

EQUITY HUB +

Comprehensive Fundamental Analysis Report

Jarir Company

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Executive Summary: Jarir's Financial Performance (2021 – 2025)

This report sets out a comprehensive and neutral fundamental analysis of Jarir's operating and financial performance from 2021 to 2025, with particular attention to the shifts recorded in 2025. It assesses earnings quality, working capital efficiency and the sustainability of the cash dividend, working from a decomposition of the financial statements and the key performance indicators. The objective is an evidence-based view of what actually drove performance over the period, and of what has to hold for that performance to be sustained.

Table 1 · Key performance indicators

Source: company financial statements, and indicators computed by the research team.

Item	2021	2022	2023	2024	2025
Revenue (SAR million)	9,088	9,392	10,595	10,619	11,365
Net income (SAR million)	992	970	973	974	1,049
Gross margin	13.53%	13.71%	12.04%	12.47%	12.46%
Operating margin	11.68%	10.84%	9.86%	9.91%	9.90%
Net profit margin	10.91%	10.33%	9.18%	9.17%	9.23%
Return on equity	56.1%	53.8%	54.9%	55.8%	59.5%
Free cash flow (SAR million)	1,358	948	646	1,051	1,374
Cash conversion cycle (days)	4.8	8.6	29.2	30.0	20.0
Earnings per share (SAR)	0.83	0.81	0.81	0.81	0.87

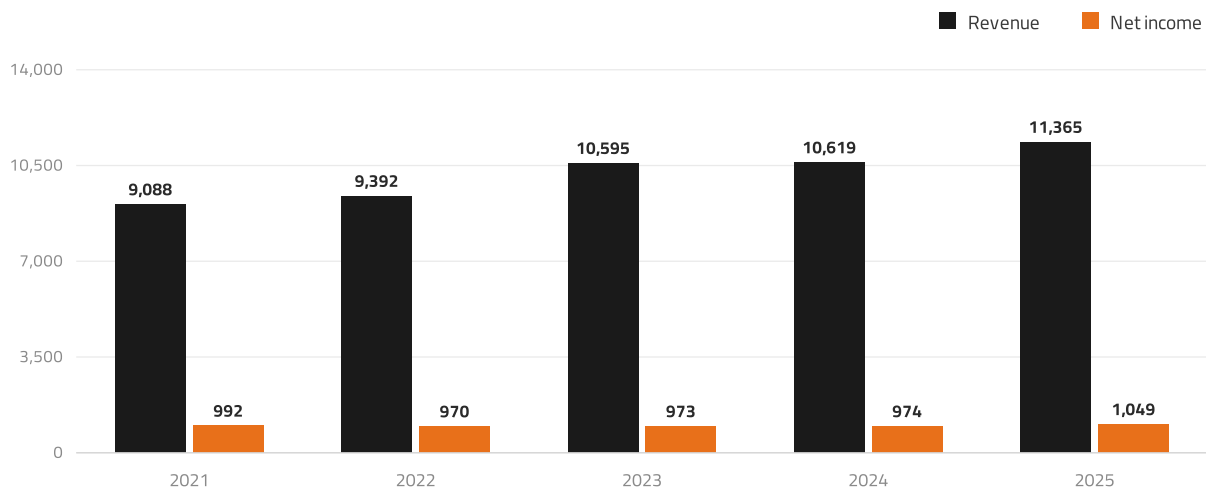
Analytical Read

Revenue compounded at 5.8% over the period while net profit compounded at 1.4%, a gap that reflects pressure on margins rather than on activity levels. Net margin fell from 10.91% in 2021 to 9.23% in 2025, with gross and operating margins following the same path. Return on equity reached 59.5% in 2025, the highest of the period, but the drivers were asset turnover and leverage rather than margin recovery. Operating cash flow rose to SAR 1,458mn and free cash flow covered the cash dividend 1.33 times. The cash conversion cycle shortened from 30.0 days in 2024 to 20.0 days in 2025, while total liabilities to equity climbed from 1.32x in 2023 to 1.51x in 2025.

Revenue, Net Income and Margins

Revenue grew from SAR 9.09bn in 2021 to SAR 11.37bn in 2025, a cumulative increase of 25.1% and a compound annual growth rate of about 5.8%. Net profit rose from SAR 991.9mn to SAR 1.049bn over the same period, cumulative growth of 5.8% and a compound annual rate of about 1.4%, well below the pace of revenue.

