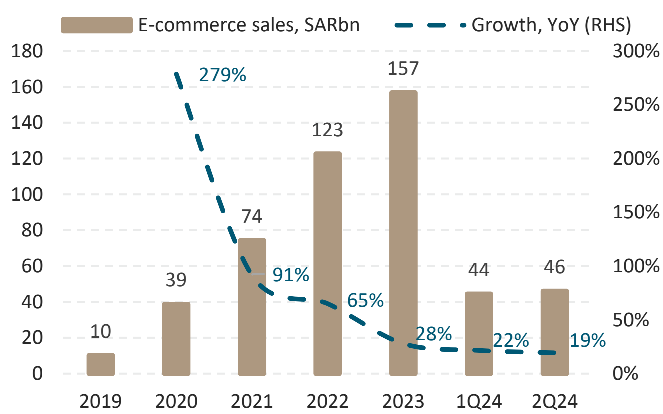
The home appliances market is experiencing a significant presence from regional players focusing on low-end consumers.

Overall, in the big box format and in segments like large appliances, consolidation is expected to continue. Market leaders such as eXtra will likely continue to capture market share from smaller players who lack a broad product mix, proper scale, and a strong online offering. Additionally, providing convenient services such as warranty, delivery, after-sales support, and loyalty cards will be crucial. In-store experiences and ancillary services that drive customer loyalty will also be key differentiating factors for the largest players.

The Online Proposition Remains Paramount

We believe that robust online platforms with fast delivery options, a vast network of pick-up points, and quick processing for installment purchases will be key differentiating factors as the e-commerce market continues to grow strongly in Saudi Arabia.

E-COMMERCE TRANSACTIONS USING MADA CARDS*



**Including transactions of mada cards (the national payment scheme of KSA) through online shopping sites, in-app purchases and e-wallets, it does not include transactions by Visa, MasterCard and other credit cards.*
Source: SAMA

CONSUMER FINANCE TRENDS

Strong Potential in an Underpenetrated Market

We also provide a brief overview of the **finance companies (NBFIs)** in Saudi Arabia, as this sector is becoming a key pillar of eXtra's investment case, with finance companies and fintech providers gaining traction in the region.

The personal consumer savings rate in Saudi Arabia is relatively low, ranging from 1.5% to 2% of disposable income, reflecting a high propensity to spend among consumers.

Finance companies gaining popularity. According to SAMA, the number of licensed finance companies in Saudi Arabia reached 58 in 2023, up from 43 in 2022. Additionally, there were 33 fintech companies operating under the Regulatory Sandbox umbrella in 2023, some of which could obtain full licenses going forward.

The licenses granted span a spectrum of activities, including real estate finance, consumer finance, MSME finance, finance leasing, production asset finance, credit card finance, debt-based crowdfunding, and BNPL.

Rapid growth is evident. Total assets of finance companies increased by 12.6% in 2023, reaching SAR64bn, which accounts for 1.6% of GDP. Despite this rapid growth, finance companies' total assets represent just 1.6% of total banking assets, according to SAMA.

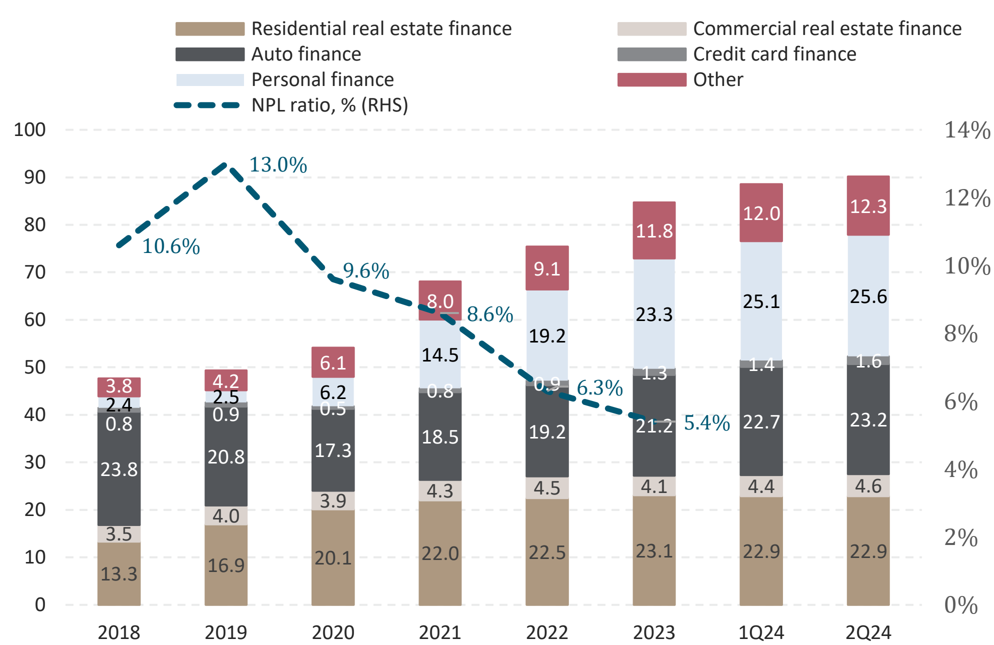
This growth was mainly driven by an expansion in credit portfolios, with total credit growth at 12%, amounting to SAR85bn in 2023. The overall credit of finance companies constituted 3.3% of the total banking sector's credit.

Retail lending dominated the space, comprising 77% of the total portfolio, followed by the MSME sector at 20%. Personal loans saw the highest growth rates, up 21% YoY in 2023, leading to a total weight of 27.5% of total credit.

Finance companies had a leverage ratio (loan portfolio to equity) of 2.3 times in 2023, which is below SAMA's regulatory threshold of three times (five times for real-estate financing). The non-performing loan (NPL) ratio declined to 5.4% in 2023, which was relatively low compared to the pre-pandemic period. Personal loans accounted for the largest portion of the NPL ratio for finance companies, standing at around 36% of total NPLs in 2023.

Finance companies are granted more flexibility than banks in certain cases by the regulators, allowing them to exceed the standard debt burden ratio (DBR).

FINANCE COMPANIES' CREDIT PORTFOLIOS CLASSIFIED BY ACTIVITY AND NPL DYNAMICS, SARBN

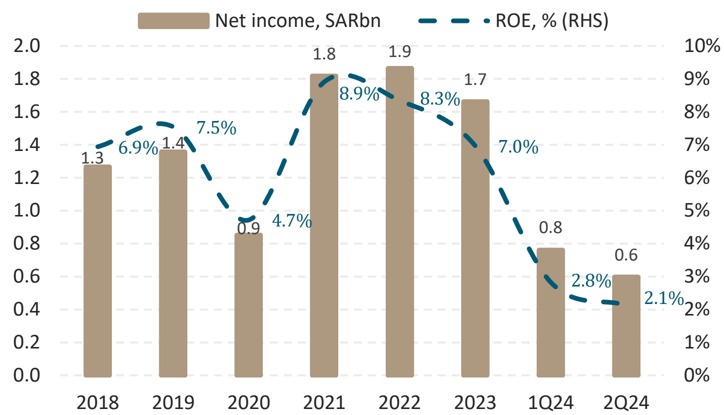


Source: SAMA

The aggregate net income of finance companies declined by 11% in 2023. This decline in profits can be partly attributed to the high leverage of finance companies and more expensive funding reflecting interest rate dynamics. Increased debt levels resulted in higher interest expenses, which reduced net income and caused the return on equity (ROE) to decline from 8.3% in 2022 to 7% in 2023.

Worth noting is that eXtra's Tas'heel demonstrated much stronger profitability compared to its peers, with a ROE of 27% in 2023.

PROFITABILITY OF THE FINANCE COMPANIES IN KSA



Source: SAMA

We understand that SAMA is constantly reviewing the performance of finance companies and their portfolios while enhancing its regulatory and supervisory frameworks.

For instance, in December 2023, SAMA published new rules to regulate **BNPL** companies, which started gaining traction in Saudi Arabia in early 2023, leading to SAMA licensing seven companies by the end of the year. The new rules restrict the onboarding of high-risk customers and limit the buildup of credit risk beyond a specific threshold.

The BNPL payment model is becoming increasingly popular in KSA, allowing consumers to make purchases online or in-store and defer payment with zero interest, typically made in installments. A high level of smartphone penetration and a young, tech-savvy population are quickly adapting to these new services, boosting their growth.

Overall, we believe that tighter regulations, rising competition, higher finance costs, and an increased need to enhance technological capabilities will lead to consolidation in the sector, with larger and most efficient companies realising the market potential.

***BNPL** companies typically charge a commission or fee to retailers for offering their payment solutions.*

However, there are several benefits for retailers when customers use BNPL schemes, including:

- *An increase in average order value (AOV) of 30-50%, according to Tamara data*
- *Rise in purchase frequencies*
- *Conversion improvement*
- *Superior marketing returns among other*

TABBY AND TAMARA AT LEEJAM'S FITNESS CLUB

Source: Romer Capital

EXTRA VS JARIR COMPARE AND CONTRAST

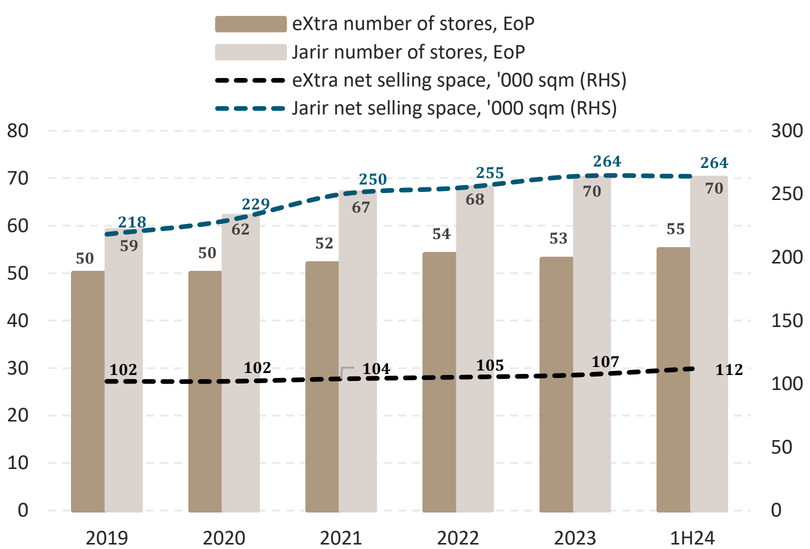
eXtra was aggressive in **store openings** from 2010 to 2019, expanding its store footprint from 16 stores (with net selling space of 46,000 sqm) to 50 stores (102,000 sqm). Since then, the pace of openings has moderated, with only 5 new stores added on a net basis by the first half of 2024. By the end of 1H24, the company operated 50 stores across 28 cities in Saudi Arabia, as well as 5 stores in Oman and Bahrain. Of these, 10 stores were owned, while the remainder were leased under long-term contracts.

eXtra plans to be cautious in its store openings, according to management, targeting areas of cities where geographic expansion is expected to occur alongside a pipeline of new residential projects. Overall, the selling space for new stores is being downsized.

Jarir more than doubled its **number of stores** from 2010 to 2019, increasing from 28 stores (with 89,000 sqm of selling space) to 59 stores (218,000 sqm). Although the pace of expansion has moderated in 2022-2023, the company plans to continue opening 4 to 5 showrooms per year, aiming to reach 90 stores in Saudi Arabia and the GCC by 2028 (with 60 in KSA and 10 in the GCC as of 1H24). Management intends to continue to open concept showrooms in prime locations and landmark buildings. As of the end of 2023, 17 out of 70 Jarir stores were owned, while the remainder were leased under long-term contracts.

In July, the company opened a new showroom of approximately 4,100 sqm in Riyadh, with a capex of SAR28mn. In September, a new store of 3,300 sqm was opened in Qatar.

NUMBER OF STORES AND SELLING SPACE



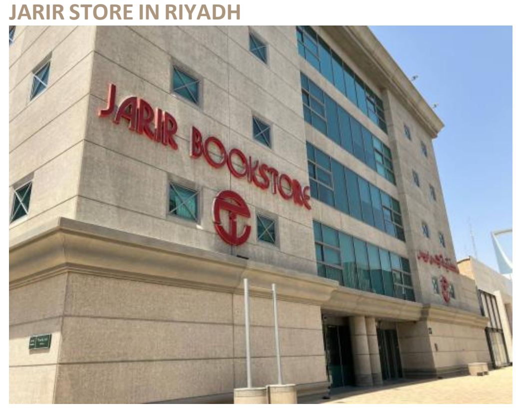
Source: Company data

Changing consumer habits, a preference for leisure and entertainment, and the proliferation of online shopping have been putting **pressure on in-store traffic and sales densities** for both retailers in the post-pandemic environment, according to our estimates.

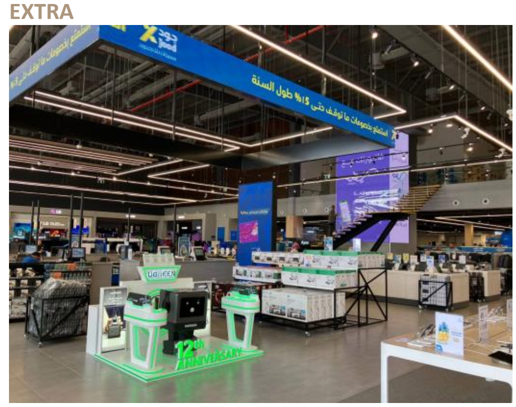
On our estimates, average offline retail sales per sqm declined by 10% for eXtra in 2023 compared to 2019, while this metric decreased by 12% for Jarir during the same period.

EXTRA NEW STORE IN RIYADH

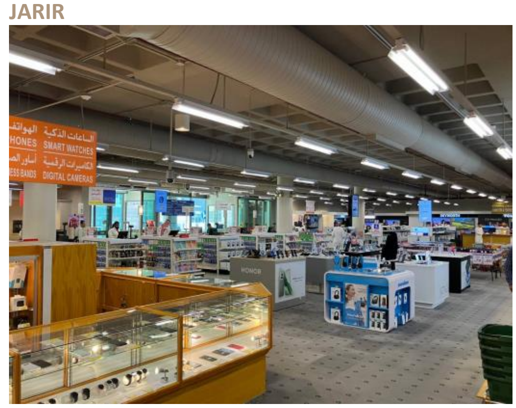
JARIR STORE IN RIYADH



EXTRA

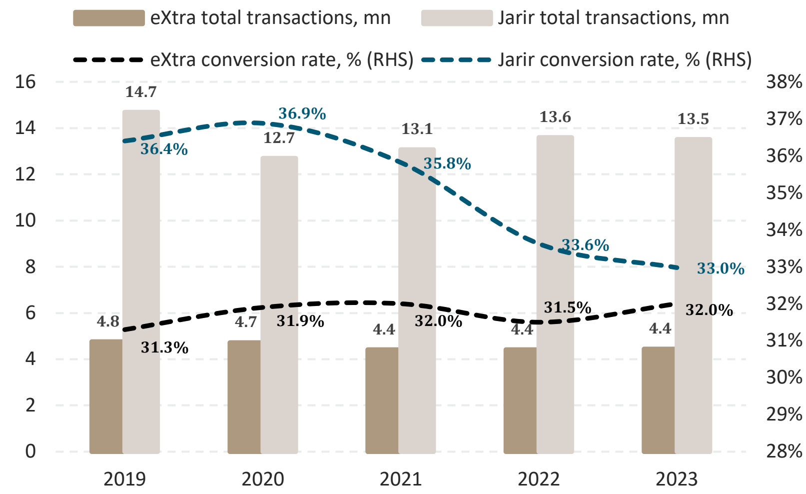


JARIR



Source: Roemer Capital

STORE TRAFFIC AND CONVERSION RATES

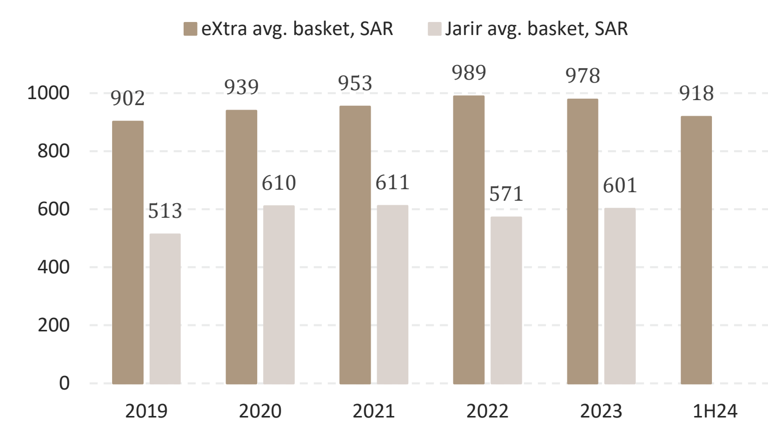


Source: Company data

eXtra's average **basket size** is notably higher due to the significant share of white and brown goods in its product mix, whereas Jarir's product mix is dominated by cheaper smartphones and laptops.

