Equity Research report
LEEJAM AB Equity
13 August 2026

Target Price: SAR96.0/share	
Current Price: SAR78.8/share	
Upside: 21.8% (+Div. Yield: 4.6%)	
Rating: Overweight	

Leejam Sports (Fitness Time)

Moderating growth and weaker margin outlook

Stock data	
TASI ticker	1830
Mcap (SARmn)	4,128
Trd. Val (3m) (SARmn)	11.4
Free float	41.2%
QFI holding	7.4%
TASI FF weight	0.08%

Source: Bloomberg

Prices indexed to 100

Source: Bloomberg

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- In line 2Q26 results with topline growing +9.4%y/y on membership growth, while higher expansion and financing costs drove a 12.6% y/y earnings decline.
- Our 2026–27e forecasts are revised down, with revenue cut 3–4% and earnings 19–21% amid softer membership growth and higher expansion-related costs.
- We revise our 1Y forward TP to SAR96/share, based on equal weightage valuation using DCF and EV/EBITDA (9.5x on avg 2026-27e EBITDA).

2Q26 result: Leejam reported 2Q26 revenue of SAR411mn, up 9.4% y/y, largely in line with our estimates, driven by a 9% increase in membership and subscription revenue, supported by an 8% increase in the member base to 523k and continued network expansion. Meanwhile, personal training revenue remained broadly flat (+1% y/y) due to fewer training sessions following operational restructuring in the segment. While revenue growth remained healthy, gross profit increased at a slower pace of 4.9% y/y to SAR141mn (in line), although gross margin narrowed to from 35.8% in 2Q25 to 34.4% in 2Q26 due to higher costs from new center openings, renovations, and higher rental expenses. In turn, operating profit remained flat at SAR93mn with the operating margin declining to 22.7% from 24.9% in 2Q25 as Opex rose 16.9% y/y, mainly driven by a 17% increase in SG&A related to network expansion and technology investments. Consequently, net profit declined 12.6% y/y to SAR63mn (in line with our SAR61mn estimate and ahead of the SAR51mn consensus). The decline was mainly due to a 32% y/y increase in finance costs mainly due to higher borrowings related to fund expansion and higher lease-related financing costs following the growth in operational centers.

Continued expansion amid challenging growth environment: Leejam continued to expand its footprint, adding 12 FT centers (net 11) during 1H26, bringing its total network to 247 centers (230 FT). However, management has moderated its expansion plans, with 9 further openings planned for 2H26, implying 21 new openings in FY26 vs. 25 earlier guidance, indicating a slower center rollout. Furthermore, Leejam preliminary 5Y plan is to open 80–100 new centers.

Figure 1: Key financial metrics

SARmn	2024a	2025a	2026e	2027e	2028e
Revenue	**1,501**	**1,614**	**1,744**	**1,857**	**1,974**
Revenue growth	*13.3%*	*7.5%*	*8.0%*	*6.5%*	*6.3%*
Gross Profit	**623**	**615**	**625**	**670**	**718**
Gross Profit margin	*42%*	*38.1%*	*35.8%*	*36.1%*	*36.4%*
EBITDA	**731**	**747**	**781**	**836**	**895**
EBITDA margin	*48.7%*	*46.3%*	*44.8%*	*45.0%*	*45.3%*
Net profit	**456**	**302**	**293**	**319**	**353**
Net profit growth	*28.2%*	*-33.8%*	*-3.0%*	*8.9%*	*10.5%*
Net profit margin	*30.4%*	*18.7%*	*16.8%*	*17.2%*	*17.9%*
EPS (SAR)	8.7	5.8	5.9	6.4	7.1
DPS (SAR)	5.2	3.5	3.7	3.6	3.9
P/E	9.1x	13.6x	13.4x	12.3x	11.1x
EV/EBITDA	6.1x	6.0x	5.7x	5.4x	5.0x

