COVER PAGE AND DECLARATION

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Introduction:

Financial statement analysis is of great importance to management and investors and is useful in analyzing the historical performance of the facility, enabling it to identify strengths and thus enhance them, or identify weaknesses and thus find ways to treat them after identifying and explaining their causes. It is also useful in preparing future forecasts, which are a basic pillar that enables the facility to plan for the future.

In financial analysis, it depends on a set of basic financial statements prepared on the basis of accounting accrual. Therefore, it may be necessary to make some adjustments so that they can be used in the field of financial management. It is also used to support financial analysis tools with the necessary data that helps the financial management in making decisions. Efficient and effective.

The analysis of financial statements helps several parties, not only management, but also investors and creditors. In the internal environment of the facility, finance managers use the information they obtain from financial analysis to make successful financial decisions in the field of investment or financing in the facility, leading to an increase in the value of the entity. Shareholders and creditors use financial statement analysis to assess the entity's attractiveness as an investment by examining its ability to Interview current and expected financial obligations.

The financial ratios benefit several parties, benefit the shareholders, creditors and the financial manager in preparing estimates and a relative assessment of the financial condition of the facility. Therefore, the use of financial ratios enjoys the interest and acceptance of many who are interested in the financial aspects of evaluating the performance of companies.

The following financial analysis of the Jarir Bookstore company for the financial year 2020 by calculating financial ratios for the years 2018,2019 and 2020.

Jarir Marketing Company (also known as "Jarir Bookstore" or "Jarir") was established in Riyadh in 1974 as a small bookstore. In the 1980s, Jarir opened its second branch in Riyadh, followed by a branch in the 1990s. Jarir is a pioneer in the Middle East in the field of products Consumer information technology, electronics, office supplies and books.

In 2002, Jarir became a joint stock company (Commercial Registration No. (1010032264) and was listed on the Saudi Stock Exchange (Tadawul) in 2003. Currently, the capital of Jarir Company is 1.20 billion Saudi riyals. It works in retail and wholesale trade for its products in the Kingdom of Saudi Arabia. Saudi Arabia and other Gulf Cooperation Council countries.

Headquartered in the Kingdom of Saudi Arabia in the city of Riyadh, Jarir operates through two divisions: retail (including online sales) under the brand “Jarir Bookstore” and the wholesale division.

The company’s activities include trading in office and school supplies, toys and educational aids, Arabic and English books and publications, arts and crafts materials, computer accessories and software, mobile phones and their accessories, audio-visual devices, imaging tools, smart TV and maintenance of computers and electronic tools.

Strategic growth plans

Opening more than 80 showrooms in Saudi Arabia and the Gulf by 2025.

Increase average annual growth by 10% through opening new stores and gaining more market share.

Increasing the potential of e-commerce as a catalyst for comprehensive growth in the Kingdom of Saudi Arabia and the world.

Maintaining market leadership by predicting future technology trends and constantly reviewing the sales mix.

Continuing to develop and improve product category management plans and capabilities.

Increasing customer lifetime value by developing customer-centric approaches and data-processing capabilities through which more relevant products, services and experiences are provided to the customer.

Continuing to differentiate sales offers by creating an added value for after sales services.

Strengthening the organizational structure to suit the size and level of business in the future.

Developing Jarir's presence on the Internet by taking advantage of digital marketing through social media to increase customer interaction with the Jarir brand.

Develop the Project Management Office and strategies to strengthen the organizational ability to achieve long-term business objectives.

https://www.jarir.com/jarir-company-profile

Financial performance

There are many definitions of financial performance, and financial performance is defined as the proper diagnosis of financial health in order to know whether the institution has the ability to generate value and steadfastness in the future by relying and relying on several financial procedures such as preparing budgets, results accounts tables, and annexed tables.

Financial performance is also a concept and a narrow definition of the performance of organizations and companies, as it depends on the use of financial measures and ratios in order to measure the duration of achievement of goals, and it is also one of the main pillars of many different businesses carried out by institutions, and financial performance plays an important role in providing organizations and companies with opportunities Investment in all different fields of performance that help in meeting interests.

Profitability Ratio:

Percentage	2018	2019	2020
Gross Profit to Sales	0.12	0.14	0.13
Return on Assets	0.26	0.28	0.27
Return on Equity	0.44	0.49	0.48

We noticed an increase in the ratio of gross profit to sales during the three years.

The rate of return on equity has also increased during the three years, while the return on assets we have noticed a rise in year 2019, but soon came back drop in 2020.

Trading ratios and indicators:

Percentage	2018	2019	2020
Turnover	2.07	1.78	1.68
Quick Ratio	0.73	0.67	0.60
Cash Ratio	0.08	0.10	0.10

Working Capital: During the three years, we noticed that working capital has been increasing continuously, except for the year 2019, when there was a noticeable decrease in the value of working capital. The reason is due to the increase in the value of current liabilities at a rate greater than the increase in the value of current assets in that year.

Trading ratio: We noticed a continuous decrease in the trading ratio from 2.07 times in 2018 to 1.78 times in 2019 and then to 1.68 times in 2020.