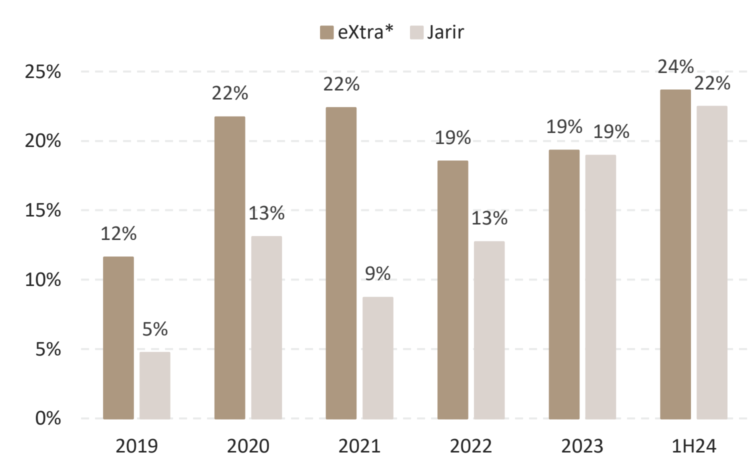
Average basket size has come under pressure in 1H24, driven by tighter competition and aggressive pricing campaigns, particularly in the smartphone segment, where the market is experiencing a greater impact from online players.

BASKET SIZE DYNAMICS



Source: Company data

E-COMMERCE AS % OF TOTAL SALES

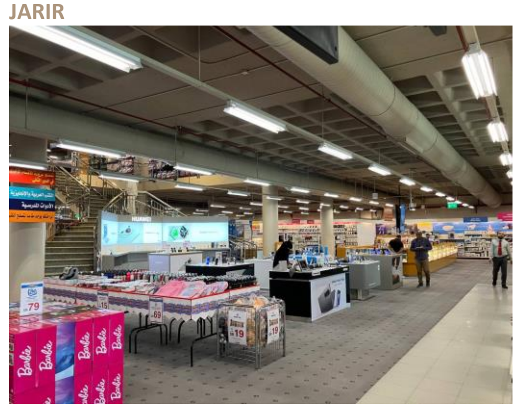


**% of total sales excl. consumer finance*
Source: Company data, Roemer Capital

EXTRA

We visited eXtra's new flagship store on the Northern Ring Road (see the photos above), which was opened in May. Located in the northern part of Riyadh, it is situated near an area with a significant pipeline of residential real estate development. The average basket size at this store exceeds SAR1,000, compared to eXtra's consolidated average of over SAR900 and approximately SAR800 at stores in southern Riyadh, which is a less affluent area. Additionally, the conversion rate at the new store is 41%, compared to the company's average of 33% in 1H24.

JARIR



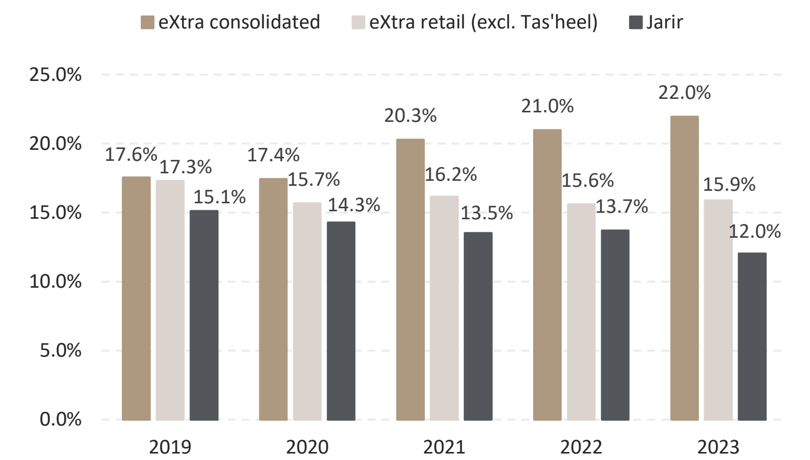
Source: Roemer Capital

E-commerce is becoming a crucial segment for both eXtra and Jarir

Divergent margin dynamics evident. eXtra's retail gross margin has largely remained in the 15%-16% range, while its consolidated margin has expanded due to contributions from its consumer finance division, Tas'heel.

Jarir, on the other hand, has faced profitability pressure over the past five years, primarily driven by the increasing sales of electronics (lower-margin smartphones and laptops), while the share of its traditional business (books, office and school supplies) in total sales has continued to dwindle.

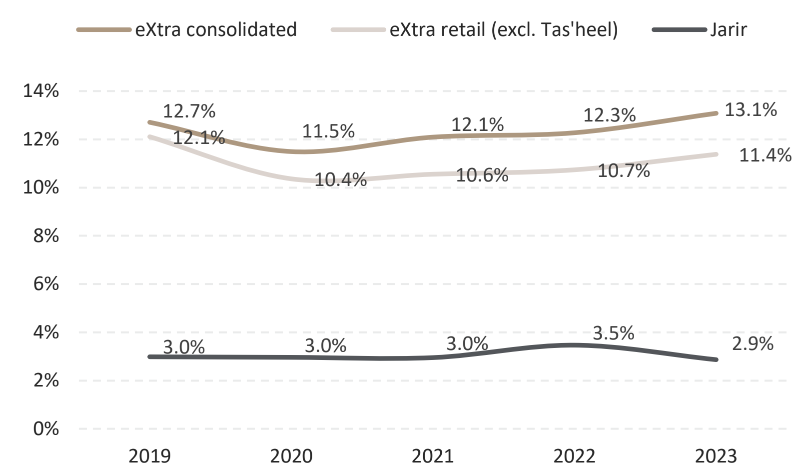
GROSS MARGIN DYNAMICS



Source: Company data, Roemer Capital

In terms of **SG&A expenses**, eXtra's spending has been notably higher compared to Jarir.

SG&A AS % OF SALES



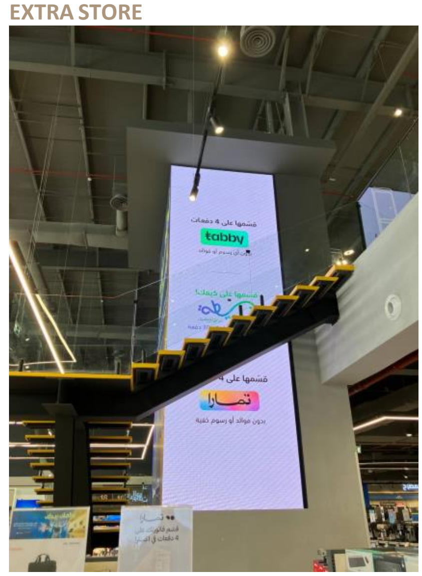
Source: Company data, Roemer Capital

Despite margin contraction, Jarir's **profit** is down only 1.2% in 2023 compared to the 2019 level. Jarir has managed to demonstrate a superior **ROE** of over 50% in the last five years (see the charts below). We note that Jarir operates with minimal debt on its balance sheet.

eXtra's consolidated **profit** and margins have been boosted by the expansion of Tas'heel, with the company's **ROE** ranging from 30% to 40%. That said, eXtra's 2023 profit was impacted by higher financing costs and one-off losses (SAR32.3mn) associated with the termination of expansion plans in Egypt.

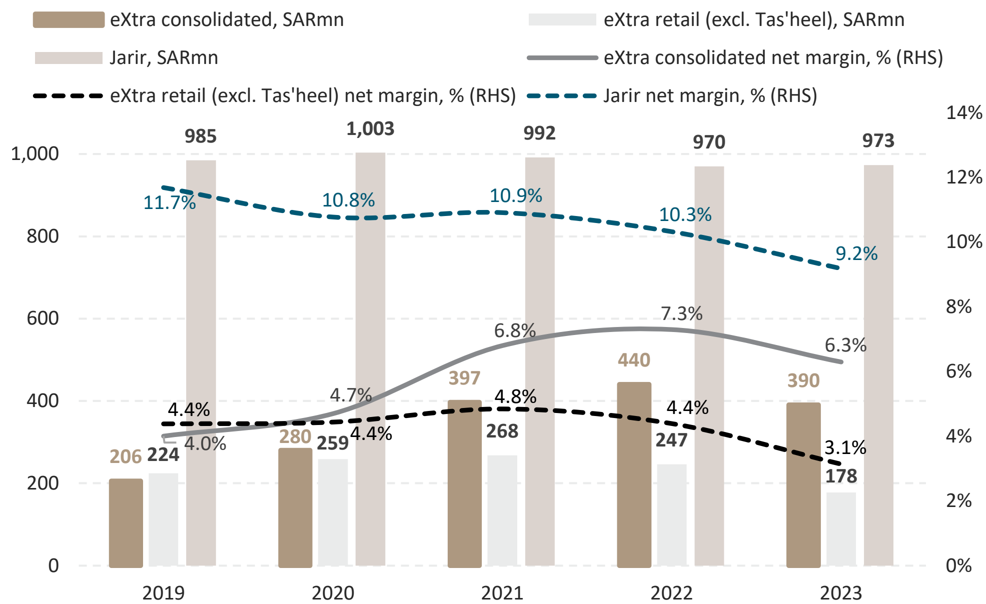
JARIR STORE

EXTRA STORE



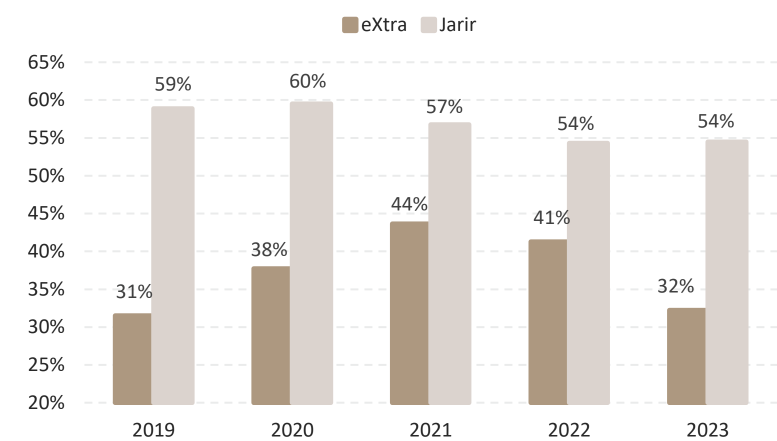
Source: Roemer Capital

NET PROFIT AND NET MARGIN DYNAMICS



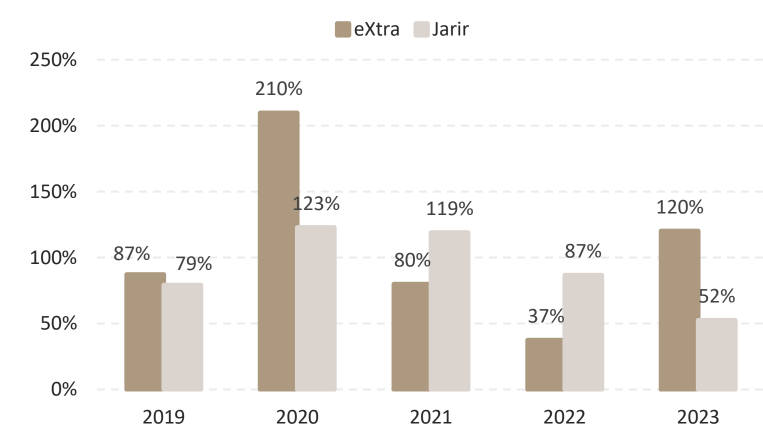
Source: Company data, Roemer Capital

ROE TRENDS



Source: Company data, Roemer Capital

CASH CONVERSION RATIO (ADJ. FCF* / NET INCOME)

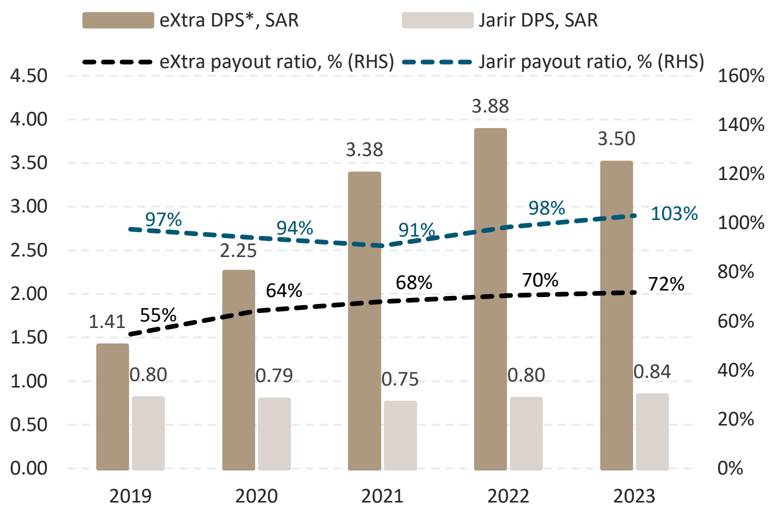


**FCF net of lease payments. Excluding Tas'heel consumer finance contracts for eXtra (in OpCF)*
Source: Company data, Roemer Capital

eXtra's cash conversion ratio improved in 2023, while Jarir's decreased, with the latter affected by working capital dynamics.

Both eXtra and Jarir are stable dividend payers generating attractive yields. The former payout ratio stood at around 70% over the last three years, while the latter at 90-100%. As a result, we see both stocks offering attractive 2025 yields of 5.4% and 6.3% respectively.

DPS AND PAYOUT



**Historical DPS adjusted for the total number of shares (incl. bonus shares)*
Source: Company data, Roemer Capital

Omni-channel: A Competitive Advantage

In a highly competitive environment, where consumers are becoming more value-conscious, we believe that an omni-channel strategy – combining both brick-and-mortar stores and a well-established online platform – can offer a competitive advantage over purely online or offline models.

Even if consumers choose to purchase goods online, the presence of a physical store can be a crucial factor when selecting a seller, as in-store pickup is often preferred over home delivery due to the proximity of the store and the convenience of self-pickup.

