Target Price: SAR194/share
Current Price: SAR152.2/share
Upside: 27.4%% (+Div. Yield: 2.9%%)
Rating: Overweight

Leejam Sports (Fitness Time)

TP revised to SAR194/share on the revised outlook

- Aggressive centers expansion is expected to continue in 2025e, however, expansion and higher opex are likely to pressurize margins before improving from 2026e.
- Earnings are likely to grow at a CAGR of 7.7% over 2024-28e, driven by topline growth from membership and center expansions coupled with a gradual margin expansion.
- We revise our 1 yr forward TP to SAR194/share (SAR230/sh. earlier), based on equal weightage valuation using DCF and EV/EBITDA (13x on 2025e EBITDA).

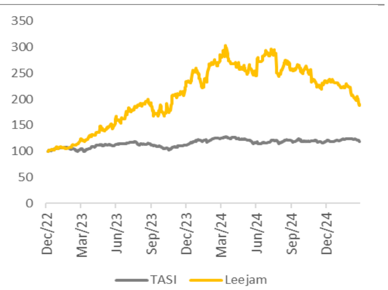
4Q24 result: Revenues rose 2.5% y/y to reach SAR408mn, driven by a 2% y/y rise in subscriptions & memberships and a 1% y/y increase in paid programs. Notably, female segment revenue grew by 11% y/y, outpacing the 3% y/y growth of the male segment. However, revenue fell 7.8% short of our estimates of SAR443mn due to seasonality and slower customer acquisition despite expansion efforts (12 new centers in 4Q24). In addition, gross profit declined 9.1% y/y to SAR174mn. Further, opex surged 51.4% y/y to SAR55mn, due to higher G&A and S&M expenses associated with expansion efforts. This resulted in a 23.3% y/y drop in operating profit to SAR119mn, reflecting margin compression and operational hurdles in ramping up new centers. These factors led to net income falling 20.3% y/y to SAR102mn, missing our estimates by 10.2% of SAR114mn. These recent results have prompted Leejam to reassess the pricing strategy, and promotional offers to enhance profitability levels in coming quarters.

Expanding centers footprint continue to drive top-line… Lejaam has opened 36 new centers (29 FT, 7 concept studios & academies) in 2024, reaching a total of 223 centers, although it fell short of the 2024 targeted range of 229-246 new centers. This resulted in 13% y/y topline growth in 2024. We expect Leejam to maintain its expansion momentum (targeting 250 centers by 2025e) with a CAGR of 7.2% 2024-28e. We believe this expansion would fuel a 7.4% CAGR rise in membership volume between 2024-28e, translating to 9.3% CAGR increase in subscription and membership revenue. Personal training revenue (PT; 13% of revenue mix), is projected to rise by 11% CAGR over the same period. We expect the overall top-line to increase at a 9.5% CAGR over 2024-28e.

Stock data	
TASI ticker	1830
Mcap (SARmn)	7,973
Trd. Val (3m) (SARmn)	22.6
Free float	47.5%
QFI holding	9.2%
TASI FF weight	0.17%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

Figure 1: Key financial metrics

SARmn	2023a	2024a	2025e	2026e
Revenue	**1,325**	**1,501**	**1,693**	**1,842**
Revenue growth	*24%*	*13%*	*13%*	*9%*
Gross Profit	**585**	**623**	**707**	**780**
Gross Profit margin	*44.1%*	*41.5%*	*41.8%*	*42.3%*
EBITDA	696	731	827	913
EBITDA margin	*52.5%*	*48.7%*	*48.8%*	*49.5%*
Net profit	**356**	**456**	**423**	**479**
Net profit margin	*24.1%**	*20.8%**	*25.0%*	*26.0%*
EPS (SAR)	6.8	8.7	8.1	9.2
DPS (SAR)	3.7	5.2	4.4	5.0
P/E	22.4x	17.5x	18.9x	16.6x

*Source: Company, GIB Capital, *Exclude one-offs item*

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… however, gross and operating margins are likely to remain under pressure in 2025e before start improving from 2026e: Despite healthy revenue growth last year, gross and operating margins dropped by 2.6ppts y/y and 4.2ppts to 41.5% and 29.8%, respectively in 2024. These margins compression stemmed from several operational factors: i) Most of its center's openings occurred during 2H24; hence, these are yet to ramp up, with the inclusion of lower-yield Xpress centers (~30% of new openings), ii) change in subscription mix towards longer duration subscriptions with lower monthly yields, iii) increase in the cost of refurbished centers due to the incorporation of new equipment. (~70 centers), and iv) Higher G&A and S&M expenses. Going forward, expansion and refurbishment-related expenses are likely to continue pressuring profitability throughout 2025e with a marginal improvement expected in the latter half of 2025e as new centers ramp up and mature and, consequently, start contributing meaningfully to revenue and earnings. Accordingly, we revise our gross and operating margin forecasts to 41.8% (vs 45.2% earlier) and 30.4% (34.7% earlier) for 2025e. Nonetheless, we expect the margins to gradually improve from 2026e, aided by ramping up of new centers (higher number of matured centers), better pricing, and lower promotional offers. Consequently, we expect earnings to grow at a CAGR of 7.7% over from 2024-28e.