The rapid trading ratio: We also noticed a continuous decline, such as the decline that occurred in the trading ratios, which decreased from 0.73 times in 2018 to 0.67 times in 2019 and then continued to decline to 0.60 times in 2020.

Cash ratio: In contrast to the rest of the trading ratios, we notice a slight increase in the cash ratio from 0.08 in 2018 to 0.10 in 2019, due to the noticeable increase in cash in 2019, then this ratio stabilized in 2020.

Debt and leverage ratios:

Percentage	2018	2019	2020
Liabilities to Assets Ratio	0.41	0.42	0.44
Assets to Equity Ratio	1.69	1.73	1.79
Ratio of Long-Term Liabilities to Equity	0.27	0.21	0.17
Interest Coverage Ratio	26.97	28.50	34.67

In 2020, this increase is evidence of 0.44. The ratio of total debts to total assets increased compared to what it was in 2018 until the company's strength decreased during the three years in repaying its debts.

As for the ratio of total assets to total equity, as well as the interest coverage ratio, we noticed a rise in this ratio during the three years.

We note a decrease in the ratio of long-term liabilities to equity from 0.27 to 0.21 until it reached 0.17 in 2020.

Efficiency Ratio:

Percentage	2018	2019	2020
Inventory Turnover	5.33	4.91	4.63
Average Storage Period	68	74	79
Receivables Turnover	15.44	14.10	14.23
Average Collection Period	24	26	26

Debtors turnover: We noticed a decrease in the debtors turnover from 5.33 in 2018 to 4.91 in 2019 and then continued to decline to 4.63 in 2020.

Average storage period: The average storage period continued to rise from 68 to 74 and then 79 days in 2020, 2019, and 2018, respectively.

Debtors turnover: decreased from 15.44 in 2008 to 14.10 in 2019, then we noticed a slight increase to 14.23 in 2020. Average collection period: The number of collection days increased from 24 in 2018 to 26 in 2019 and then settled at the same number in 2020.

Financial Indicators for the Market:

Percentage	2018	2019	2020
Earnings per Share	8.32	9.35	10.02
P/E Ratio	15.50	14.30	15.07
Book Value per Share	17.17	18.07	19.94

In 2018, 2019, and 2020, respectively. 10.02 and 9.35, earnings per share rise in the three years, reaching 8.32

In 2020, as for the book value of the stock, we noticed an increase in this percentage in the three years until it reached 19.94.

Recommendations for Improving the Company Businesses

The "safe" purchase of basic supplies, especially in shopping centers, can be difficult during the time of the outbreak of the new Corona virus around the world.

With closure conditions imposed in many countries to prevent the spread of the virus and the deadly disease it causes, daily activities such as shopping will differ from normal for some time. So it is highly recommended that the company turn to E-Marketing because Comparisons between e-marketing and traditional marketing we found that the cost incurred by companies in displaying products through e-marketing is lower compared to the high cost of traditional marketing (newspapers - television - magazines, etc....) and Communication in e-marketing is accurate and easier due to the use of information technology and its tools and permanent and periodic communication such as sending messages and following up on customers. As for traditional marketing, communication through it is somewhat difficult because it is specific to time and place. The number of customers in the electronic network is very large because marketing is local and global, while traditional marketing serves a specific segment of customers or people. Also there is a difficulty in previewing the product because it depends on the display of the image, and getting a sample is somewhat difficult compared to traditional marketing, so inspecting the product and getting a sample is easier. Also customers' responses and questions can be followed up through social pages or websites directly in e-marketing, while traditional ones are difficult to follow.

E-marketing interacts with customers and facilitates the process of collecting customer or visitor data and their interests in the product. Traditional marketing is a difficult and more stressful task. Also E-marketing enables the customer to order the product at any time and place through electronic tools (smartphone - computer), while traditional is relatively difficult.

Among the most important results obtained:

E-marketing has helped companies enter international markets easily without difficulties, especially since the Internet is available to everyone.

The importance of e-marketing in customer service and its ability to give great information about a commodity through the Internet.

The use of the Internet leads to the reduction of a wide range of costs such as the costs of distribution, storage, and promotion, and this will lead to a reduction in price compared to the price in the case of traditional marketing.

The possibility of reducing the price in e-marketing gives an important advantage in competition with companies that market traditionally.

Pricing is of great importance in e-marketing, although most companies do not clearly put the prices of their products on the network, the companies that set their prices help the recipient to study his budget.

One of the most important reasons for consumers' tendency to shop online is to reduce the time to search for goods and the presence of many alternatives available on the computer screen, as well as the possibility of obtaining the lowest price and this, is what we saw through the survey of Internet users in America, as the highest percentage of online purchase motives is low the prices.

The need to carry out electronic marketing to reach consumers on the network, that is, to enter the electronic market, which is constantly increasing with the increase in the number of Internet subscribers, and their confidence and conviction of the benefit achieved by purchasing through it increases.

Easily send promotions for specific occasions or product filter offers.

E-marketing helps keep your customers permanently informed of your services and products.