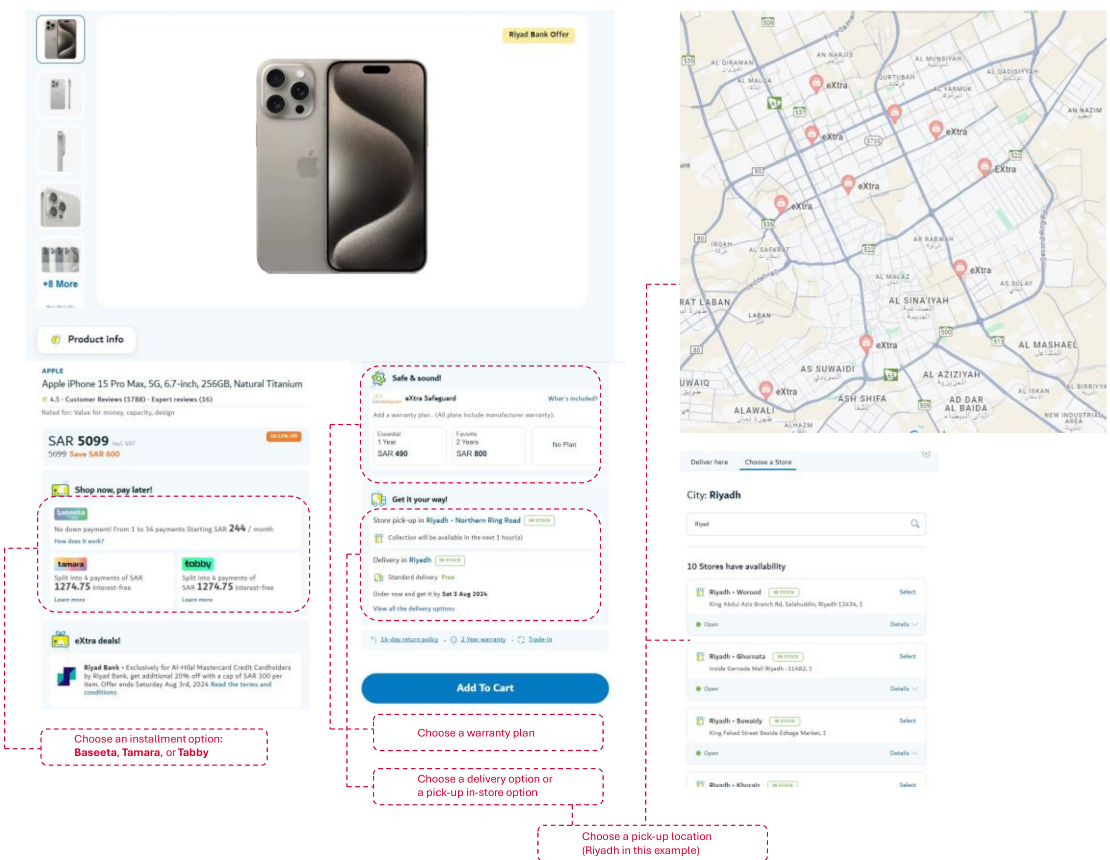
Online platforms like Amazon or Noon appear to appreciate the concept albeit from a different angle. They are enhancing their "click-and-collect" options by expanding pickup points through partners or establishing a vast network of lockers across cities (for example, Noon Locker). This option is convenient for smaller items, such as smartphones, though it may not be suitable for larger appliances.

Having a showroom can be beneficial in many cases, as the opportunity to touch and try products before purchasing is highly valued by customers. Moreover, customers still appreciate sales representatives' advice when choosing products, especially when they don't have the time to research online.

For eXtra and Jarir, approximately 25% of eXtra's online sales are attributed to click-and-collect options, while store pick-up accounts for over 50% of Jarir's online sales, highlighting the importance of an omni-channel presence.

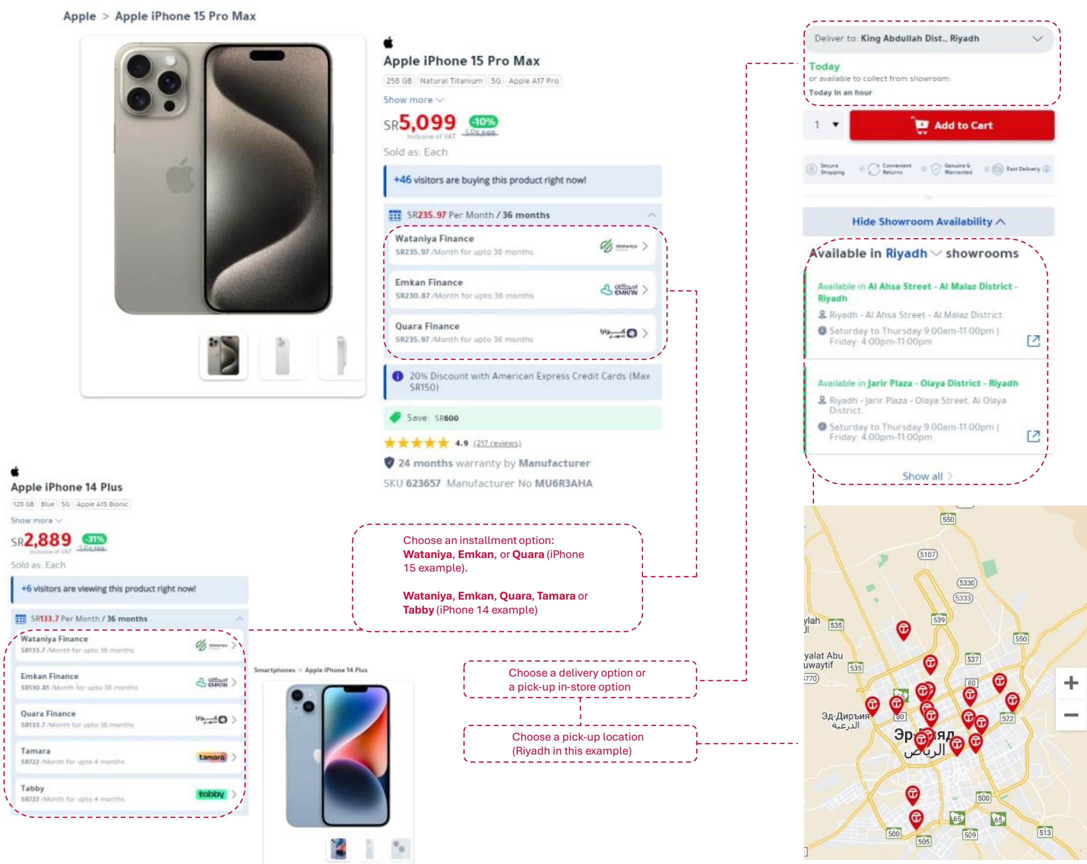
Below are snapshots from eXtra's and Jarir's websites, illustrating the purchase process for the iPhone 15.

Extra's website allows users to either have goods delivered to their home or choose a pick-up location at one of eXtra's stores. Installment options are offered by BNPL providers Tabby and Tamara, as well as eXtra's in-house product, Baseeta, through its consumer finance unit, Tas'heel.



*Source: Company data, Roemer Capital. *Terms as of August 1, 2024*

Jarir's website offers similar terms, but with a wider network of stores (in Riyadh, for example) and more installment options, as Jarir does not have an in-house product.



*Source: Company data, Roemer Capital. *Terms as of August 1, 2024*

We also believe that for smaller and more commoditized items, such as smartphones, differentiation from the competition is more challenging. The list of players in the sub segment includes online platforms like Amazon and Noon, as well as mobile network operators (MNOs) like STC, whose retail arm, STC Channels, has 230 outlets across the country and offers devices in bundles. As a result, we are seeing aggressive pricing in the smartphone and laptop segments, as Jarir aims at protecting its market share.

A wider product mix, encompassing a variety of large home appliances along with adjacent services such as delivery, installation, and warranty, is clearly an advantage for eXtra.

EXTRA: ROBUST GROWTH; VALUE CRYSTALLIZATION FROM TAS'HEEL

We view eXtra as a promising story in the consumer discretionary sector in Saudi Arabia. We believe the company is well-positioned to gain market share in the home appliances market, given its strong customer proposition and established omni-channel platform. The company's initiatives, such as the Panda partnership and Tas'heel expansion, should bolster growth and create additional value for shareholders. We initiate coverage with a TP of SAR121 and a Buy rating.

Strong position in the market. We expect eXtra to continue strengthening its position in the big-box format, especially in the lucrative appliance segment (40% market share in small appliances and 30% in major appliances). This will be supported by the company's scale, presence in both offline and online channels, competitive pricing, and a focus on enhancing value propositions for customers through high-margin ancillary services such as warranties and after-sales support.

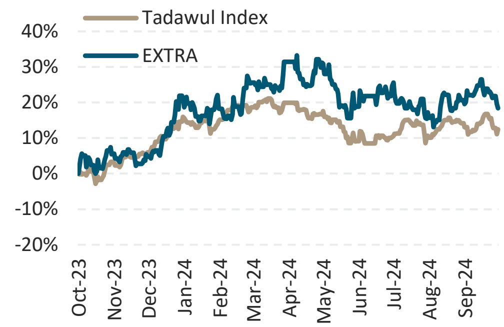
Attractive growth initiatives. Its recent partnership with Panda (under the Clix brand) will further strengthen eXtra's scale, allowing the company to expand its target audience through Panda's 100mn footfall. Renovation of older stores, the new Jood loyalty program, and improvement in e-commerce efficiencies would enhance customer experience and support LfL growth and online sales.

Tas'heel as a Source of Value Creation. Tas'heel ranks among the top three companies in the CF sector in Saudi Arabia, with a loan book of SAR1.9bn at YE23 and the highest profitability, boasting a 27% ROE in 2023. eXtra has received both shareholder and *regulatory approval* to float 30% of Tas'heel's share capital. The company's primary goal is to create value through a secondary placement, potentially leading to exceptional dividends.

Valuation. We value Tas'heel at SAR4.6bn at YE25 (implying 2024/2025 PE of 22x/18.4x). By discounting this back to YE24 and applying a 10% IPO discount, we estimate that the float could occur at a market cap of around SAR3.8bn, implying a 2024/2025 PE of 18x/15x. This valuation appears reasonable, given Tas'heel's stronger profitability compared to its CF peers. For example, Nayifat Finance Company trades at 2024/2025 PE of 16.5x/14x, while Al Rajhi Bank is trading at 19x/16x, according to Bloomberg estimates.

Our SOTP YE25 valuation stands at SAR9.5bn, with SAR4.9bn attributed to the retail segment (using DCF and a historical 16.5x PE multiple). Given the current market cap of SAR7.3bn, one would suggest the market attributes just a SAR2.4bn value to Tas'heel, according to our estimates. The potential IPO could be a significant catalyst, as it would crystallize and unlock the value of Tas'heel.

EXTRA VS TADAWUL INDEX, 12M



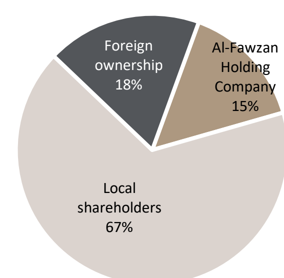
Source: Bloomberg

RATING AND VALUATION

Bloomberg ticker	EXTRA AB
Closing price*, SAR	91.2
MCAP, SARmn	7,296
Shares out, mn	80
Free float	82%
ADTV 3M, SARmn	29.3
TP, SAR	**121**
Valuation horizon	Dec-25
Upside	32.7%
DY 2025 (calendar)	4.9%
Expected return	37.6%
Rating	**Buy**

**COB 7 October 2024*
Source: Roemer Capital, Bloomberg

EXTRA SHAREHOLDER STRUCTURE



Source: Company data, Bloomberg

KEY ESTIMATES, SARMN

	2022A	2023A	2024F	2025F	2026F
Revenue	6,031	6,201	7,008	8,085	8,787
Gross profit	1,265	1,362	1,553	1,813	2,020
Gross margin, %	*21.0%*	*22.0%*	*22.2%*	*22.4%*	*23.0%*
EBITDA	593	595	680	788	893
EBITDA margin, %	*9.8%*	*9.6%*	*9.7%*	*9.7%*	*10.2%*
Net income	440	390	460	550	642
Net margin, %	*7.3%*	*6.3%*	*6.6%*	*6.8%*	*7.3%*
ROE	41.3%	32.2%	34.1%	36.8%	38.6%
ROIC	22.6%	18.1%	17.1%	15.4%	14.4%
Adj. FCF yield	2.3%	6.4%	5.3%	6.4%	8.4%
Dividend yield	4.2%	3.8%	4.5%	5.4%	6.3%
Net debt/EBITDA*, x	1.7	2.0	2.6	3.1	3.3
Adj. EV/EBITDA, x		15.3	14.4	13.2	12.2
PE, x		18.7	15.9	13.3	11.4

*Source: Roemer Research, Company. *Excl. leases and incl. Tas'heel borrowings*

Well-known Brand and Market Leadership

eXtra was established in Saudi Arabia in 2003, with its current CEO, Mohamed Galal, having been with the company since its inception. The company is the leading retailer of consumer electronics, appliances, and communication products in the region.

We see eXtra as a well-known brand, offering a product mix that includes over 6,500 distinct SKUs. Management highlighted that the company continuously refines its offerings with a focus on innovation and providing a one-stop-shop solution for customers.

The corporate strategy, in addition to online and offline presence, scale and competitive pricing, focuses on the value proposition further enhanced by ancillary services, such as extended warranties and high level of after-sales support, which includes five dedicated service centers, as well as free home delivery and installation services. eXtra was one of the first companies in the market to launch installment products for its 14mn annual shoppers.

The company was listed on the Saudi Exchange (Tadawul) at the end of 2011 and doubled its revenues to approximately SAR6.2bn between 2012 and 2023, while its market capitalization nearly quadrupled from SAR1.9bn to SAR7.3bn.

Most of eXtra's consumers belong to the mid and high-income classes. **According to management, the company holds a total market share of 20%, with a 40% share in smart TVs, a 40% share in small appliances, and a 30% share in major appliances.**

Expect Acceleration Next Year

We expect eXtra to continue strengthening its omni-channel footprint and growing its market share, particularly in the home appliance segment, where the company holds a competitive advantage over its peers by providing after-sales support, including maintenance, technical assistance, and options for warranties and value-added services.

Retail revenues are anticipated to be driven by the opening of new stores, stabilization in average basket prices, continued strong growth in e-commerce, and ancillary revenue from warranties, along with an increasing contribution from the Panda partnership under the Clix brand.

Consolidated sales will continue to be supported by the expansion of eXtra's consumer finance unit, Tas'heel. The proliferation of installment schemes should positively impact the average basket size, and with its in-house installment solution, Baseeta, the company is well-positioned to capture a larger share of profits from these sales.

As the company has a long history of established strong relationships with suppliers, helping cost control, we expect to see robust profitability in the upcoming years.

Management stressed the importance of driving traffic into its stores, and we believe initiatives such as the Jood loyalty program and the renovation of older stores will positively contribute to this goal. The approach is to offer the widest assortment of products in the market with a best price guarantee match strategy, presenting the best value proposition as a one-stop shop for customers. We see this approach as essential for steady increases of the market share.