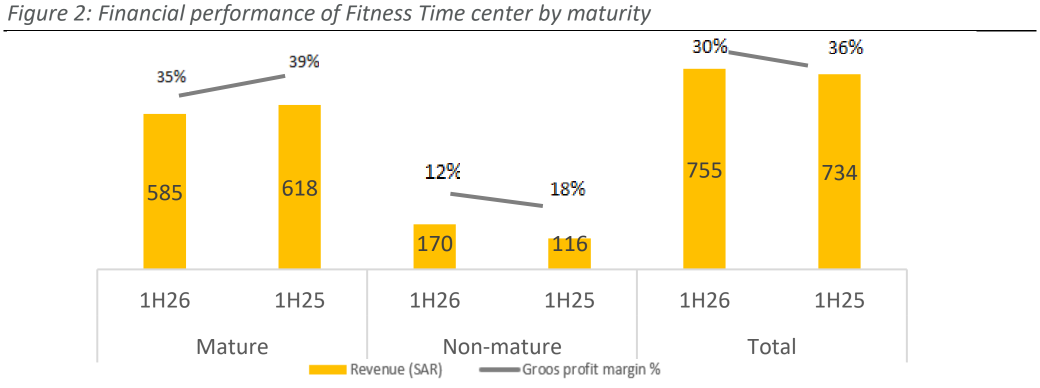
Source: Company, GIB Capital

Despite the ongoing rollout, average members grew by a modest 2.9% y/y in 1H26, reflecting an increasingly competitive market characterized by aggressive pricing and new entrants, particularly challenging for Leejam's capital-intensive Big Box format, which represented 186 centers (81% of the FT network) as of 1H26. Accordingly, we now forecast membership volumes to grow at a 6.3% CAGR over 2025–28e, supporting a 7.0% CAGR in membership and subscription revenue over the same period. Meanwhile, the personal training segment remained under pressure, with revenue declining 3.9% y/y in 1H26 following operational restructuring that is reduced the number of training sessions. However, we expect it to recover gradually as the new operating model settles. Overall, these assumptions underpin our forecast for a 6.9% total topline CAGR (+7.4% CAGR earlier) over 2025–28e.

Non-mature centers drive growth but continue to dilute margins: Leejam's mature and non-mature centers continue to exhibit a clear divergence in performance, highlighting the near-term earnings being sacrificed to support long-term expansion. Mature centers (opened before Dec-2022) remained the core revenue contributor (accounting for 77.5% of total revenue) and experienced a modest 5.3% y/y revenue decline during 1H26. While mature centers remain highly profitable, the decline reflects increasing competitive pressure, changing customer dynamics, and some degree of cannibalization from newer centers. Consequently, gross margin for mature centers contracted to 35% from 39%, mainly due to higher operating costs, including increased rental expenses from lease renewals, renovation-related costs, and higher depreciation and maintenance expenses following equipment upgrades.

Meanwhile, non-mature centers (opened after Dec-2022) continue to drive topline growth but remain a key drag on near-term profitability. Revenue from these centers rose 46.5% y/y in 1H26, driven by 74 FT additions since Dec-22, although the ramp-up period has proven longer than management initially expected at ~36–42 months vs 18–24 months earlier. Gross margin consequently declined to 12% from 18% in 1H25, as newer clubs operate below optimal utilization while carrying similar cost base. Pressure was further amplified by the lower-yield Xpress format, which accounts for 25% of non-mature centers. Management notes that non-mature centers currently generate only ~50% of mature-center revenue, leaving meaningful upside as they mature. With these centers now 33% of the FT network (78 of 230 centers), we believe margin dilution reflects the current center mix rather than structural weakness and should gradually ease as utilization ramps up. Looking ahead, we expect profitability growth to remain modest in the near-med term till 2028e, before improving as centers mature, operating leverage strengthens, and rollouts moderate. Accordingly, we lower our 2026e average margin assumptions to 36.1% gross and 24.4% operating, from 38.5% and 27.0%, respectively. Consequently, net profit margin is projected to average 17.3% through 2028e.

Figure 2: Financial performance of Fitness Time center by maturity



Source: Company data, GIB Capital

Change in estimates: Weaker top-line growth and higher costs prompt downward revisions to our forecasts: 2026–27e revenue estimates are cut by 3–4% on slower-than-expected center ramp-up and ~9% lower membership growth assumptions. We also cut earnings estimates by 19–21% for 2026-27e, mainly due to lower revenue expectations and continued cost pressures from expansion and refurbishments, higher S&M, increased financing expenses, and lower Murabaha and other income.