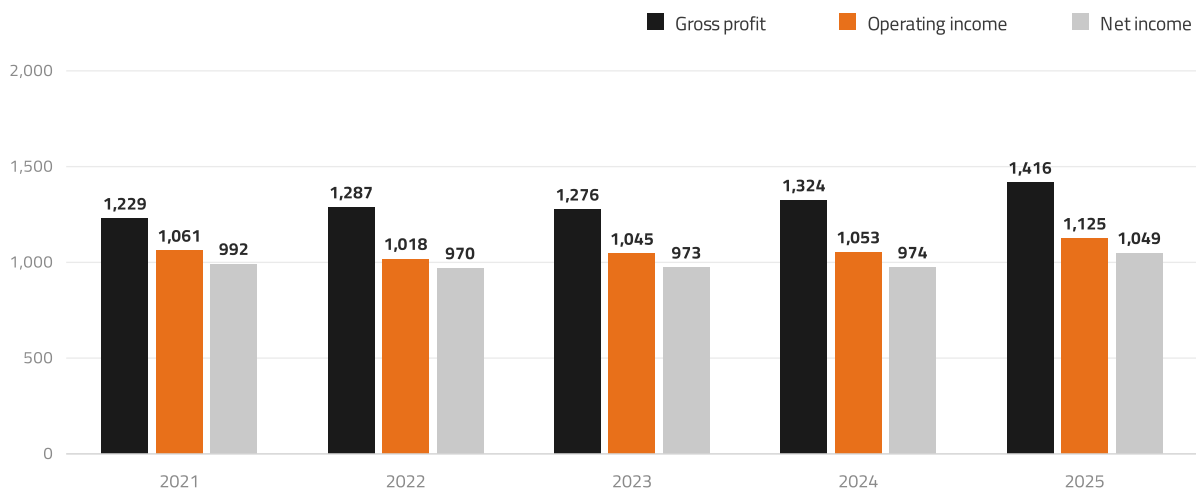
Figure 1 · Revenue and net income (SAR million)



Source: company financial statements and research team analysis.

The divergence shows up in margins. Gross margin narrowed from 13.53% in 2021 to 12.46% in 2025, the operating margin from 11.68% to 9.90%, and net margin from 10.91% to 9.23%.

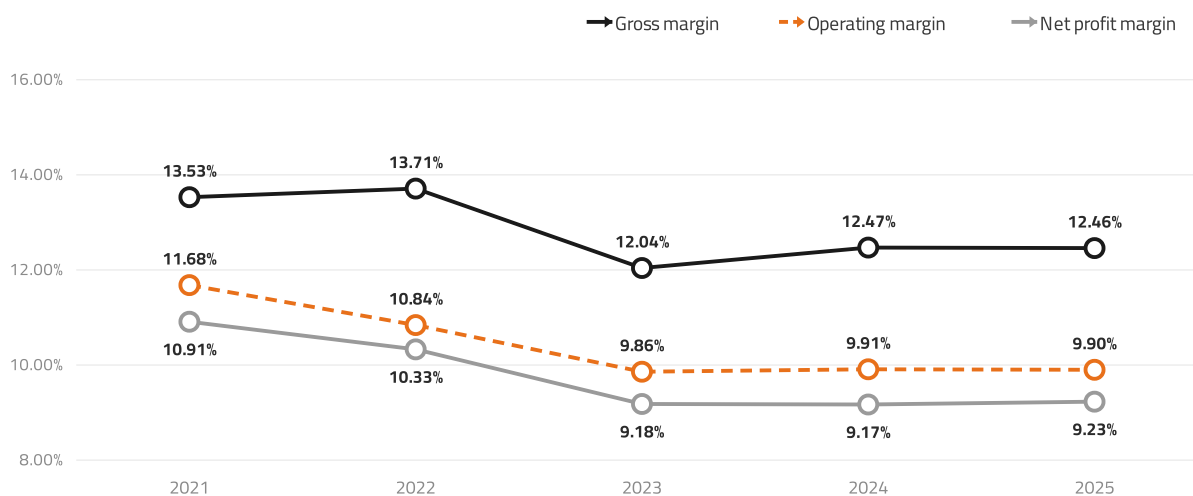
Figure 2 · The profitability ladder: gross profit, operating income and net income (SAR million)



Source: company financial statements and research team analysis.

Margin Trajectory Over the Period

Figure 3 · Profitability margins (%)



Source: company financial statements and research team analysis.