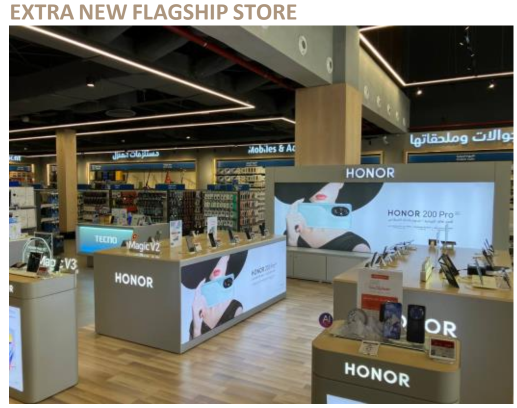
We expect consolidated revenue growth of 13% in 2024 and 15% in 2025, with a stable gross margin and EBIT margin in the retail segment of around 16% and 5%, respectively. Tas'heel is expected to slightly enhance margins over the forecast period.

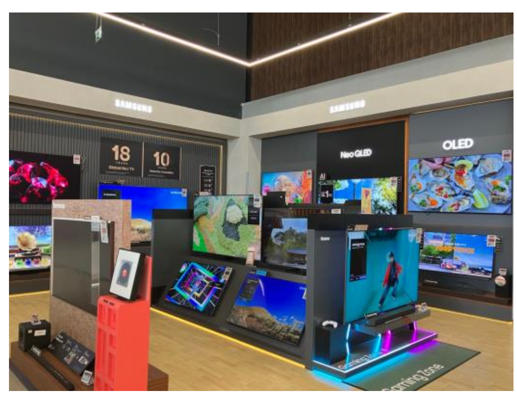
EXTRA GEOGRAPHICAL FOOTPRINT

EXTRA SERVICES PORTFOLIO

Source: Company Data

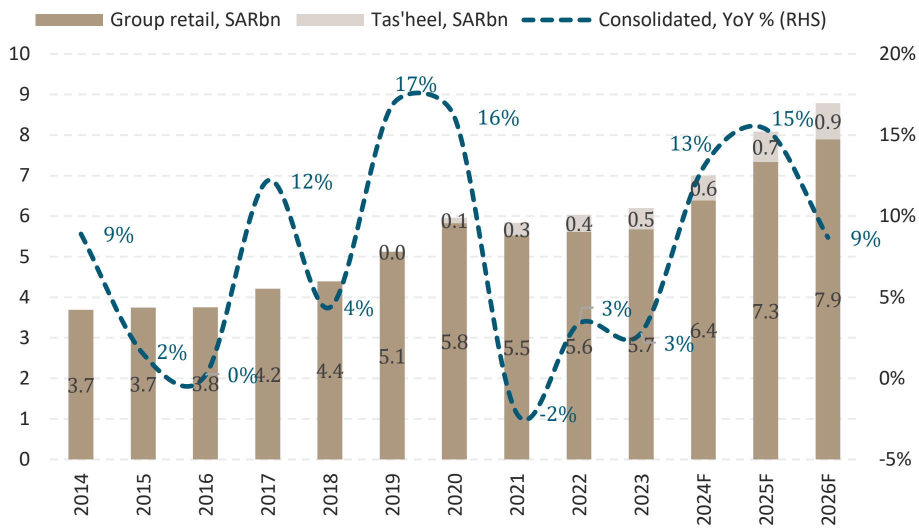
EXTRA NEW FLAGSHIP STORE





Source: Roemer Capital

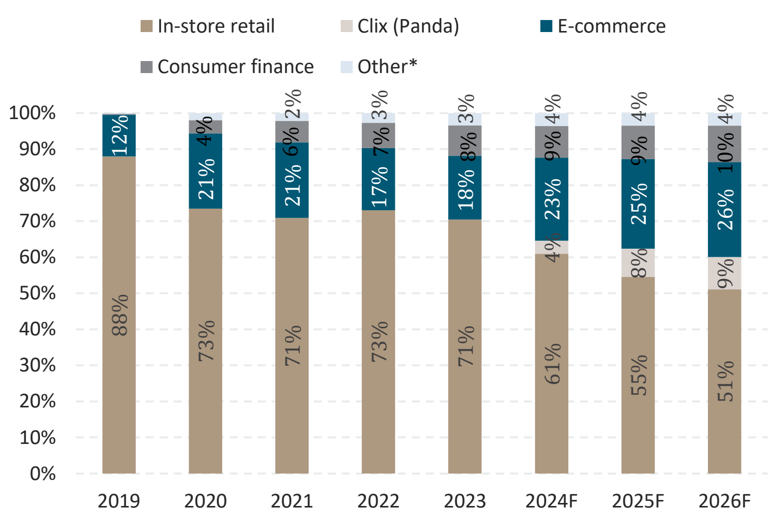
EXTRA REVENUES DYNAMICS



Source: Company data, Roemer Capital

We expect online sales to account for 26% of total sales by 2025, up from 18% in 2023.

EXTRA REVENUE BREAKDOWN BY CHANNELS



**Wholesale, extended warranty program and other*
Source: Company data, Roemer Capital.

Partnership with Panda

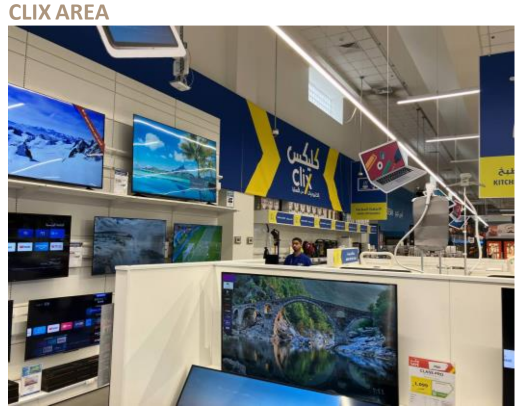
In December 2023, eXtra signed a ten-year partnership with Panda Retail Co. (Panda), under which eXtra will manage the electronics and home appliances department in Panda stores, operating under the brand name Clix.

We expect Clix to contribute approximately 9% to retail revenues (excluding consumer finance) in 2025, amounting to SAR630mn. We anticipate that the company will provide more details about the partnership structure in the future.

As of 1H24, Panda had 62 hypermarkets and 132 supermarkets across 40 cities in the kingdom, attracting an annual traffic of 100mn visitors.

RENOVATED PANDA STORE IN JEDDAH

CLIX AREA



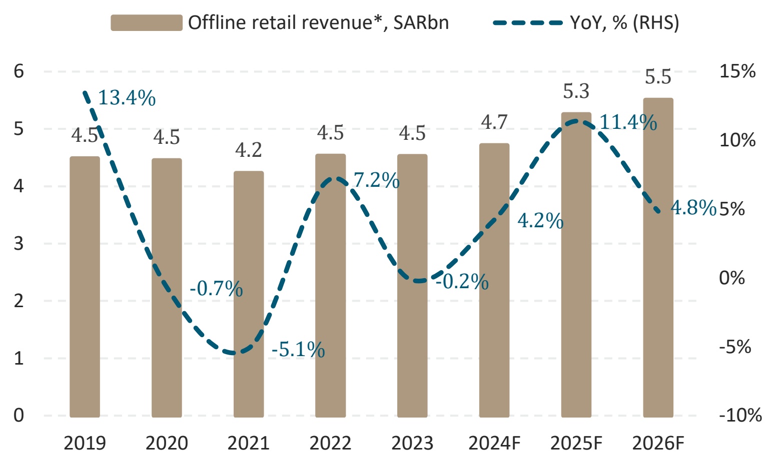
Source: Roemer Capital

To leverage the higher turnover at these stores, eXtra plans to offer smaller home appliances and electronics at Panda locations. Due to the product mix, the average basket size at Clix is expected to be lower, featuring a higher proportion of entry-price items, including eXtra's private label, Class Pro.

We view this partnership as promising, as eXtra will be able to reach a wider target audience through more frequent customer interactions. Since Panda is a grocery store, its seasonality differs from that of consumer durables stores, which complements eXtra's retail footprint.

It's also worth noting that Savola Group is turning around its food retail segment, with renovated Panda supermarkets and hypermarkets showing notable improvements in sales. In 1H24, sales in renovated stores grew by 3% to 10% YoY, compared to a consolidated sales increase of 2% for Panda during the same period.

EXTRA OFFLINE RETAIL SALES



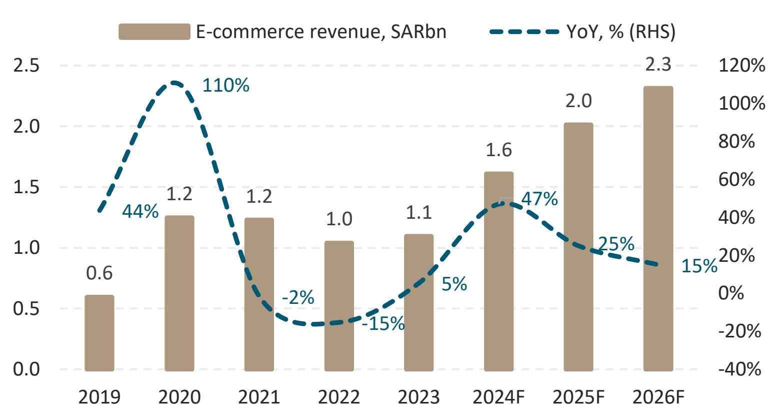
**Incl. extended warranty program and Clix (Panda)*
Source: Company data, Roemer Capital

eXtra experienced a 48% growth in its online sales in 1H24

eXtra was the first retailer to launch online shopping in 2011. In 1H23, eXtra revamped its online platform with an updated website and mobile app. The company also offers a click-and-collect service at its stores, with orders ready for pickup within one-two hours, accounting for approximately 25% of its online sales in 2023.

Additionally, eXtra serves as the exclusive fulfillment partner for Noon's consumer electronics and home appliances category, generating additional traffic through this channel.

EXTRA ONLINE SALES



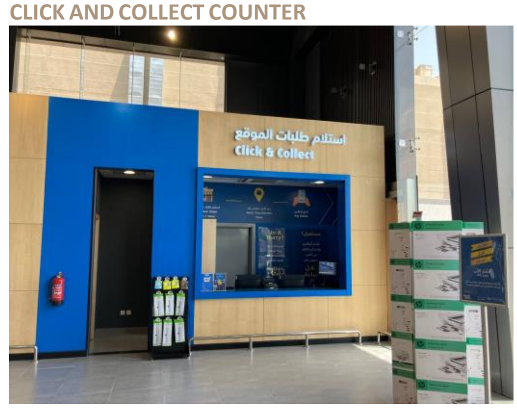
Source: Company data, Roemer Capital

JOOD AD AT THE EXTRA STORE

*eXtra has launched its loyalty programme **Jood** in 4Q23 with a positive impact on the basket size and positive contribution to the customer loyalty.*

Jood customers immediately gain access to a range of benefits, including discounts on products (with varying percentages based on categories), discounted services, complimentary vouchers for various services, savings at partner restaurants, and hotel stay benefits.

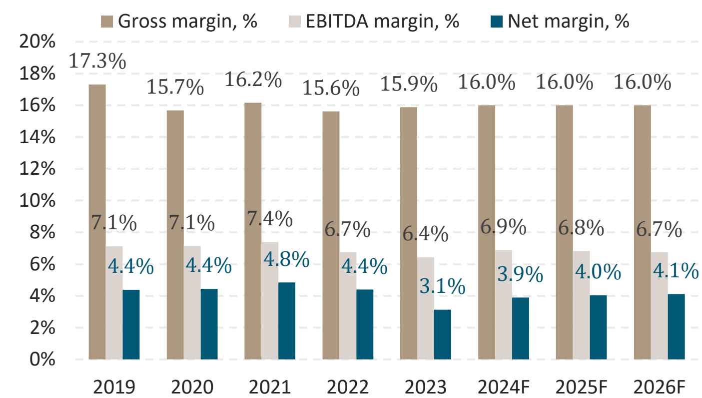
CLICK AND COLLECT COUNTER



Source: Roemer Capital

We expect retail gross margins to remain stable at around 16% for 2025-2026, while net margins may improve due to declining interest rates affecting finance costs. Additionally, there could be upside potential for net profits if eXtra successfully lists Tas'heel and repays a portion of its debt with the proceeds from the IPO.

EXTRA RETAIL MARGINS

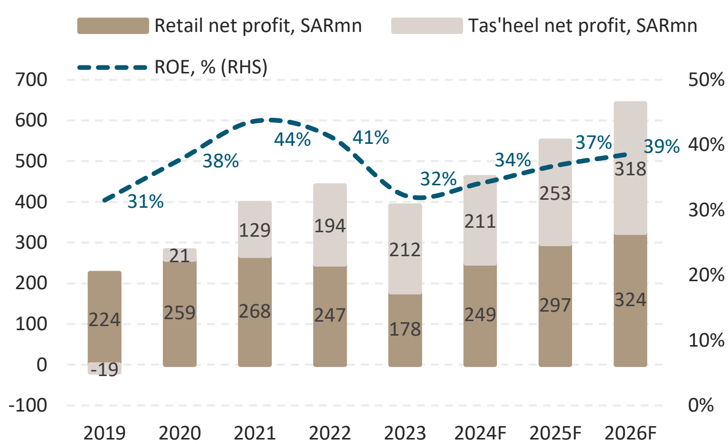


Source: Company data, Roemer Capital

The profit for 2023 was also affected by higher financing costs, as well as one-off losses of SAR32.3mn related to the termination of expansion plans in Egypt.

EXTRA NET PROFIT BREAKDOWN AND ROE

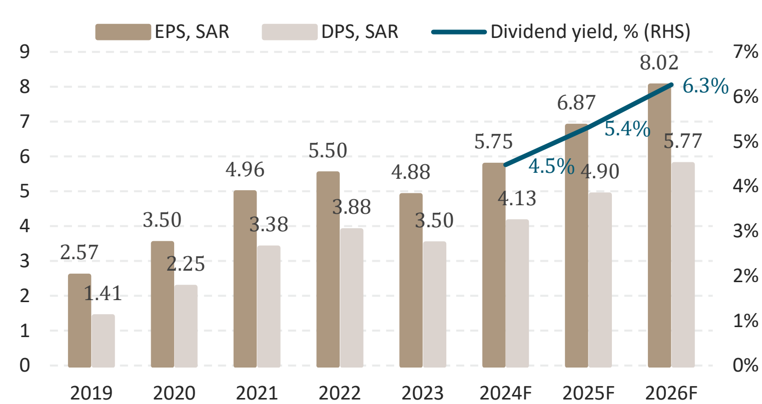
Tas'heel is becoming a meaningful contributor to consolidated sales: 54% in 2023.



Source: Company data, Roemer Capital

eXtra pays dividends on a semi-annual basis, with an average payout ratio of 61% from 2011 to 2023. The company has also distributed bonus shares, allocating some to shareholders and a portion to its employee stock option program.

EXTRA EPS AND DPS* DYNAMICS



*Source: Company data, Roemer Capital. *hist. dividends adj. for the diluted number of shares*

UNITED COMPANY FOR FINANCIAL SERVICES (TAS'HEEL)

eXtra launched its in-house consumer finance solutions in 2015, expanding this capacity in 2019 with the establishment of Tas'heel, eXtra's fully owned subsidiary.

As demonstrated later, Tas'heel operates with the highest profitability among the top five players in the market, making it one of the most promising fintech platforms in Saudi Arabia. The company offers Shariah-compliant cash financing, retail installment loans, and credit card services.