This comparison between e-marketing and traditional marketing shows the importance of e-marketing for companies, websites, and product owners, and with the advancement of technology, we see that e-marketing plays an important role in the corporate economy.
To make your products conquer all countries of the world.

Investment Project:

Jarir can undertake investing in real estate or real estate investment which is one of the most important sources of income that companies seek to obtain, and whether the companies are small or large in size, everyone stands in the way of obtaining adequate financing and experience in dealing with real estate investment as a vital sector.

Real estate investment is one of the long-term investments in the country, which is one of the most important and best types of investments in general. Where the real estate investor strives successfully to analyze the existing data from all political, economic and social aspects. In addition to searching for available, upcoming and special opportunities regarding real estate investment, in order to constantly increase its profits and develop its business. The real estate investor can also participate in real estate business and projects or buy residential and commercial units and resell them with a large profit margin.

Investing in real estate is somewhat similar to investing in stocks, as achieving profits from real estate investment is based on determining the value of the properties you intend to buy and then making a good guess to know the amount of profit generated from these investments, whether through rent or sale (ownership). But investing in real estate requires a relatively long period of time while providing a large capital. Therefore, the expected profits must be proportional to the amount invested and the required time period.

Computation NPV of Project						
Initial Cost	200000					
Life of project	5 years					
Annual Cash inflow	60000					
Salvage Value	0					
Required rate of return	10%					
percentage	0	1	2	3	4	5
Initial outlay	-200000					

Annual cash inflow		60000	60000	60000	60000	60000
Discount factors	1	0.909091	0.826446	0.751315	0.683013	0.620921
Present value of cash flows	-200000	54545.45	49586.78	45078.89	40980.81	37255.28
NPV	27447.21					

Net Present Value (NPV) is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. So NPV will analyses how much the investment will be successful and it will calculate the amount off loss or gain.

So in this case the net cash inflows have been discounted to 10%. Initial outlay for the investment is 200000sr and the life of the project is 5years with annual cash flow of 60000sr. and NPV has been calculated as 27447.2sr which leads that the investment should be accepted.

Calculation of WACC	
Total investment	200000
Own Capital	80000
Remaining required capital	120000
Capital to be raised via equity	60%
Equity capital	72000
Capital to be raised via debt	40%
Debt capital	48000
Cost of equity	10%
Cost of debt	15%
WACC	10.20%

A firm’s Weighted Average Cost of Capital (WACC) represents its blended cost of capital across all sources, including common shares, preferred shares, and debt. The cost of each type of capital is weighted by its percentage of total capital and they are added together. This guide will provide a detailed breakdown of what WACC is, why it is used, how to calculate it, and will provide several examples.

WACC is used in financial modeling as the discount rate to calculate the net present value of a business.

As shown below, the WACC formula is:

WACC = (E/V x Re) + ((D/V x Rd) x (1 – T))

WACC= 10.20% which indicates that the firm must pay 0.1020sr for investors in return for each 1sr in extra funding. And this considered as beneficial for the firm to invest in this project.

Retained profits are the profits that the company achieves, and do not distribute to shareholders, either with the aim of investing it in new business or to pay off outstanding debts, or to distribute it to investors at a later stage.

After the companies calculate the net profits and distribute a part of it to the shareholders according to the number of shares they own, there remains a part that the companies keep in their accounts, where they add it to the retained earnings from the past years, resulting in the “total retained earnings.”

Usually, companies invest retained earnings in new projects, which means that they will not have to resort to costly external financing. These retained earnings are not included in the financial statements of companies under the list of assets, as they are included in the cash flows.

Recommendations to pay return earnings:

In the case of a continuous increase in profits, we recommend that the company should distribute the profits to shareholders and investors, and there must be a strategic plan to make other investments.

Based on the company's current data, and based on the company's future projects, the following forecasts for the next six years have been calculated.

Profits of Jarir Marketing Company, which owns bookstores in Saudi Arabia, Qatar, Kuwait, and Abu Dhabi, and is considered one of the largest computer sellers in the region.

The company attributed the increase in the estimated net profit to the high growth in sales of smartphones and computer sales, especially tablet computers, and also to the continued growth of sales of Jarir Bookstore branches inside and outside Saudi Arabia, in addition to the increase in the number of Jarir Bookstore branches from 55 to 67 branches during the past year. This year, the reason for the increase in the estimated net profit in the third quarter compared to the second quarter of the same year is due to the seasonal nature of the company's sales as the third quarter included the school start season.

Conclusion:

Investment Pros:

• The company's adoption of high standards of transparency and disclosure.

• Take administrative decisions in accordance with advanced policies and systems

• Possessing distinct locations for its exhibitions.

• Trading in IT products, which is one of the fastest growing sectors in retail trade.

• Distributing profits to the company's shareholders at high rates of 80% of the capital last year.

Investment cons:

• Increasing competition between companies operating in the retail and wholesale sector of information technology products, electronic devices, books and publications, which are the commercial activities that Jarir engages in.

• The significant increase in short-term borrowing by the company to finance the purchase of real estate.

• Inflation, which reduces the purchasing power of customers, which affects the volume of sales.

Recommendations:

We recommend that investors buy shares of Jarir Company.

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