Margins moved through two distinct phases. The first, covering 2021 and 2022, was a period of relatively high profitability: gross margin ranged between 13.53% and 13.71%, the operating margin ran at 11.68% then 10.84%, and net margin at 10.91% then 10.33%.

The second was compression followed by stabilization at a lower level through 2023 to 2025. Gross margin dropped to 12.04% in 2023 before settling at 12.47% in 2024 and 12.46% in 2025, with the operating margin holding around 9.9% and net margin around 9.2%.

The more telling shift is the widening spread between gross and operating margin, from about 1.8 percentage points in 2021 to about 2.6 points in 2025, evidence of operating expenses taking a larger share of revenue. On the same basis, net profit equated to roughly 74% of gross profit in 2025 against roughly 81% in 2021, pointing to weaker conversion of gross profit into the bottom line. 2025 is therefore a modest improvement on 2024 in net profit and net margin, but margin levels remain below those of 2021 and 2022, which leaves growth dependent on sales volume and cost control rather than on margin expansion.

Analytical Read

The break in margins sits in 2023: gross margin fell 1.67 percentage points in a single step versus 2022, with the operating margin down 0.98 points alongside it. What followed in 2023, 2024 and 2025 looks more like stabilization at the new level than recovery, with cumulative improvement in net margin over the last two years of only 5 basis points. Absolute profit growth in 2024 and 2025 therefore came from higher revenue, not from better profitability per riyal of sales.

Consolidated Income Statement

Table 2 · Consolidated income statement (SAR million)

Item	2021	2022	2023	2024	2025
Revenue	9,088.3	9,391.7	10,594.9	10,619.3	11,365.2
Cost of revenue	(7,858.9)	(8,104.3)	(9,319.0)	(9,294.8)	(9,948.9)
Gross profit	1,229.3	1,287.4	1,275.9	1,324.5	1,416.2
Operating income	1,061.4	1,018.5	1,045.1	1,052.8	1,124.9
Net income	991.9	969.8	973.0	974.0	1,049.2
Earnings per share (SAR)*	0.83	0.81	0.81	0.81	0.87
Gross margin	13.53%	13.71%	12.04%	12.47%	12.46%
Operating margin	11.68%	10.84%	9.86%	9.91%	9.90%
Net profit margin	10.91%	10.33%	9.18%	9.17%	9.23%

* Earnings per share are retroactively adjusted for the split of the nominal value from SAR 10 to SAR 1 (May 2023) for comparability purposes.

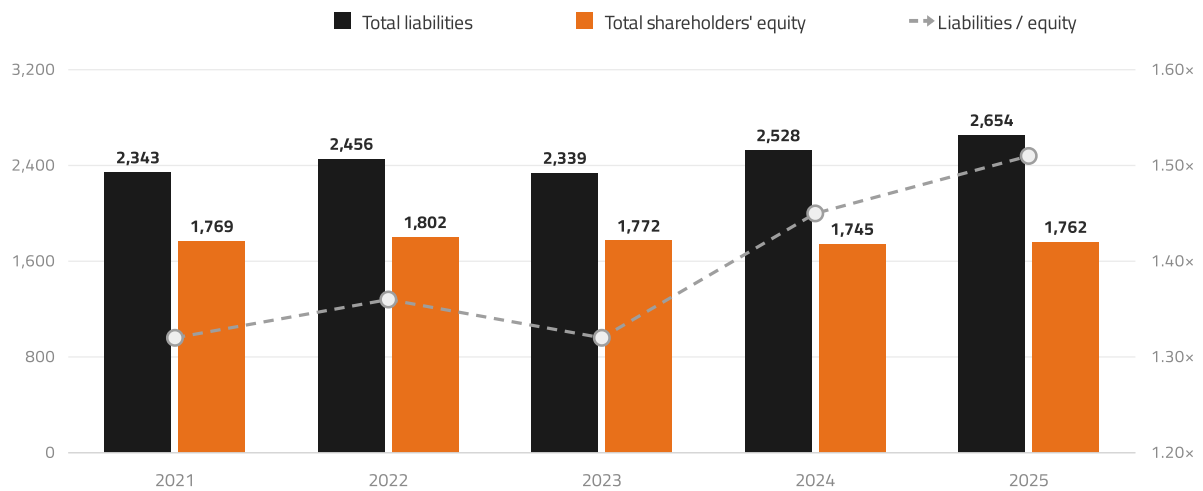
Source: company financial statements and research team analysis.