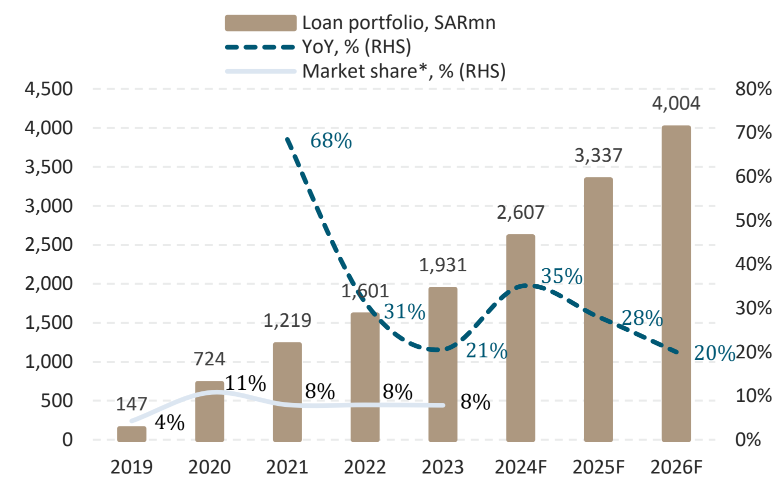
Management sees adoption of 100% digital loan processing, requiring minimal paperwork for fast loan approvals, as key to Tas'heel efficiency and profitability.

As of year-end 2023, Tas'heel had a loan portfolio of SAR1.9bn and held an 8% market share, with an active customer base of over 150,000 clients. To better compete with BNPL solutions like Tabby and Tamara, Tas'heel launched a new installment product, Baseeta, which now has 50,000 customers, according to management.

We expect Tas'heel's loan book to reach SAR2.6bn (+35% YoY) in 2024 and SAR3.3bn (+28%) in 2025, driven mainly by personal loans and installment schemes.

In 1H24, 81% of the total portfolio consisted of personal loans. The total portfolio comprised 67% Saudi residents and 33% non-Saudis. With the launch of Baseeta, the company is seeing a push toward installment schemes at eXtra stores and its partners.

TAS'HEEL LOAN BOOK DYNAMICS AND MARKET SHARE



*Market share out of personal and credit card portfolio (NBFI)

Source: Company data, Roemer Capital

TAS'HELL PRODUCT LINE

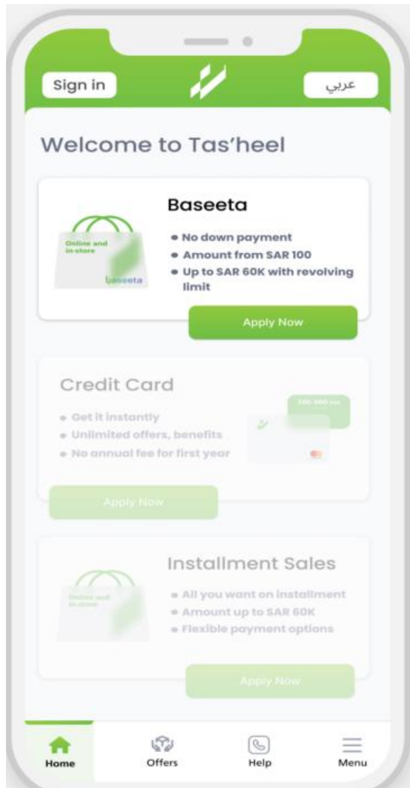
Personal Finance (Quick Cash):

Tas'heel's personal financing options are Shariah-compliant and adhere to Tawarruq principles. They range from SAR10,000 to SAR250,000, with flexible terms of 36 to 60 months. No guarantor is required for disbursing personal loans, allowing for instant approval to meet financing needs.

Installment Programs:

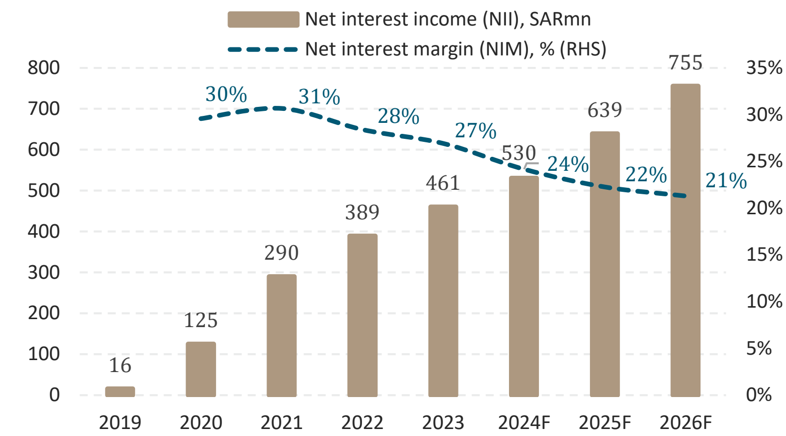
Tas'heel offers a wide range of installment programs that provide easily accessible, Shariah-compliant financing (Murabaha). This includes various installment services in partnership with a solid and expanding network of retail partners. Tas'heel's installment plans start at SAR100 and go up to SAR60,000, with durations ranging from 12 to 36 months. These plans are guarantor-free and offer instant approval for point-of-sale financing at eXtra or with the company's external retail partners.

TAS'HEEL APP



Source: Company

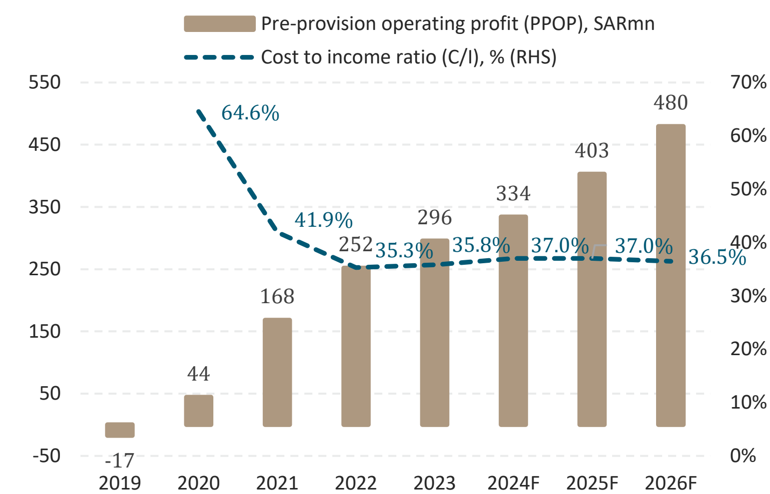
TAS'HEEL NII AND NIM DYNAMICS



Source: Company data, Roemer Capital

We expect NII to grow by +15% in 2024 and +21% in 2025, with some NIM contraction. Despite falling rates and the cost of funding, we believe loan portfolio growth will be the focus, accompanied by more competitive pricing campaigns.

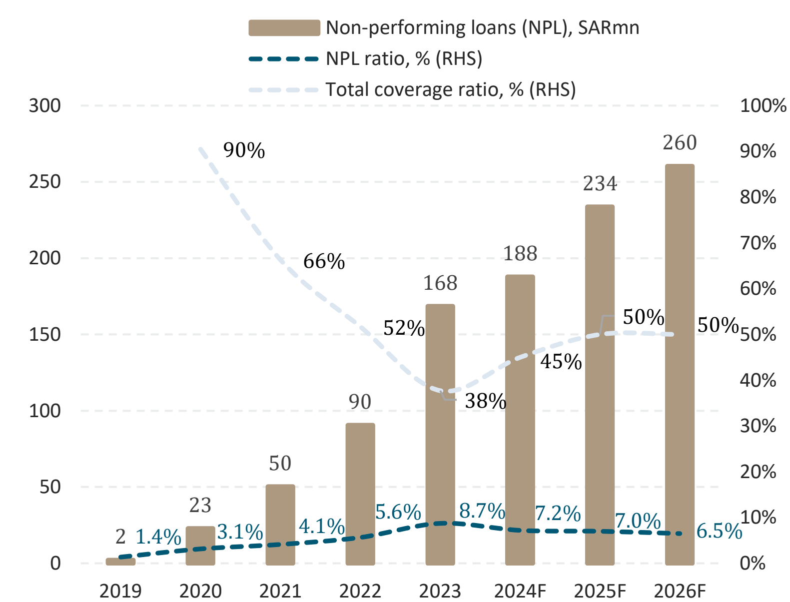
TAS'HEEL PPOP AND C/I DYNAMICS



Source: Company data, Roemer Capital

We expect the C/I ratio to stabilize in the range of 36-37%, broadly in line with management's targets and intentions not to exceed the 40% threshold.

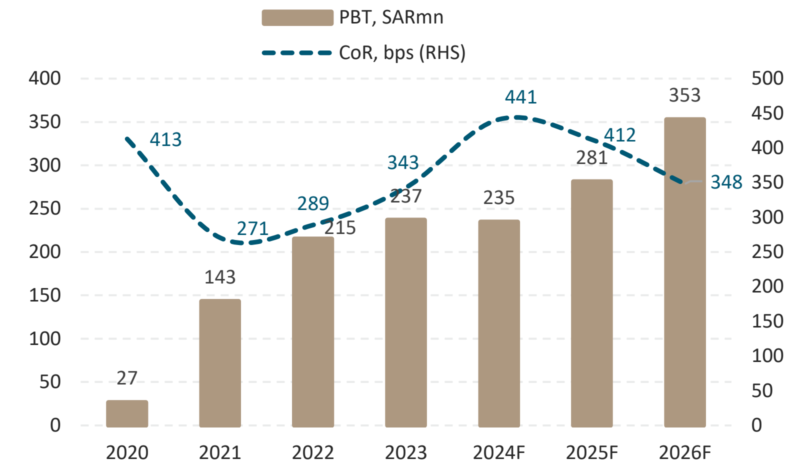
TAS'HEEL NPL DYNAMICS AND COVERAGE RATIO



Source: Company data, Roemer Capital

After an aggressive loan book expansion from 2019 to 2022, NPLs peaked in 2H23 at 8.7%, but have since declined to 7.7% in 2Q24. We expect NPLs to slide toward the 7% mark as the company refines its credit scoring process. We expect a total coverage ratio of around 50% over the forecast period.

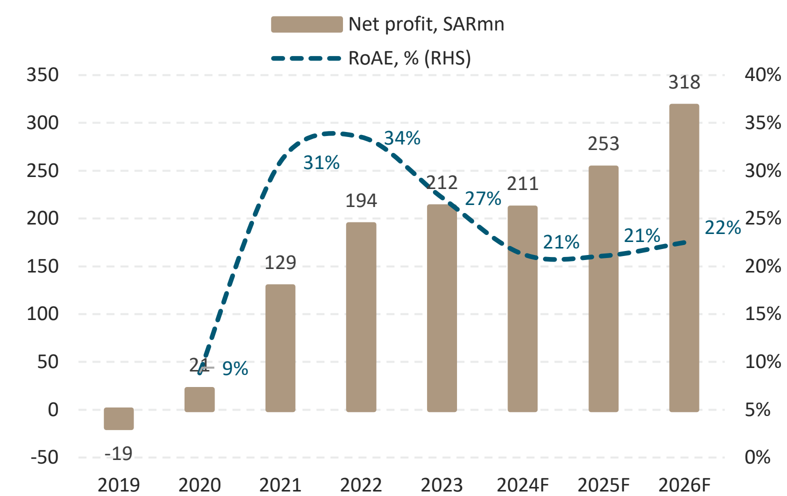
TAS'HEEL NPL DYNAMICS AND COVERAGE RATIO



Source: Company data, Roemer Capital

Considering easing NPLs and a rising coverage ratio, we expect the CoR to remain elevated, at levels of 350-400 bps in 2025-2026, and below the 2024 mark.

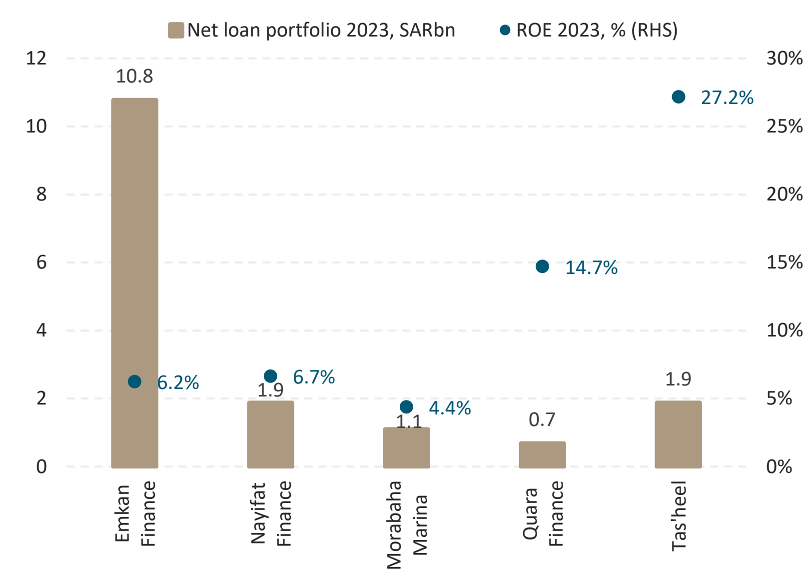
TAS'HEEL NET PROFIT DYNAMICS AND ROE



Source: Company data, Roemer Capital

We expect ROE of 21% in 2024 and estimate a range of 21-22% for 2025-2026. This is superior to NBFI peers and compares favorably with Al Rajhi Bank, Saudi Arabia's largest and most profitable bank, which has a ROE of 19-20% in 2023-1H24.

TAS'HEEL VS PEERS



Source: Company data, Roemer Capital

EXTRA FINANCIALS AND VALUATIONS

3Q24 result preview. eXtra is expected to release its estimated 3Q24 results in the first half of October. We expect revenue to accelerate driven by the back-to-school season and higher impact form Clix. We expect consolidated bottom line do demonstrate slower-than-sales pace of growth as margins would be affected by higher provisioning at the Tas'heel level as well as higher finance costs.

Comparison vs Bloomberg consensus. Comparing our estimates with Bloomberg consensus, we are more bullish on sales dynamics for 2025-2026. However, we are only 4-5% above on net income, as we are less optimistic about margins. We believe strong e-commerce growth and Tas'heel's loan growth will require higher investment in SG&A, along with likely higher provisioning at the Tas'heel level.