Change in estimates: Post weaker-than- expected 4Q results, we cut our revenue estimates by 6-10% for 2025-26e due to a slower-than-expected rise in membership and lower pricing. Further, we also lower our earnings by 15-20% for 2025-26e on a downward revision in our bottom-line estimates, coupled with increased expansion and refurbishment-related expenses, and higher operating expenses.

Figure 2: Revision in estimates

SARmn	2025e			2026e		
	Current	Earlier	% change	Current	Earlier	% change
Revenues	1,693	1,797	-5.8%	1,842	2,045	-9.9%
Gross profit	707	812	-12.9%	780	941	-17.1%
GPM %	41.8%	45.2%		42.3%	46.0%	
Operating Profit	514	624	-17.6%	571	728	-21.6%
Operating margin %	30.4%	34.7%	-12.4%	31.0%	35.6%	-12.9%
Net profit	423	499	-15.2%	479	602	-20.4%
NPM %	25.0%	27.8%		26.0%	29.4%	

Source: GIB Capital

Valuation and Risks: Despite recent results and our revision of TP, we maintain a positive medium-to-long-term outlook based on the following factors: i) Leejam's strong value proposition and solid fundamentals. 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, and iii) our view that the share price has overcorrected following the recent earnings release, declining ~18%.

Based on DCF (9.2% WACC) and EV/EBITDA valuation (13x on 2025e EBITDA), we revise our 1Y Fwd TP to SAR194 /sh. (SAR230/sh.), implying an Overweight rating. 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.

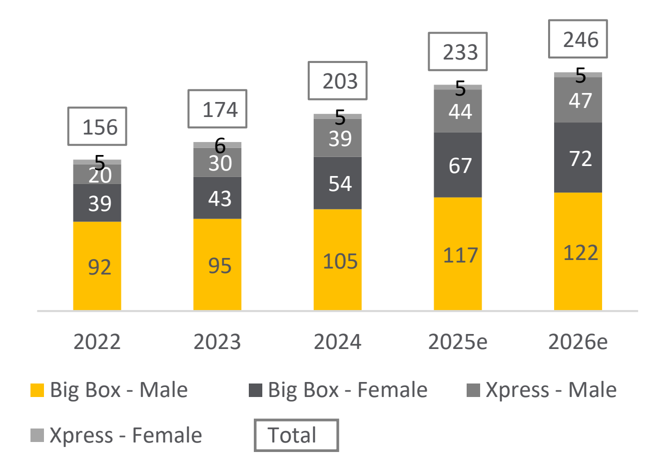
Figure 3: 4Q24 results summary

SARmn	4Q24	4Q23	y/y %	3Q24	q/q %	GIBCe	Variance %
Revenues	**408**	**398**	**2.5%**	**406**	**0.7%**	**443**	**-7.8%**
Cost of Goods	234	207	13.2%	232	0.7%	251	-6.7%
Gross Profit	**174**	**192**	**-9.1%**	**173**	**0.6%**	**192**	**-9.2%**
Operating Expenses	55	37	51.4%	43	28.1%	49	13.6%
Operating Profit	**119**	**155**	**-23.3%**	**130**	**-8.5%**	**143**	**-17.0%**
Net Income	**102**	**129**	**-20.3%**	**94***	**8.5%**	**114**	**-10.2%**
Gross Margin	42.7%	48.1%		42.7%		43.4%	
Operating Margin	29.1%	38.9%		32.1%		32.4%	
Net Profit Margin	25.1%	32.2%		23.3%*		25.7%	