Summary of the Financial Position

Table 3 · Summary of the financial position (SAR million)

Item	2021	2022	2023	2024	2025
Cash and cash equivalents	432.2	526.2	50.0	32.8	271.0
Inventory	1,234.7	1,319.3	1,647.9	1,816.7	1,709.4
Total current assets	2,067.9	2,333.8	2,211.2	2,349.0	2,523.2
Total assets	4,112.1	4,257.5	4,110.5	4,272.7	4,416.0
Total current liabilities	1,632.5	1,695.7	1,571.9	1,735.6	1,837.4
Lease liabilities (IFRS 16)	642.0	720.8	708.9	752.1	744.2
Total liabilities	2,343.1	2,456.0	2,338.9	2,527.8	2,654.0
Total shareholders' equity	1,769.0	1,801.5	1,771.6	1,744.9	1,762.1

Source: company financial statements and research team analysis.

Figure 4 · Funding structure: liabilities and equity versus the leverage ratio

Source: company financial statements and research team analysis.

The balance sheet has been stable in size, with total assets in a SAR 4.1 – 4.4bn range across the period and equity anchored near SAR 1.76bn because most of each year's profit is paid out. Total liabilities, by contrast, rose from SAR 2.34bn in 2021 to SAR 2.65bn in 2025, which accounts for the higher liabilities-to-equity ratio over the period.

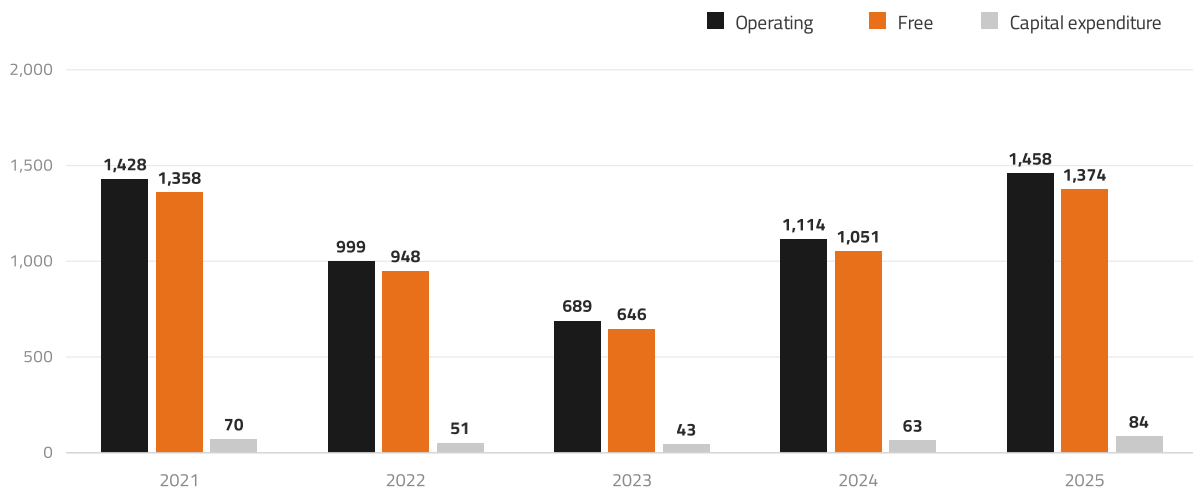
Analytical Read

Equity holding near SAR 1.76bn for five years reflects a payout close to the whole of net income each year, not weak earnings. With retained earnings unable to accumulate, both return on equity and the equity multiplier are pushed higher.

Cash Flows and Liquidity

Cash generation shifted materially over the period under analysis. Operating cash flow more than doubled from SAR 689mn in 2023 to SAR 1.458bn in 2025, and free cash flow reached about SAR 1.374bn in 2025, the highest of the five years under comparison.

Figure 5 · Operating and free cash flow against capital expenditure (SAR million)