EXTRA – 3Q24 PREVIEW, SARMN

	1Q23A	2Q23A	3Q23A	4Q23A	1Q24A	2Q24A	3Q24F RC	YoY	QoQ
Revenues	**1,438**	**1,750**	**1,452**	**1,561**	**1,581**	**1,921**	**1,658**	**14.1%**	**-13.7%**
Gross profit	314	340	334	374	346	391	380	13.6%	-2.8%
margin, %	*21.8%*	*19.4%*	*23.0%*	*23.9%*	*21.9%*	*20.3%*	*22.9%*		
EBIT	109	96	143	134	119	128	145	1.6%	13.6%
margin, %	*7.6%*	*5.5%*	*9.8%*	*8.6%*	*7.5%*	*6.6%*	*8.7%*		
Net income	**84**	**62**	**118**	**126**	**94**	**107**	**121**	**2.3%**	**13.5%**
margin, %	***5.9%***	***3.5%***	***8.1%***	***8.1%***	***5.9%***	***5.5%***	***7.3%***		

Source: Company data, Roemer Capital

EXTRA – ROEMER CAPITAL ESTIMATES VS BLOOMBERG CONSENSUS, SARMN

	RC			BBG			Difference vs consensus		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenues	**7,008**	**8,085**	**8,787**	**6,861**	**7,492**	**7,898**	**2.1%**	**7.9%**	**11.3%**
Gross profit	1,553	1,813	2,020	1,505	1,656	1,773	3.2%	9.5%	13.9%
margin, %	*22.2%*	*22.4%*	*23.0%*	*21.9%*	*22.1%*	*22.4%*			
EBITDA	680	788	893	675	765	857	0.7%	3.0%	4.3%
margin, %	*9.7%*	*9.7%*	*10.2%*	*9.8%*	*10.2%*	*10.8%*			
Net income	**460**	**550**	**642**	**454**	**531**	**609**	**1.3%**	**3.5%**	**5.5%**
margin, %	***6.6%***	***6.8%***	***7.3%***	***6.6%***	***7.1%***	***7.7%***			
DPS, SAR	*4.13*	*4.90*	*5.77*	*4.16*	*4.76*	*5.50*	*-0.7%*	*2.9%*	*5.0%*

Source: Roemer Capital, Bloomberg

EXTRA – REVENUE FORECAST, SARMN

	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F
Sales breakdown by channel:								
Retail	4,517	4,381	4,135	4,408	4,372	4,271	4,411	4,489
Wholesale	0	44	33	39	57	64	73	79
E-commerce	593	1,247	1,227	1,039	1,095	1,609	2,012	2,313
Extended warranty program	-	71	90	121	149	183	209	226
Clix (Panda)	-	-	-	-	-	259	631	790
Consumer finance	16	215	347	422	525	619	746	887
Total	**5,135**	**5,962**	**5,834**	**6,031**	**6,201**	**7,008**	**8,085**	**8,787**
YoY, %	*16.9%*	*16.1%*	*-2.2%*	*3.4%*	*2.8%*	*13.0%*	*15.4%*	*8.7%*
Retail stores revenue operating metrics*:								
Number of stores, EoP	50	50	52	54	53	57	59	61
Net selling space, '000 sqm	102	102	104	105	107	118	123	129
YoY, %	*7.4%*	*0.0%*	*2.0%*	*1.3%*	*1.6%*	*10.1%*	*4.6%*	*4.4%*
Avg. retail sales/sqm, SAR	45,861	42,951	40,147	42,117	41,186	37,995	36,590	35,635
YoY, %	*8.9%*	*-6.3%*	*-6.5%*	*4.9%*	*-2.2%*	*-7.7%*	*-3.7%*	*-2.6%*
Avg. basket size, SAR	949	928	936	999	983	940	940	942
YoY, %	*5.4%*	*-2.3%*	*0.9%*	*6.7%*	*-1.7%*	*-4.4%*	*0.0%*	*0.3%*
Total transactions, mn	4.8	4.7	4.4	4.4	4.4	4.5	4.7	4.8
YoY, %	*7.6%*	*-0.8%*	*-6.5%*	*-0.1%*	*0.9%*	*2.2%*	*3.3%*	*1.5%*

*Source: Company data, Roemer Capital. *Excl. Clix*

eXtra – retail valuations. We value eXtra on a SOTP basis, deriving standalone valuations for both eXtra's retail consumer electronics business and its consumer finance unit, Tas'heel.

For the retail segment, we value it using a blend of the DCF approach (with an 8.5% WACC and a 2% terminal growth assumption) and PE multiple (eXtra's historical average of 16.5x).

As a result, we derive a YE25 target price of SAR121 per share, implying a 33% upside, excluding dividends.

UNITED ELECTRONICS COMPANY (EXTRA) VALUATION

eXtra valuation – retail segment DCF; SARmn							
Assumptions:							
Effective tax rate	3.5%						
Discount rate, CoE	10.6%						
Risk-free rate	4.0%						
Equity risk premium	6.0%						
Beta, x	1.1						
Pre-tax cost of debt	6.0%						
After-tax cost of debt	5.8%						
Debt/Equity	80.0%						
WACC	**8.5%**						
Terminal FCF growth rate	**2.0%**						
FCF projections:							
	2024F	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**
Operating income	321	376	406	429	449	462	474
- Taxes	(9)	(11)	(12)	(13)	(13)	(14)	(14)
+ D&A	118	124	126	130	133	136	139
- Change in WC	(68)	(87)	(31)	(16)	(12)	(7)	(8)
- Capex	(95)	(90)	(88)	(73)	(75)	(76)	(77)
- Lease payments	(87)	(92)	(96)	(99)	(101)	(103)	(106)
Free cash flow to firm (FCFF)	**180**	**221**	**305**	**360**	**381**	**398**	**408**
YoY	-21.9%	22.6%	38.3%	17.7%	6.0%	4.5%	2.4%
Terminal Value	6,439						
PV of FCF	1,445						
PV of Terminal Value	4,289						
Less (net debt) / cash	(560)						
Total equity value	**5,175**						
Fair value per share YE25, SAR	**65**						

eXtra retail segment valuation – PE multiple; SARmn	
Target PE 2025, x	16.5
Earnings	297
Equity value	**4,895**
Fair value per share YE25, SAR	**61**
Avg. DCF and PE YE25, SAR	**63**

Source: Roemer Capital

eXtra – Tas'heel valuations. We value Tas'heel using the residual income method to capture its strong earnings potential in the future. We use a discount rate of 11% and a terminal growth rate of 5%.

We value Tas'heel at YE25 at SAR4.6bn, or SAR58 per eXtra share. Our valuation implies 2024/2025 PE ratios of 22x/18.4x, which we consider reasonable.

Discounting the YE25 fair value back to YE24 gives us a fair value of around SAR4.2bn. Assuming a 10% IPO discount, we believe Tas'heel's float might occur at around SAR3.8bn market cap, implying a 2024 PE of around 18x and a 2025 PE of 15x.

There are two public consumer finance companies in Saudi Arabia: Nayifat Finance (SAR1.7bn market cap) and Morabaha Marina Finance (SAR770mn). Although there are no proper consensus estimates for these companies, one Bloomberg estimate for Nayifat suggests the stock is trading at a 2024 PE of 16.5x and a 2025 PE of 14x.

Al Rajhi, the largest bank in Saudi Arabia with the highest exposure to consumer lending in the country, trades at a 2024 PE of 19x and a 2025 PE of 16x, according to Bloomberg consensus.

In 1H24, the group's total debt amounted to approximately SAR1.3bn, with the majority attributed to Tas'heel (SAR1.1bn). Given the low level of debt related to the retail business, **there is potential to pay dividends from the Tas'heel proceeds**, should an IPO take place. Based on our estimates, eXtra could raise SAR1.1bn at the group level (assuming a 30% secondary placement). Assuming a payout ratio of 30-50%, this could result in special dividends of SAR340-570mn for eXtra shareholders. However, we acknowledge that this development is subject to market conditions and the decision of the BoD.

Tas'heel – residual income valuation model; SARmn

Assumptions:							
Discount rate, CoE	11.0%						
Terminal growth rate	5.0%						
	2024F	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**
Net income	211	253	318	383	443	497	537
YoY	-0.5%	19.8%	25.5%	20.7%	15.6%	12.2%	7.9%
Beginning equity	887	1,098	1,301	1,523	1,791	2,102	2,450
YoY	31.5%	23.8%	18.4%	17.1%	17.6%	17.3%	16.6%
Cost of equity	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Equity charge	(109)	(132)	(155)	(182)	(214)	(250)	(290)
ROE	21.3%	21.1%	22.5%	23.1%	22.8%	21.8%	20.3%
Dividend payout	0%	20%	30%	30%	30%	30%	30%
Declared dividends	-	51	95	115	133	149	161
Residual income	102	121	162	201	229	247	246
YoY	-19.3%	18.7%	34.0%	23.9%	13.9%	7.8%	-0.2%
Discount factor, x			0.90	0.81	0.73	0.66	0.59
Excess return PV			146	163	167	163	146
Terminal Value	4,312						
PV of excess returns	786						
PV of Terminal Value	2,559						
Book equity YE25	1,301						
Equity value	4,646						
Fair value per share YE25, SAR	**58**						
Implied PE 24E multiple, x	22.0						
Implied PE 25E multiple, x	**18.4**						
Implied PB 24E multiple, x	4.2						
Implied PB 25E multiple, x	**3.6**						

Source: Roemer Capital

EXTRA SOTP VALUATION

Retail segment fair value per share, SAR	63
Tas'heel fair value per share, SAR	58
TP YE25, SAR	**121**
Upside/downside	*33%*

Source: Roemer Capital

EXTRA – COMPANY FINANCIAL STATEMENTS, SARMN

Income statement	2023A	2024F	2025F	2026F
Revenue	**6,201**	**7,008**	**8,085**	**8,787**
Cost of sales	(4,839)	(5,455)	(6,272)	(6,768)
Gross profit	1,362	1,553	1,813	2,020
Gross margin, %	22.0%	22.2%	22.4%	23.0%
SG&A	(811)	(897)	(1,035)	(1,134)
EBITDA	**595**	**680**	**788**	**893**
EBITDA margin, %	**9.6%**	**9.7%**	**9.7%**	**10.2%**
Depreciation & amortisation	(115)	(124)	(132)	(135)
Operating income	551	656	779	886
Operating margin, %	8.9%	9.4%	9.6%	10.1%
Other expenses	(76)	(100)	(122)	(128)
Other income	6	1	1	1
EBIT	481	556	657	759
Finance expense	(62)	(64)	(68)	(70)
Profit before tax	419	493	589	689
Zakat and income tax	(29)	(32)	(39)	(47)
Net income to shareholders	**390**	**460**	**550**	**642**
Net margin, %	**6.3%**	**6.6%**	**6.8%**	**7.3%**
Shares outstanding, mn	80	80	80	80
EPS, SAR	***4.88***	***5.75***	***6.87***	***8.02***
DPS, SAR	***3.50***	***4.13***	***4.90***	***5.77***
Balance sheet	**2023A**	**2024F**	**2025F**	**2026F**
Cash & cash equivalents	153	229	536	623
Accounts receivable and prepayments	130	93	107	116
Inventory	1,187	1,289	1,481	1,599
Other current assets	52	52	52	52
Total current assets (excl. consumer finance loans)	1,523	1,662	2,177	2,390
Investment in Islamic financing contracts	1,867	2,522	3,220	3,874
Property, plant & equipment	486	516	535	548
Right of use assets	451	486	489	489
Other non-current assets	114	98	86	77
Total assets	**4,442**	**5,285**	**6,506**	**7,378**
Accounts payable	548	572	658	711
Other current liabilities	413	524	558	600
ST and LT borrowings	1,353	2,027	2,958	3,545
Lease liabilities	619	663	675	685
Other non-current liabilities	224	85	85	85
Total liabilities	**3,157**	**3,870**	**4,934**	**5,626**
Total shareholders equity	**1,284**	**1,414**	**1,572**	**1,752**
Total liabilities & equity	**4,442**	**5,285**	**6,506**	**7,378**
Net debt (excl. leases)	**(1,201)**	**(1,798)**	**(2,422)**	**(2,922)**
Cash flow statement	**2023A**	**2024F**	**2025F**	**2026F**
Net operating cash flow	**196**	**(138)**	**(103)**	**92**
Capital expenditures	(44)	(84)	(81)	(79)
Net cash flow from investing activities	**(64)**	**(84)**	**(81)**	**(79)**
Debt financing, net	(183)	673	931	587
Lease principal payment	(33)	(45)	(48)	(51)
Dividends paid	(267)	(330)	(392)	(462)
Other financing activities	358	-	-	-
Net cash flow from financing activities	**(125)**	**298**	**491**	**74**
Net change in cash	6	76	307	87
Net operating cash flow, adj. for consumer finance contracts	**566**	**517**	**594**	**746**
Free cash flow adj.	**469**	**388**	**466**	**616**

Source: Company data, Roemer Capital

JARIR: PRODUCT MIX IS AN ISSUE; ATTRACTIVE DIVIDENDS

Jarir's stock has been derated, which appears fair to us given the weakening margins resulting from a shift in the product mix and competitive pricing. The current risk/reward profile seems more balanced, especially considering the typically stronger second half of the year. However, visibility regarding enhancements in the product mix is limited, and competition in the mobile phone segment poses the main risk. The dividend outlook remains attractive with 2025 and 2026 yields of 5.9% and 6.3% respectively. We are initiating coverage of Jarir with a TP of SAR14 per share and a Hold rating.

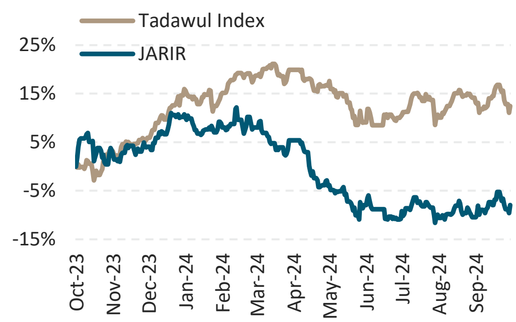
Single-Digit Growth Rates. We expect Jarir to demonstrate moderate growth over the coming quarters: +4% YoY in 2H24 and +7% in 2025. We assume pricing in the digital segment will stabilize, and Jarir may experience improved trends in the computer segment due to a post-pandemic replacement cycle, supported by the proliferation of AI hardware and software. Jarir currently holds a 50% market share in the laptop segment, with computers and peripherals accounting for approximately 20% of total revenues.

Mobile Phones and E-Commerce to Contain Margins. The share of higher-margin legacy products (books with a 40% market share, office and school supplies) in total sales declined from 16% in 2019 to 12% in 2023, while the share of margin-dilutive smartphones (with over a 21% market share) and electronics increased from 53% to 57% over the same period. As a result, EBIT margins contracted by 280 bps to 9.9%. E-commerce, as a channel, was also dilutive (EBIT margin at 6% in 2023) due to the higher share of smartphones, as well as a significant portion of installment schemes, where third-party providers typically charge a commission or fee. We expect the EBIT margin to settle at 9.6% in 2024 and stabilize at this level in 2025-2026, with a more balanced market environment and on-device AI supporting pricing. However, we acknowledge that intense competition from online channels (such as Amazon and Noon) and mobile network operators (MNOs) may further pressure basket size and lead to additional margin erosion.

Dividends Remain Attractive. Despite margin pressure, Jarir maintains a superior ROE (over 50%) and generates robust FCF (2024-2025 FCF yield in the mid-to-high single digits), which supports solid dividend payouts. We estimate a 6.2% dividend yield to be paid in the calendar year 2025.

Given Jarir's strong brand, we believe the company could benefit from increased investment in developing its omni-channel capabilities – particularly in logistics, marketing, and technology infrastructure – as well as in product diversification to drive faster growth rates and margin improvements in the future. However, this approach may come at the expense of its attractive dividend payouts.