*Source: Tadawul, GIB Capital. *Exclude one-offs item*

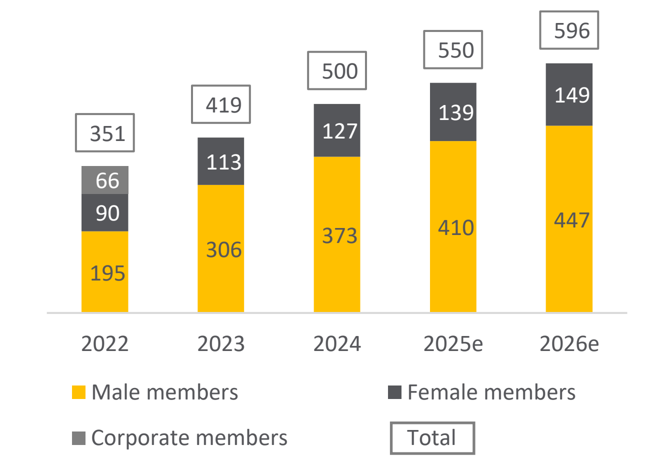
Financial analysis in charts

Figure 4: FT Flagship centers



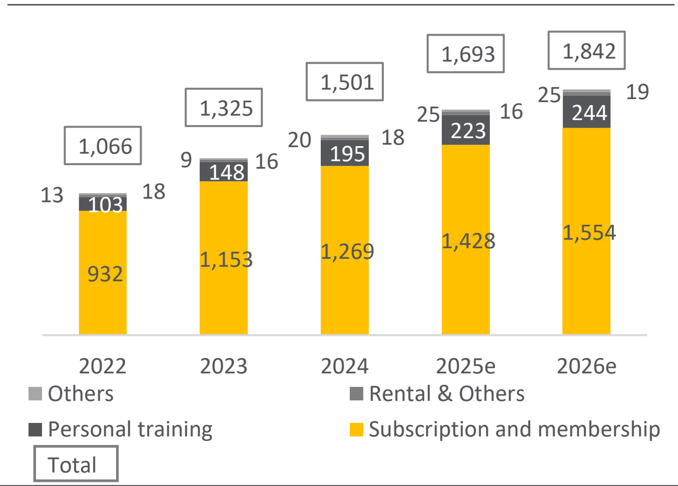
Source: Company data, GIB Capital

Figure 5: Leejam membership (000s)



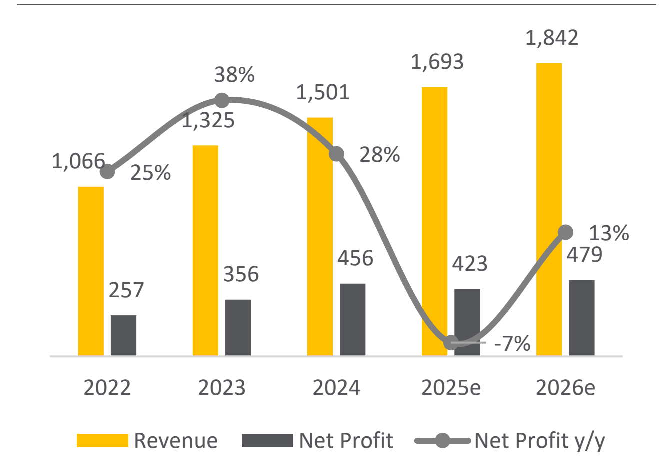
Source: Company data, GIB Capital, Company stopped reporting corporate members since 2023

Figure 6: Revenue mix by service method (SARmn)



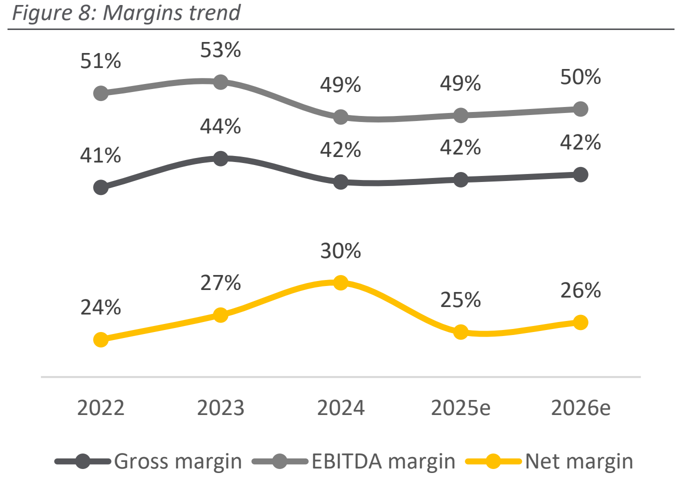
Source: Company data, GIB Capital

Figure 7: Financial Performance trend (SARmn)