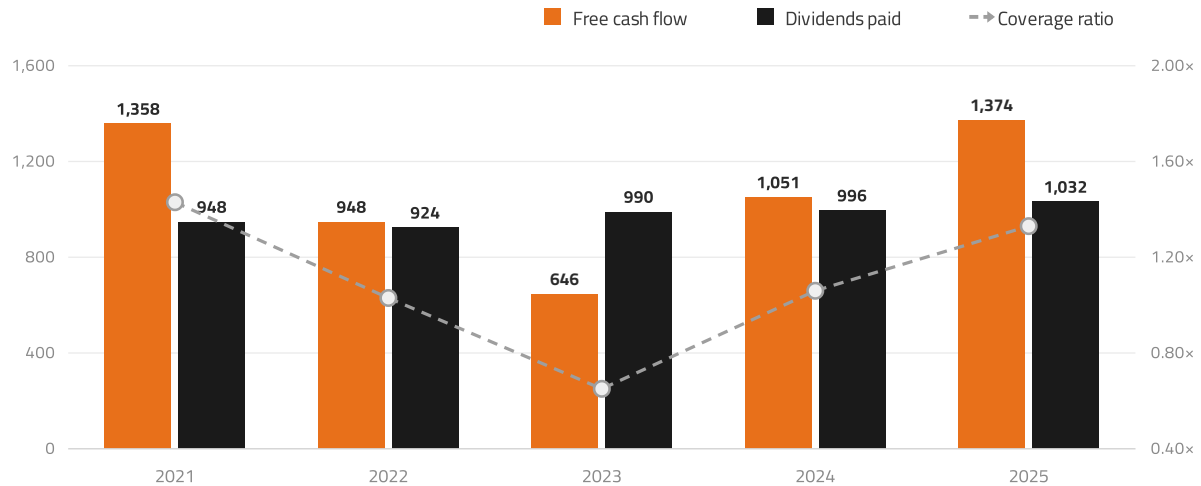
Source: company financial statements and research team analysis. Capital expenditure is computed as the difference between operating and free cash flow.

Set against earnings, free cash flow equated to about 131% of net profit of SAR 1.049bn and operating cash flow to about 139%, so cash generation ran ahead of reported accounting profit. Dividends paid during the year totaled about SAR 1.03bn against free cash flow of SAR 1.374bn, giving coverage of about 1.33 times and a surplus of roughly SAR 342mn before the remaining financing activities.

Free cash flow generated over the period therefore exceeded dividends paid. On short-term liquidity, the current ratio settled at about 1.37x while the quick ratio stood at 0.44x; the gap between the two measures the weight of inventory within current assets and its role in covering current liabilities. The 2025 increase in operating cash flow also coincided with higher trade payables, so movements in working capital were part of what drove cash flow during the year.

Dividend Coverage from Free Cash Flow

Figure 6 · Free cash flow against dividends paid (SAR million)



Source: company financial statements and research team analysis.

Taken together, 2025 showed higher operating and free cash flow, with free cash flow above dividends paid. At the same time, the spread between the quick and current ratios shows part of short-term liquidity tied up in inventory, which keeps stock turnover and supplier payment terms central to liquidity analysis in coming periods. Operating cash flow rose to SAR 1.458bn in 2025 and the closing cash balance improved to about SAR 271mn, from about SAR 33mn at the end of 2024.

Analytical Read

2023 marks the inflection point in the cash profile: the lowest free cash flow of the period (SAR 646mn, or 66.3% of net profit) coincided with inventory days rising to 64.5 and year-end cash falling to SAR 50mn. The 2024 and 2025 data show a recovery that restored dividend coverage to above one time.

Table 4 · Key cash indicators (SAR million)

Item	2021	2022	2023	2024	2025
Operating cash flow	1,428	999	689	1,114	1,458
Capital expenditure	70	51	43	63	84
Free cash flow	1,358	948	646	1,051	1,374
Dividends paid	948	924	990	996	1,032
Dividend coverage from free cash flow	1.43x	1.03x	0.65x	1.06x	1.33x

Capital expenditure is computed as the difference between operating and free cash flow.

Source: company financial statements and research team analysis.

Liquidity and Financial Leverage Indicators

Table 5 · Liquidity and leverage indicators

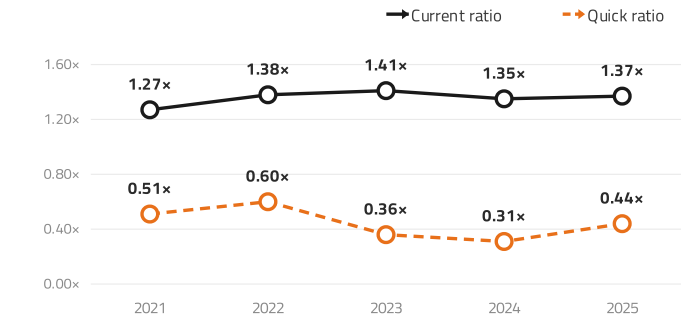
Item	2021	2022	2023	2024	2025
Current ratio	1.27x	1.38x	1.41x	1.35x	1.37x
Quick ratio	0.51x	0.60x	0.36x	0.31x	0.44x
Total liabilities / shareholders' equity	1.32x	1.36x	1.32x	1.45x	1.51x
Interest coverage (operating income / finance cost)	25.1x	25.0x	22.1x	20.3x	21.6x

Indicators computed by the research team based on the financial statements.