JARIR VS TADAWUL INDEX, 12M



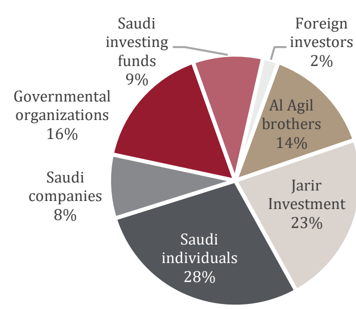
Source: Bloomberg

RATING AND VALUATION

Bloomberg ticker	JARIR AB
Closing price*, SAR	13.0
MCAP, SARmn	15,624
Shares out, mn	1,200
Free float	73%
ADTV 3M, SARmn	23.1
TP, SAR	**14.0**
Valuation horizon	Dec-25
Upside	7.6%
DY 2025 (calendar)	6.2%
Expected return	13.8%
Rating	**Hold**

**COB 07 October 2024*
Source: Bloomberg, Roemer Capital

SHAREHOLDER STRUCTURE



Source: Company data

KEY ESTIMATES, SARMN

	2022A	2023A	2024F	2025F	2026F
Revenue	9,392	10,595	10,950	11,719	12,311
Gross profit	1,287	1,276	1,292	1,377	1,459
Gross margin, %	*13.7%*	*12.0%*	*11.8%*	*11.8%*	*11.9%*
EBITDA	1,186	1,228	1,247	1,317	1,395
EBITDA margin, %	*12.6%*	*11.6%*	*11.4%*	*11.2%*	*11.3%*
Net income	970	973	975	1,040	1,109
Net margin, %	*10.3%*	*9.2%*	*8.9%*	*8.9%*	*9.0%*
ROE	54.3%	54.5%	54.3%	56.3%	58.3%
ROIC	56.6%	56.7%	53.2%	52.0%	53.8%
Adj. FCF yield	5.4%	3.3%	7.9%	6.4%	6.9%
Dividend yield	6.1%	6.4%	5.9%	6.3%	6.7%
Net debt/EBITDA*, x	(0.4)	(0.0)	(0.3)	(0.3)	(0.3)
Adj. EV/EBITDA, x		13.3	12.8	12.2	11.5
PE, x		16.1	16.0	15.0	14.1

*Source: Roemer Capital, Company data. *Excl. leases*

A Top Retail Brand in Saudi Arabia

Jarir Marketing Company (Jarir) owns one of the most recognizable retail brands in the Kingdom, **Jarir Bookstore**, according to Kantar's rankings. Founded in Riyadh in 1974 as a small bookstore by the Al-Agil family, Jarir has grown into the largest retailer of books and consumer electronics in Saudi Arabia. Its product range spans office and school supplies, arts and crafts materials, mobile phones, and laptops.

At YE23, the company operated 70 showrooms across Saudi Arabia (60 stores) and the GCC (10 stores), including Qatar, Kuwait, and the UAE, with a total area of approximately 264,000 sqm.

We view Jarir's long-standing presence in the market and strong brand recognition as key advantages for the company. However, its product offering in the electronics segment is limited and includes smartphones, portable consumer electronics, computers, peripherals, and smart TVs.

According to the company, Jarir holds an **overall market share of 30%**. It commands a **50% share in the tablets and laptops** segment, **over 21% in smartphones**, **40% in books**, and **between 30% and 40% in school books**.

In order to boost customer retention and traffic, Jarir launched loyalty card with 1.15mn active cards as of 2023, 11% of revenue and average 5 visits per year for a card holder

Enhancing The Product Mix to Protect Margins Is Essential

As a result of product mix shifting towards low-margin products, Jarir's **EBIT margin contracted by 280 bps in 2019-2023**. Finding the way to add more lucrative goods to the product could be the main challenge for Jarir over the coming years, in our view.

Jarir has been enhancing its ancillary services, including maintenance and warranty for smartphones and laptops. The company acts as a certified maintenance provider for several brands, such as Apple, Samsung, Huawei, Honor, Lenovo, HP, Dell, Asus, Acer, and others. In 2023, Jarir opened six quick maintenance centers for Apple products, increasing the total to seven centers across six different cities.

Jarir also expanded its after-sales services section at 21 showrooms to enhance service capacity.

To protect profitability amid a declining share of book sales, Jarir wants to expand the product line of its private label, Rocco, which includes school, office, computer, and arts and crafts supplies, totaling over 1,000 SKUs. While the current contribution of the private label is not significant, it has the potential to become a source of upside for Jarir if executed effectively, we believe.

Instalment services are provided through a third-party partner which means that Jarir does not take any credit risk. The company engaged five installment providers at YE23. Purchase could be done online thorough Jarir web site and offline at the counters in stores. Despite a higher basket size for the installment products, their contribution to the bottom line is limited due to the commissions charged by third-party providers.

Expanding Number of Stores Drives Revenue Growth

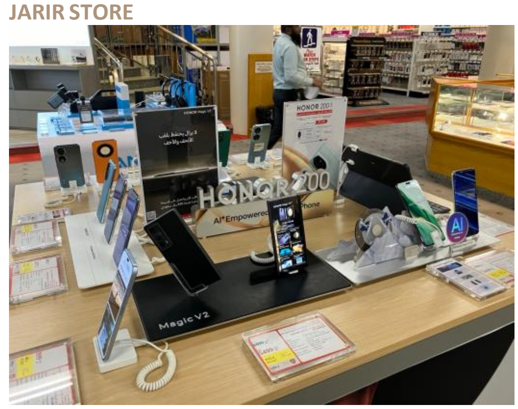
Jarir plans to continue expanding its concept store format, with management planning to increase the store number to 90 in Saudi Arabia and the GCC by 2028. The company targets to open 4 to 5 new showrooms in 2024. Currently, more than 6 new showrooms have been contracted, and over 10 outlets are under negotiation.

We anticipate consolidated revenue growth of 3.4% in 2024 and 7% in 2025. We forecast slight contraction in margins, along with flat net income performance in 2024; however, we expect 6.6% growth in net income in 2025.

KANTAR SAUDI BRAND RATING

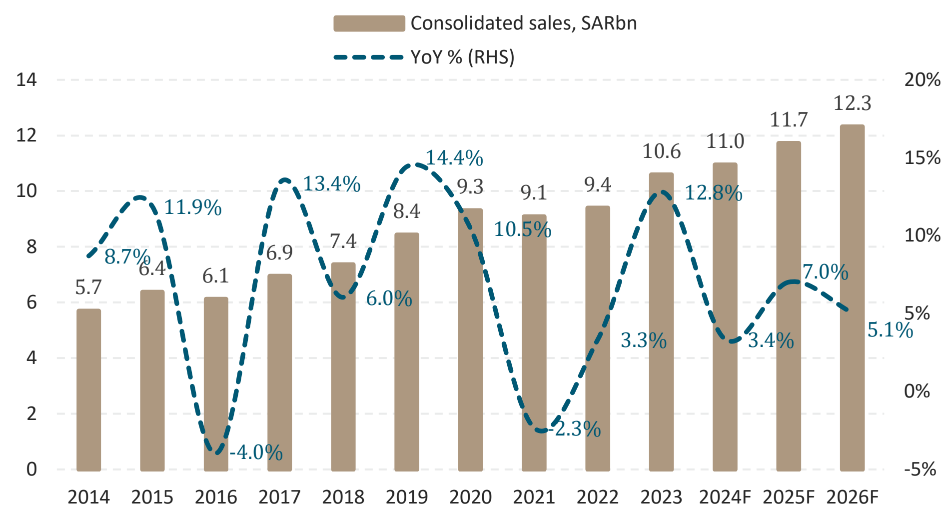
Source: Kantar

JARIR STORE



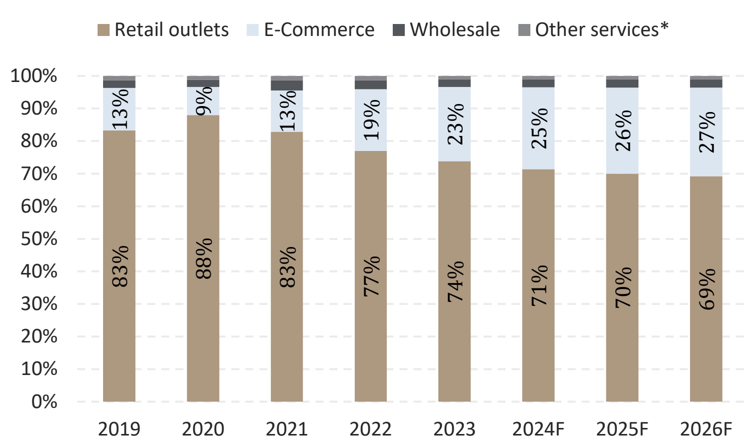
Source: Roemer Capital

JARIR REVENUE DYNAMICS



Source: Company data, Roemer Capital

JARIR REVENUE DYNAMICS



*Source: Company data, Roemer Capital; *Corporate sales and rentals*

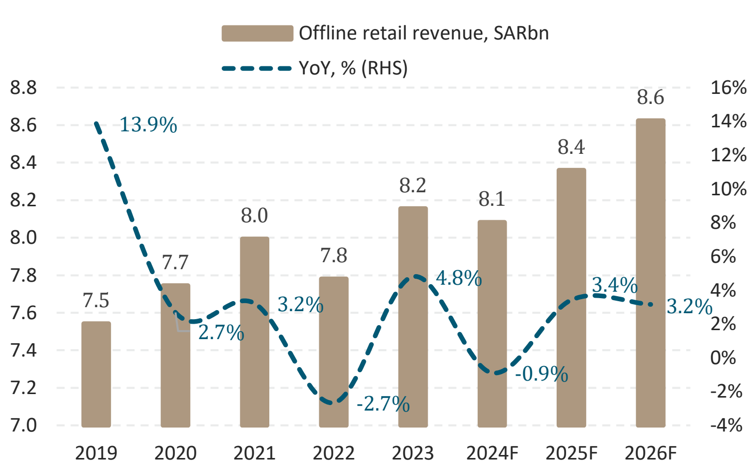
We anticipate that online sales will account for 27% of revenues in 2026, an increase from 23% in 2023.

According to management comments, consumer finance schemes contributed 20% to total sales, with 50% coming from BNPL and the remaining 50% from other product loans offered by consumer finance providers.

EMKAN COUNTER AT JARIR STORE

Source: Roemer Capital

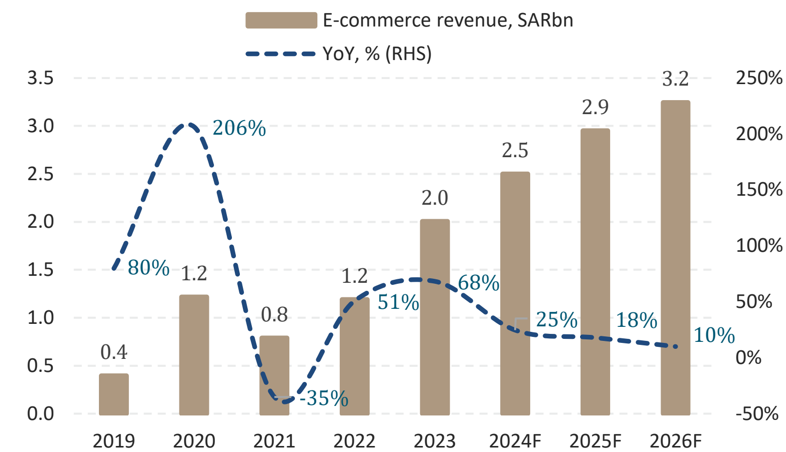
JARIR OFFLINE RETAIL SALES



Source: Company data, Roemer Capital

Jarir has one warehouse and logistics center in Riyadh, covering an area of 74,000 sqm. This facility serves all showrooms in Saudi Arabia and other GCC countries. Additionally, Jarir utilizes its stores for storage, delivery, and as pickup points for customers.

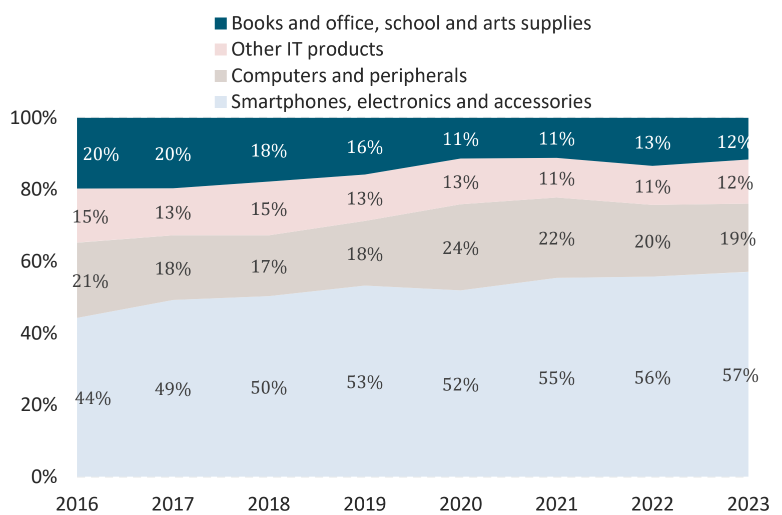
JARIR ONLINE SALES



Source: Company data, Roemer Capital

JARIR SALES BREADOWN BY PRODUCTS

The share of legacy products, such as books and office supplies, decreased from 20% in 2017 to 12% in 2023, while the share of smartphones and electronics rose to 57% in 2023....

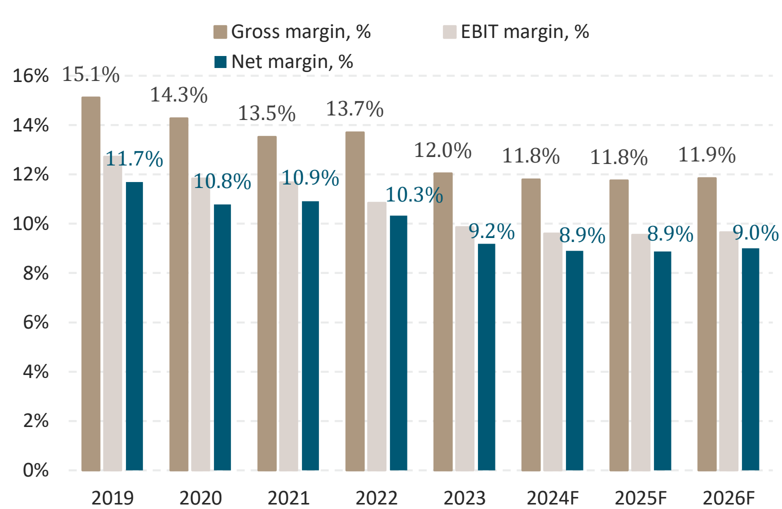


Source: Company data, Roemer Capital

...putting pressure on margins.

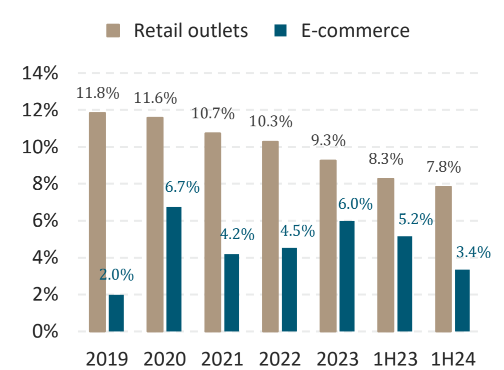
E-commerce sales were margin-dilutive due to a higher exposure to lower-margin items like smartphones and an increased share of BNPL and installment schemes, which incur commissions charged by third-party providers.