Figure 3: Revision in estimates

SARmn	2026e			2027e		
	Current	Earlier	% change	Current	Earlier	% change
Revenues	**1,744**	**1,814**	**-3.9%**	**1,857**	**1,908**	**-2.7%**
Gross profit	**625**	**698**	-10.5%	**670**	**741**	-9.5%
GPM %	35.8%	38.5%		36.1%	38.8%	
Operating Profit	**422**	**490**	**-13.8%**	**453**	**523**	**-13.5%**
Operating margin %	24.2%	27.0%		24.4%	27.4%	
Net profit	**293**	**362**	**-19.1%**	**319**	**402**	**-20.6%**
NPM %	16.8%	20.0%		17.2%	21.1%	

Source: GIB Capital

Valuation and Risks: Despite weak results and near-term headwinds, we maintain positive on Leejam's medium- to long term outlook based on the following factors: i) Leejam's strong value proposition and solid fundamentals, and ii) its position as a market leader with a robust infrastructure and substantial capacity to capture evolving fitness and wellness trends, particularly as consumer preferences increasingly shift toward boutique fitness classes over traditional gyms. Based on equal weights of DCF valuation and EV/EBITDA valuation (9.5x on avg of 2026-27e EBITDA; multiple revised from 10.5x to 9.5x to reflect current market sentiment), we revise our 1Y Fwd TP to SAR96 /sh. (SAR156/sh.), implying an Overweight rating with a potential upside of 21.8%. The main factors to track are the pace of expansions and the number of centers/members in the coming quarters.

Key downside risks include heightened competition, the cannibalization of centers, a higher churn rate, and a change in consumer spending.

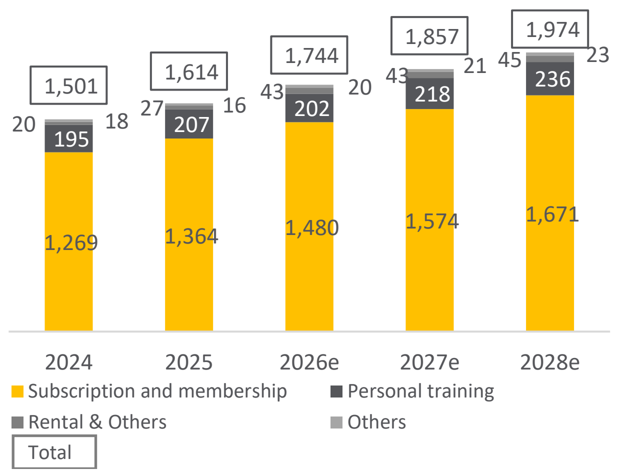
Figure 4: 2Q26 results summary

SARmn	2Q26	2Q25	y/y %	1Q26	q/q %	GIBCe	Variance %
Revenues	**411**	**376**	**9.4%**	**369**	**11.2%**	**393**	**4.6%**
Cost of Goods	270	241	11.9%	251	7.6%	256	5.5%
Gross Profit	**141**	**135**	**4.9%**	**118**	**20.1%**	**137**	**2.8%**
Operating Expenses	48	42	16.9%	41	17.1%	45	6.2%
Operating Profit	**93**	**93**	**-0.4%**	**77**	**20.3%**	**92**	**1.1%**
Net Income	**63**	**72**	**-12.6%**	**49**	**29.6%**	**61**	**2.6%**
Gross Margin	34.4%	35.8%		31.8%		34.9%	
Operating Margin	22.7%	24.9%		20.9%		23.4%	
Net Profit Margin	15.3%	19.2%		13.2%		15.6%	

Source: Company data, GIB Capital

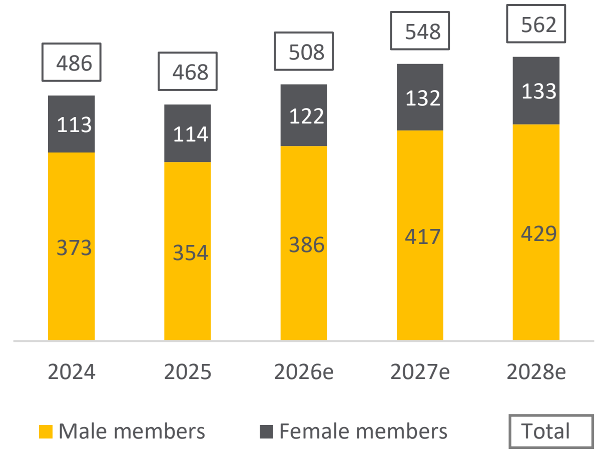
Financial analysis in charts

Figure 5: Revenue mix by service method (SARmn)