Source: company financial statements and research team analysis.

Figure 7 · Current ratio and quick ratio (times)

Liquidity and leverage indicators moved in different directions in 2025. The current ratio stood at 1.37x, against 1.35x in 2024 and 1.27x in 2021, meaning the company holds about SAR 1.37 of current assets for every riyal of current liabilities.



Source: company financial statements and research team analysis.

The quick ratio improved from 0.31x in 2024 to 0.44x in 2025 but remained below the 0.51x recorded in 2021, and stayed below one time throughout the period under analysis.

The gap between the two ratios reflects how much of current assets sits in inventory, and therefore how far short-term liquidity depends on converting that inventory into sales and cash. The point carries added weight given the nature of part of the company's product range, including technology products and smartphones, which are exposed to launch cycles and price changes over time.

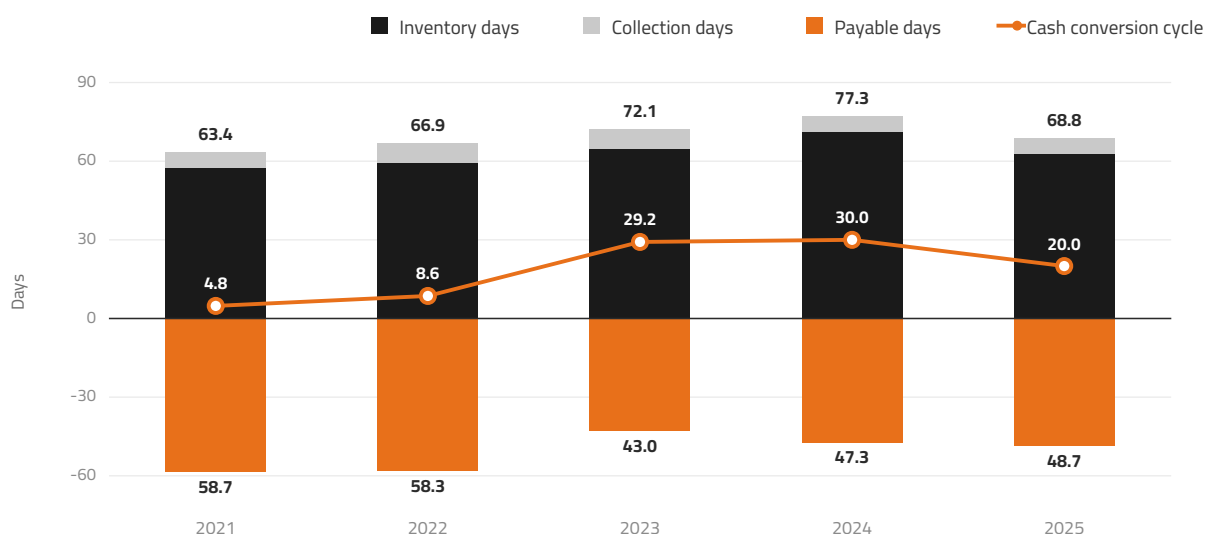
Financial Leverage and Interest Coverage

Leverage moved higher across the period. Total liabilities to equity rose from 1.32x in 2023 to 1.45x in 2024 and 1.51x in 2025, as liabilities grew faster than equity. Total liabilities here are not confined to bank debt; they also include supplier balances, lease obligations and other liabilities tied to operations.

Interest coverage improved from 20.3x in 2024 to 21.6x in 2025, so the earnings used in the calculation covered financing costs 21.6 times over during the year. Overall, 2025 combined a stronger quick ratio and stronger interest coverage with a higher liabilities-to-equity ratio. Liquidity and leverage components are therefore moving in different directions, with part of short-term liquidity still tied to inventory and liabilities still rising relative to equity. Inventory movement, the trajectory of liabilities, and growth in equity and earnings remain the items to track in these indicators in coming periods.

The Working Capital Cycle

Figure 8 · Components of the cash conversion cycle (days)



Source: company financial statements and research team analysis.

Table 6 · Working capital cycle (days)

Item	2021	2022	2023	2024	2025
Inventory days	57.3	59.4	64.5	71.3	62.7
Collection days	6.1	7.5	7.6	6.0	6.1
Payable days	58.7	58.3	43.0	47.3	48.7
Cash conversion cycle	4.8	8.6	29.2	30.0	20.0

Source: company financial statements and research team analysis.