JARIR MARGIN EVOLUTION



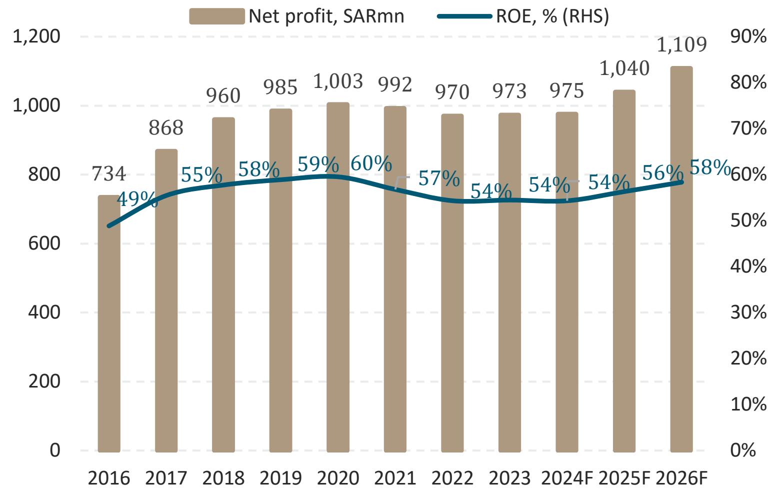
Source: Company data, Roemer Capital

JARIR PBT MARGIN BY SEGMENTS



Source: Company data, Roemer Capital

JARIR NET PROFIT AND ROE DYNAMICS

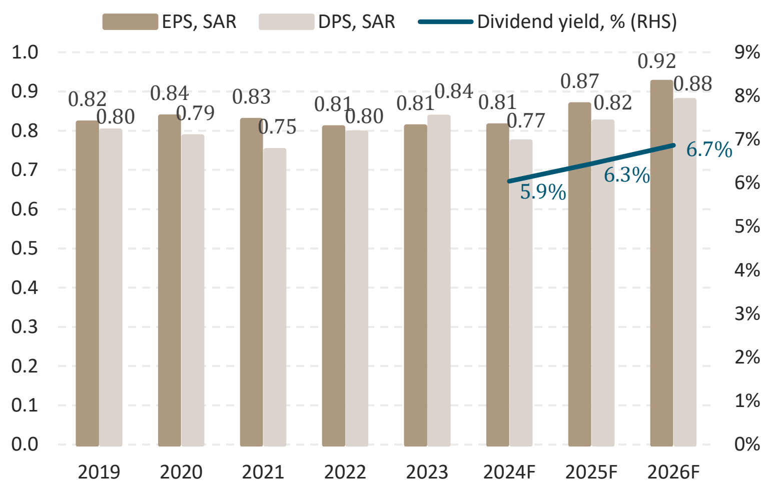


Source: Company data, Roemer Capital

Despite falling margins, net income decreased by only 1.2% in 2023 compared to 2019 levels, with ROE remaining above 50%.

Jarir pays dividends on a quarterly basis and plans to distribute 80% to 100% of its net profit in the future resulting in our estimates of dividend yield of 6.3% and 6.7% for 2025 and 2026 respectively.

JARIR EPS, DPS AND DIVIDEND YIELD



Source: Company data, Roemer Capital

JARIR FINANCIALS AND VALUATIONS

3Q24 result preview. Jarir is expected to release its estimated 3Q24 results by mid-October. We expect revenue growth around 5% YoY and net income growth of 4% YoY, with boost to EBIT margin from the seasonal "back to school" demand.

Comparison vs Bloomberg consensus. Comparing our estimates with Bloomberg consensus, we are more bullish on sales dynamics for 2025-2026. However, we are only 1% above on net income, as we are less optimistic about margins. We believe strong e-commerce growth and installment sales through third-party providers will continue to pressure margins, and visibility on the product mix remains low.

JARIR – 3Q24 PREVIEW, SARMN

	1Q23A	2Q23A	3Q23A	4Q23A	1Q24A	2Q24A	3Q24F RC	YoY	QoQ
Revenues	**2,718**	**2,436**	**2,639**	**2,802**	**2,650**	**2,650**	**2,769**	**4.9%**	**4.5%**
Gross profit	324	240	384	328	295	262	401	4.2%	52.6%
margin, %	*11.9%*	*9.8%*	*14.6%*	*11.7%*	*11.1%*	*9.9%*	*14.5%*		
EBIT	264	175	316	290	238	189	328	3.8%	73.7%
margin, %	*9.7%*	*7.2%*	*12.0%*	*10.3%*	*9.0%*	*7.1%*	*11.9%*		
Net income	**248**	**156**	**296**	**273**	**219**	**171**	**308**	**4.1%**	**80.2%**
margin, %	***9.1%***	***6.4%***	***11.2%***	***9.7%***	***8.3%***	***6.5%***	***11.1%***		

Source: Company data, Roemer Capital

JARIR – ROEMER CAPITAL ESTIMATES VS BLOOMBERG CONSENSUS, SARMN

	RC			BBG			Difference with consensus		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenues	**10,950**	**11,719**	**12,311**	**10,933**	**11,258**	**11,782**	**0.2%**	**4.1%**	**4.5%**
Gross profit	1,292	1,377	1,459	1,296	1,351	1,437	-0.3%	1.9%	1.5%
margin, %	*11.8%*	*11.8%*	*11.9%*	11.9%	12.0%	12.2%			
EBITDA	1,247	1,317	1,395	1,203	1,268	1,334	3.7%	3.9%	4.6%
margin, %	*11.4%*	*11.2%*	*11.3%*	11.0%	11.3%	11.3%			
Net income	**975**	**1,040**	**1,109**	**970**	**1,033**	**1,097**	**0.6%**	**0.7%**	**1.0%**
margin, %	***8.9%***	***8.9%***	***9.0%***	**8.9%**	**9.2%**	**9.3%**			
DPS, SAR	*0.77*	*0.82*	*0.88*	*0.80*	*0.84*	*0.88*	*-3.8%*	*-1.8%*	*0.3%*

Source: Roemer Capital, Bloomberg

JARIR – SUMMARY TABLE WITH REVENUE PROJECTIONS, SARMN

	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F
Sales breakdown by channel:								
Retail outlets	7,541	7,744	7,993	7,781	8,155	8,082	8,359	8,624
Wholesale	362	225	192	297	290	257	293	320
E-commerce	397	1,217	790	1,192	2,006	2,501	2,950	3,245
Other services	124	120	113	122	144	110	117	123
Total	**8,425**	**9,306**	**9,088**	**9,392**	**10,595**	**10,950**	**11,719**	**12,311**
YoY, %	14.4%	10.5%	-2.3%	3.3%	12.8%	3.4%	7.0%	5.1%
Retail stores operating metrics:								
Number of showrooms, EoP	59	62	67	68	70	74	78	81
Net selling space, '000 sqm	218	229	250	255	264	281	297	309
YoY, %	7.4%	4.8%	9.3%	2.0%	3.6%	6.3%	5.8%	4.1%
Avg. retail sales/sqm, SAR	35,783	34,659	33,413	30,836	31,434	29,671	28,932	28,438
YoY, %	4.5%	-3.1%	-3.6%	-7.7%	1.9%	-5.6%	-2.5%	-1.7%
Avg. basket size, SAR	513	610	612	573	604	586	586	587
YoY, %	8.1%	18.9%	0.2%	-6.4%	5.4%	-3.0%	0.0%	0.3%
Total transactions, mn	14.7	12.7	13.1	13.6	13.5	13.8	14.3	14.7
YoY, %	5.3%	-13.6%	3.0%	4.0%	-0.6%	2.2%	3.4%	2.9%

Source: Company data, Roemer Capital

Jarir – valuations. We value Jarir using a blend of the DCF approach (with a 9.1% WACC and a 2% terminal growth assumption) and a PE multiple of 16x, assuming a slight discount to eXtra.

As a result, we derive a YE25 target price of SAR14 per share, implying a 7.6% upside, excluding dividends.

JARIR MARKETING COMPANY – VALUATION

Jarir valuation – DCF; SARmn							
Assumptions:							
Effective tax rate	2.5%						
Discount rate, CoE	10.6%						
Risk-free rate	4.0%						
Equity risk premium	6.0%						
Beta, x	1.10						
Pre-tax cost of debt	5.5%						
After-tax cost of debt	5.4%						
Debt/Equity	40.0%						
WACC	**9.1%**						
Terminal FCF growth rate	**2.0%**						
FCF projections:							
	2024F	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**
NOPAT	1,025	1,091	1,158	1,212	1,251	1,281	1,309
YoY	1.0%	6.5%	6.2%	4.6%	3.2%	2.3%	2.3%
+ D&A	196	198	207	216	212	220	229
- Change in WC	243	(39)	(29)	(22)	(17)	(15)	(15)
- Capex	(66)	(64)	(62)	(64)	(52)	(54)	(55)
- Lease payments	(120)	(131)	(141)	(151)	(162)	(174)	(187)
Free cash flow to firm (FCFF)	**1,278**	**1,054**	**1,134**	**1,192**	**1,232**	**1,258**	**1,282**
YoY	**132.1%**	**-17.5%**	**7.6%**	**5.1%**	**3.3%**	**2.1%**	**1.9%**
Terminal Value	18,405						
PV of FCF	4,706						
PV of Terminal Value	11,905						
Less (net debt) / cash	361						
Total equity value	16,973						
Fair value per share YE25, SAR	**14.1**						

Jarir valuation – PE multiple; SARmn	
Target PE 2025, x	16.0
Earnings	1,040
Equity value	16,635
Fair value per share YE25, SAR	**13.9**

Jarir TP calculation, SAR	
TP YE25 (avg. DCF and PE)	**14.0**
Upside/downside	7.6%

Source: Roemer Capital

JARIR – COMPANY FINANCIAL STATEMENTS, SARMN

Income statement	2023	2024F	2025F	2026F
Revenue	**10,595**	**10,950**	**11,719**	**12,311**
Cost of sales	(9,319)	(9,658)	(10,342)	(10,853)
Gross profit	1,276	1,292	1,377	1,459
Gross margin, %	12.0%	11.8%	11.8%	11.9%
SG&A	(303)	(318)	(340)	(357)
EBITDA	**1,228**	**1,247**	**1,317**	**1,395**
EBITDA margin, %	**11.6%**	**11.4%**	**11.2%**	**11.3%**
Depreciation & amortisation	183	196	198	207
Operating income	973	975	1,037	1,102
Operating margin, %	9.2%	8.9%	8.9%	9.0%
Other income	73	77	82	86
EBIT	1,045	1,051	1,119	1,188
Finance income	4	5	6	6
Finance expense	(47)	(56)	(59)	(57)
Profit before tax	1,002	1,000	1,066	1,137
Zakat and income tax	(29)	(25)	(27)	(28)
Net income to shareholders	**973**	**975**	**1,040**	**1,109**
Net margin, %	**9.2%**	**8.9%**	**8.9%**	**9.0%**
Shares outstanding, mn	1,200	1,200	1,200	1,200
EPS, SAR	*0.81*	*0.81*	*0.87*	*0.92*
DPS, SAR	*0.84*	*0.77*	*0.82*	*0.88*
Balance sheet	**2023**	**2024F**	**2025F**	**2026F**
Cash & cash equivalents	50	599	614	645
Accounts receivable and prepayments	221	198	212	223
Inventory	1,648	1,594	1,706	1,791
Other current assets	292	319	342	359
Total current assets	2,211	2,710	2,874	3,017
Property, plant & equipment	995	995	1,001	1,001
Right of use assets	583	615	640	637
Other non-current assets	322	310	299	289
Total assets	**4,110**	**4,630**	**4,815**	**4,944**
Accounts payable	925	1,097	1,175	1,233
Other current liabilities	514	534	567	591
ST and LT borrowings	5	253	253	253
Lease liabilities	709	740	762	753
Other non-current liabilities	186	186	186	186
Total liabilities	**2,339**	**2,810**	**2,943**	**3,016**
Total shareholders equity	**1,772**	**1,820**	**1,872**	**1,928**
Total liabilities & equity	**4,110**	**4,630**	**4,815**	**4,944**
Net (debt)/cash (ex. leases)	**45**	**346**	**361**	**392**
Cash flow statement	**2023**	**2024F**	**2025F**	**2026F**
Net operating cash flow	**689**	**1,414**	**1,198**	**1,287**
Capital expenditures	(43)	(66)	(64)	(62)
Net cash flow from investing activities	**(65)**	**(66)**	**(64)**	**(62)**
Debt financing, net	5	248	-	-
Lease principal payment	(113)	(120)	(131)	(141)
Dividends paid	(990)	(927)	(988)	(1,053)
Net cash flow from financing activities	**(1,098)**	**(799)**	**(1,119)**	**(1,194)**
Net change in cash	(474)	549	15	31
Free cash flow adj.	**510**	**1,228**	**1,003**	**1,084**

Sources: Company data, Roemer Capital

CONSUMER ELECTRONICS (CE) GLOBAL COMPS

		Mkt Cap (USDmn)	Adj. EV/EBITDA, x 2024F	Adj. EV/EBITDA, x 2025F	PE, x 2024F	PE, x 2025F	Net profit 24-26F CAGR	Net margin 2024F	Net margin 2025F	Div. yield 2024F	Div. yield 2025F
United Electronics (eXtra)	**Saudi Arabia**	**1,942**	**14.4**	**13.2**	**15.9**	**13.3**	**18.0%**	**6.6%**	**6.8%**	**4.5%**	**5.4%**
Jarir Marketing	**Saudi Arabia**	**4,160**	**12.8**	**12.2**	**16.0**	**15.0**	**4.4%**	**8.9%**	**8.9%**	**5.9%**	**6.3%**
DM CE:											
Fnac Darty	France	848	4.6	4.2	11.0	9.2	22.7%	0.9%	1.0%	2.7%	4.4%
Ceconomy	Germany	1,638	3.6	3.4	8.1	7.9	NA	0.9%	0.9%	3.0%	3.2%
Currys	UK	1,321	3.8	3.6	9.9	8.7	-8.5%	1.2%	1.3%	0.9%	1.6%
Best Buy	US	21,395	9.2	8.6	15.9	14.6	7.6%	3.2%	3.4%	3.8%	4.0%
JB Hi-Fi	Australia	5,898	10.0	9.7	19.5	18.7	3.6%	4.4%	4.4%	3.5%	3.7%
Harvey Norman	Australia	4,083	8.5	7.9	14.9	13.4	10.8%	10.3%	10.7%	5.2%	5.6%
Yamada Holdings	Japan	2,931	9.4	9.1	10.7	9.9	11.8%	1.8%	1.9%	3.0%	3.2%
Average			**7.0**	**6.7**	**12.8**	**11.8**	**8.0%**	**3.2%**	**3.4%**	**3.1%**	**3.7%**
EM CE:											
Magazine Luiza	Brazil	1,298	4.4	4.0	28.8	12.4	NA	0.6%	1.3%	0.0%	2.1%
Digiworld	Vietnam	399	19.6	15.1	22.1	16.7	26.2%	2.0%	2.4%	1.1%	1.7%
Mobile World Investment	Vietnam	3,901	11.5	9.6	22.4	16.1	27.6%	3.3%	4.0%	0.7%	0.8%
COM7 PCL	Thailand	1,683	12.4	11.3	18.3	16.2	10.5%	4.0%	4.1%	2.9%	3.3%
Average			**12.0**	**10.0**	**22.9**	**15.3**	**21.4%**	**2.5%**	**3.0%**	**1.2%**	**2.0%**
EM department stores and diversified retailers:											
Lojas Renner	Brazil	3,146	7.6	6.3	13.2	11.2	22.2%	8.7%	9.4%	4.0%	4.4%
El Puerto de Liverpool	Mexico	8,064	4.8	4.5	7.1	6.8	8.8%	10.3%	10.2%	2.4%	3.1%
Falabella	Chile	9,279	10.3	9.2	21.9	17.1	16.4%	3.4%	4.2%	0.6%	1.2%
Erajaya Swasembada	Indonesia	454	6.7	6.0	7.0	6.5	13.4%	1.5%	1.5%	3.6%	4.6%
Average			**7.3**	**6.5**	**12.3**	**10.4**	**15.2%**	**6.0%**	**6.3%**	**2.7%**	**3.3%**

*Sources: Roemer Capital, Bloomberg. *Pricing as of COB 7 October*

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