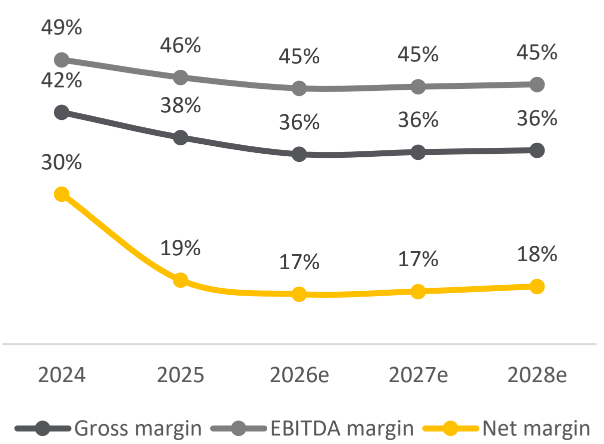
Source: Company data, GIB Capital

Figure 6: Leejam membership (000s)



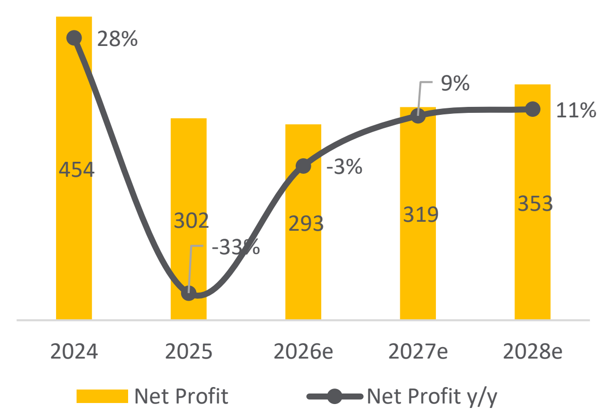
Source: Company data, GIB Capital

Figure 7: Margins trend



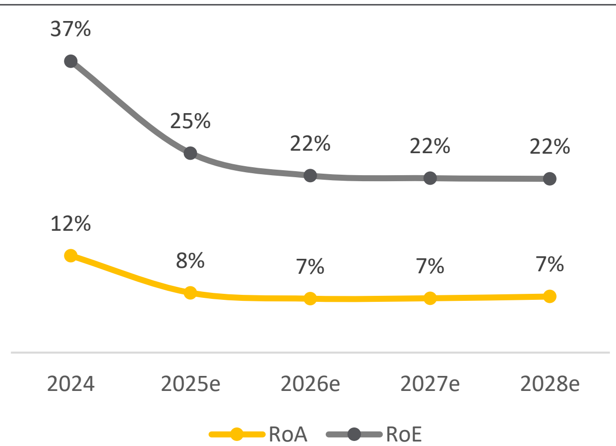
Source: Company data, GIB Capital, based on our calculations.

Figure 8: Net profit and net margin trend (SARmn)



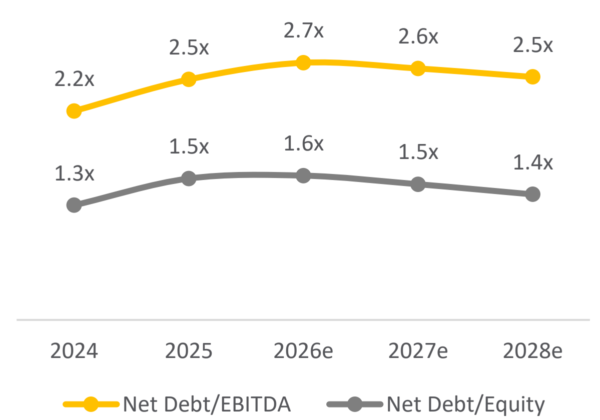
Source: Company data, GIB Capital

Figure 9: RoA and RoE



Source: Company data, GIB Capital

Figure 10: Leverage trend (w/ IFRS liab.)