Working capital moved materially over the period. From 4.8 days in 2021, the cash conversion cycle lengthened to 8.6 days in 2022, then jumped to 29.2 days in 2023 and 30 days in 2024. The pressure did not come from receivables, which held broadly steady at 6 to 8 days; it came from inventory days rising from 57.3 to 71.3 and payable days falling from 58.7 to 47.3.

2025 reversed the trend. Inventory days fell to 62.7 and payable days recovered to 48.7, pulling the cycle back to 20 days: the company converted inventory into cash faster and required less working capital to fund operations. This is consistent with the working capital movements and operating cash flows shown in the statements, which makes the 2025 improvement more meaningful than a single-year move in one indicator.

Dividends

Table 7 · Cash dividends and their coverage

Item	2021	2022	2023	2024	2025
Dividends paid (SAR million)	948.0	924.0	990.0	996.0	1,032.0
Payout ratio of net income	95.6%	95.3%	101.7%	102.3%	98.4%
Free cash flow / net income	136.9%	97.8%	66.3%	107.9%	131.0%

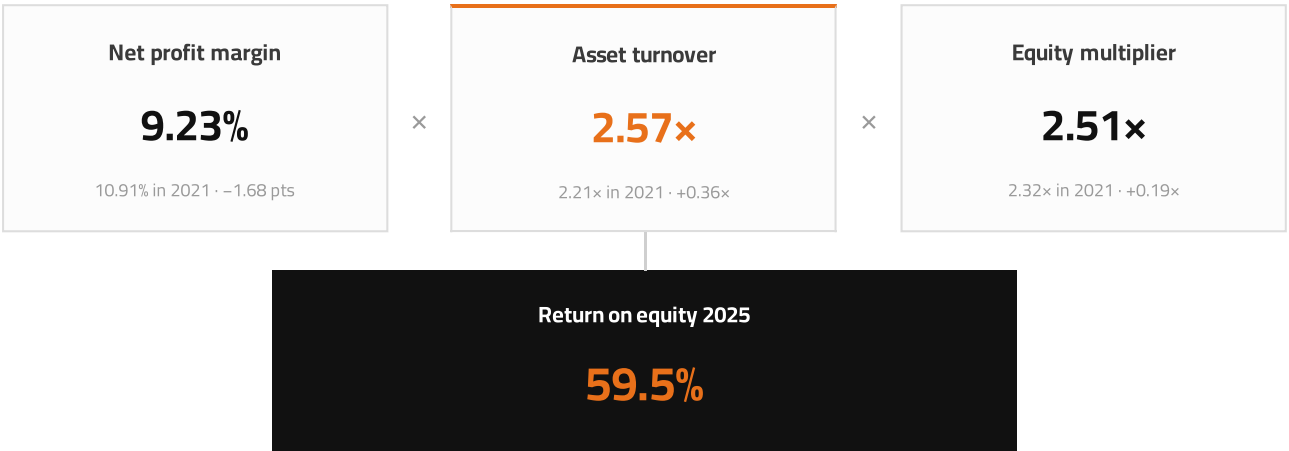
Source: company financial statements and research team analysis.

Alongside this, Jarir has maintained a very generous dividend policy. Dividends paid rose from SAR 948mn in 2021 to SAR 1.032bn in 2025, with the payout ratio ranging between 95.3% and 102.3% of net income and standing at 98.4% in 2025. That makes the shortening of the cash conversion cycle (CCC) from 30 days to 20 days particularly relevant to the sustainability of the policy: it releases funds otherwise locked in the operating cycle and strengthens the company's ability to convert earnings into distributable cash.

Analytically, the item to watch is whether inventory days keep falling while collection and payment days hold. A cycle sustained at or below 20 days alongside continued high dividends would point to a durable improvement in working capital efficiency rather than a temporary one.