Source: Company data, GIB Capital

Financials

Figure 11: Summarized basic financial statements (SARmn)

Income statement	2024a	2025a	2026e	2027e	2028e
Revenue	**1,501**	**1,614**	**1,744**	**1,857**	**1,974**
revenue y/y	*13.28%*	*7.52%*	*8.04%*	*6.46%*	*6.31%*
COGS	878	999	1,119	1,186	1,256
Gross Profit	**623**	**615**	**625**	**670**	**718**
Gross Profit margin	*41.5%*	*38.1%*	*35.8%*	*36.1%*	*36.4%*
G&A	150	158	170	181	191
Advertising & Marketing	25	34	33	37	39
Operating profit	**447**	**423**	**422**	**453**	**487**
Operating margin	*30%*	*26%*	*24%*	*24%*	*25%*
Other income	5	0	1	1	1
Finance costs	91	109	128	132	132
PBT	**464**	**307**	**298**	**325**	**359**
Zakat/tax	10	5	5	6	6
Net income	**454**	**302**	**293**	**319**	**353**
y/y	*28%*	*-33%*	*-3%*	*9%*	*11%*
Net margin	*30%*	*19%*	*17%*	*17%*	*18%*
EPS	**8.7**	**5.8**	**5.9**	**6.4**	**7.1**
DPS	5.2	3.5	3.7	3.6	3.9
Payout	60%	61%	62%	57%	55%
EBITDA	**731**	**747**	**781**	**836**	**895**

Balance Sheet	2024a	2025a	2026e	2027e	2028e
Inventories	24	22	21	23	24
Prepayments and other current assets	88	78	83	87	92
Trade receivables	26	23	25	27	28
Cash and cash equivalents	106	170	67	118	149
Total Current Assets	**244**	**293**	**197**	**255**	**293**
Property and equipment	2,058	2,296	2,672	2,932	3,191
Right of use assets	1,253	1,326	1,350	1,380	1,418
Total Non-Current Assets	**3,440**	**3,683**	**4,082**	**4,372**	**4,667**
Total Assets	**3,721**	**4,011**	**4,314**	**4,662**	**4,995**
Current Liabilities	902	928	1,023	1,067	1,114
Non-current Liabilities	1,568	1,868	1,965	2,130	2,258
Equity	1,238	1,203	1,314	1,453	1,612
Total Equity and Liabilities	**3,721**	**4,011**	**4,314**	**4,662**	**4,995**
BVPS	23.7	23.1	26.5	29.2	32.4

Cashflow	2024a	2025a	2026e	2027e	2028e
Cashflow from Operations	781	773	743	767	830
Cashflow from Investing	-456	-367	-611	-517	-539
Cashflow from Financing	-496	-344	-234	-199	-260
Total Cashflows	**-171**	**61**	**-102**	**51**	**31**

Source: Company data, GIB Capital

Figure 12: Key ratios

Key ratios	2024a	2025a	2026e	2027e	2028e
Profitability ratios					
RoA	12%	8%	7%	7%	7%
RoE	37%	25%	22%	22%	22%
Sales/Assets	40%	40%	40%	40%	40%
Net margin	30%	19%	17%	17%	18%
Liquidity ratios					
Current Assets/ Current Liabilities	0.5	0.5	0.3	0.3	0.3
Debt to Total Equity (w/ IFRS liab.)	1.2	1.5	1.4	1.4	1.4
Receivable Days	8	8	6	8	8
Inventory Days	5	7	10	10	10
Payable days	36	52	28	25	25
Deferred revenue days	136	122	122	124	124
Debt ratios					
Net Debt/EBITDA (w/o IFRS liab.)	-0.1	0.0	0.3	0.4	0.5
Net Debt/EBITDA (w/ IFRS liab.)	1.6	1.9	2.2	2.4	2.2
Debt/Assets (w/o IFRS liab.)	0.1	0.1	0.1	0.1	0.1
Net Debt/Equity (w/o IFRS liab.)	0.0	0.0	0.2	0.2	0.3
Valuation ratios					
P/E	9.1	13.6	13.4	12.3	11.1
P/B	3.3	3.4	3.0	2.7	2.4
EV/EBITDA	6.1	6.0	5.7	5.4	5.0
Dividend Yield	6.6%	4.5%	4.6%	4.6%	5.0%

Source: Company data, GIB Capital

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