Decomposition of Return on Equity (DuPont Model)

Figure 9 · Components of return on equity — 2025

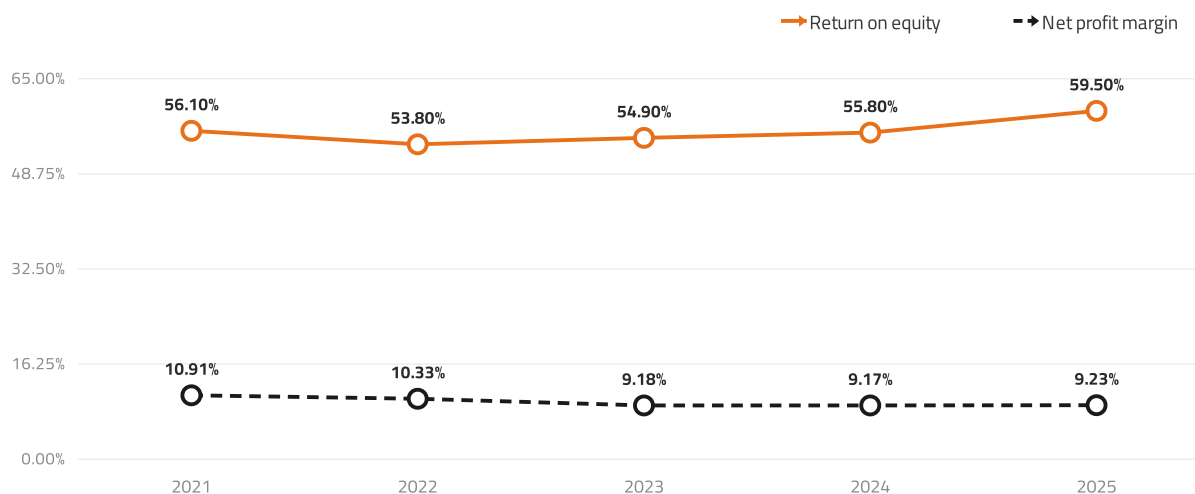


Source: indicators computed by the research team based on the financial statements.

How the equation is read

The DuPont model breaks return on equity into three drivers: profitability per riyal of sales (net margin), the efficiency with which the asset base generates sales (asset turnover), and reliance on external funding (equity multiplier). The three multiply to the reported return, which makes it possible to isolate which of them drove the change over the period.

Figure 10 · Return on equity against the net profit margin (%)



Source: company financial statements and research team analysis.

Reading the Decomposition

Table 8 · Decomposition of return on equity (DuPont)

Item	2021	2022	2023	2024	2025
Net profit margin	10.91%	10.33%	9.18%	9.17%	9.23%
Asset turnover	2.21x	2.21x	2.58x	2.49x	2.57x
Equity multiplier	2.32x	2.36x	2.32x	2.45x	2.51x
Return on equity	56.1%	53.8%	54.9%	55.8%	59.5%

Source: company financial statements and research team analysis.

Return on equity fluctuated notably between 2021 and 2025, tracking gradually higher after bottoming at 53.8% in 2022 and peaking at 59.5% by the end of 2025. That final step up raises a fundamental question about the quality of the return and what actually produced it, which is what a decomposition of the financial and operating components is needed to answer.

Higher asset turnover was the offset to margin erosion. Asset turnover rose to 2.58x in 2023 from 2.21x in the two preceding years, then registered 2.49x in 2024 and 2.57x in 2025. The step-up reflected 12.8% revenue growth in 2023 while total assets fell about 3.5% as cash dropped from SAR 526mn to SAR 50mn, not a faster sales cycle; inventory days rose in the same year.

Capital structure provided a second, financial lift. The equity multiplier held at 2.32–2.36x from 2021 to 2023, then rose to a period high of 2.51x in 2025, as total liabilities increased by about SAR 315mn while equity stayed near SAR 1.76bn under a near-full payout. Most of these liabilities are supplier balances and leases. The greater use of leverage mechanically amplified the reported return on equity, while raising exposure to financial risk.

Analytical Conclusion

Final assessment of earnings quality

The 2025 peak in return on equity rests on a growth model driven primarily by higher asset turnover and secondarily by wider financial leverage, both acting as defenses against structural weakness in margins. On an earnings-quality view this cuts both ways: asset turnover has improved, but the combination of high leverage and thin margins leaves the durability of these returns highly sensitive to any slowdown in sales momentum or any decline in supplier payable days.

What to Monitor in Coming Periods

Inventory days Sustained improvement below 63 days, with collection and payment days stable, is the condition for holding the cash conversion cycle near 20 days.	Profitability margins A recovery in gross margin above 12.5% would shift the quality of return growth from quantitative to qualitative.
Leverage ratio Further increases in liabilities to equity beyond 1.51x deepen reliance on supplier credit and leases.	Dividend coverage Free cash flow remaining above dividends paid is the direct test of whether the payout policy is sustainable.

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