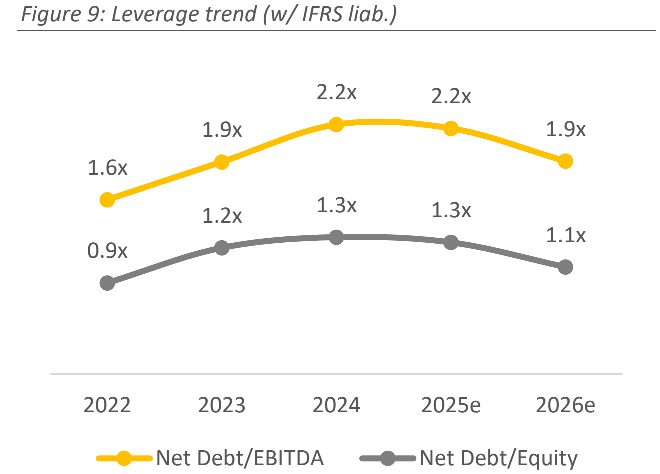
Source: Company data, GIB Capital

Figure 8: Margins trend



Source: Company data, GIB Capital

Figure 9: Leverage trend (w/ IFRS liab.)



Source: Company data, GIB Capital

Financials

Figure 10: Summarized basic financial statements (SARmn)

Income statement	2022a	2023a	2024e	2025e	2026e
Revenue	**1,066**	**1,325**	**1,501**	**1,693**	**1,842**
revenue y/y	*20%*	*24%*	*13%*	*13%*	*9%*
COGS	630	741	878	986	1,062
Gross Profit	**436**	**585**	**623**	**707**	**780**
Gross Profit margin	*41%*	*44%*	*42%*	*42%*	*42%*
G&A	93	116	150	166	181
Advertising & Marketing	14	17	25	26	28
Operating profit	**317**	**450**	**447**	**514**	**571**
Operating margin	*30%*	*34%*	*30%*	*30%*	*31%*
Other income	7	2	5	3	3
Finance costs	59	83	91	88	88
PBT	**265**	**366**	**464**	**434**	**491**
Zakat/tax	7	11	10	12	12
Net income	**257**	**356**	**456**	**423**	**479**
y/y	*25%*	*38%*	*28%*	*-7%*	*13%*
Net margin	*24%*	*27%*	*30%*	*25%*	*26%*
EPS	**4.9**	**6.8**	**8.7**	**8.1**	**9.2**
DPS	2.7	3.7	5.2	4.4	5.0
Payout	54%	54%	60%	55%	55%
EBITDA	**547**	**696**	**731**	**827**	**913**

Balance Sheet	2022a	2023a	2024e	2025e	2026e
Inventories	8	15	24	27	29
Prepayments and other current assets	30	104	88	99	108
Trade receivables	23	29	26	29	32
Cash and cash equivalents	301	277	106	130	296
Total Current Assets	**362**	**425**	**244**	**286**	**465**
Property and equipment	1,535	1,706	2,058	2,409	2,524
Right of use assets	754	1,152	1,253	1,360	1,469
Total Non-Current Assets	**2,336**	**2,976**	**3,440**	**3,896**	**4,122**
Total Assets	**2,698**	**3,401**	**3,721**	**4,218**	**4,624**
Current Liabilities	719	901	902	997	1,063
Non-current Liabilities	1,041	1,408	1,568	1,780	1,903
Equity	939	1,092	1,238	1,428	1,644
Total Equity and Liabilities	**2,698**	**3,401**	**3,721**	**4,218**	**4,624**
BVPS	17.9	20.8	23.6	27.3	31.4

Cashflow	2022a	2023a	2024e	2025e	2026e
Cashflow from Operations	669	686	781	825	897
Cashflow from Investing	-180	-379	-456	-549	-338
Cashflow from Financing	-369	-331	-496	-252	-393
Total Cashflows	**121**	**-24**	**-171**	**24**	**166**

Source: Company data, GIB Capital

Figure 11: Key ratios

Key ratios	2022a	2023a	2024e	2025e	2026e
Profitability ratios					
RoA	10%	10%	12%	10%	10%
RoE	27%	33%	37%	30%	29%
Sales/Assets	40%	39%	40%	40%	40%
Net margin	24%	27%	30%	25%	26%
Liquidity ratios					
Current Assets/ Current Liabilities	0.5	0.5	0.3	0.3	0.4
Debt to Total Equity (w/ IFRS liab.)	1.2	1.5	1.4	1.3	1.2
Receivable Days	8	8	6	6	6
Inventory Days	5	7	10	10	10
Payable days	36	52	28	28	28
Deferred revenue days	136	122	122	122	122
Debt ratios					
Net Debt/EBITDA (w/o IFRS liab.)	-0.1	0.0	0.3	0.4	0.3
Net Debt/EBITDA (w/ IFRS liab.)	1.6	1.9	2.2	2.2	1.9
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	0.1
Valuation ratios					
P/E	31.0	22.4	17.5	18.9	16.7
P/B	8.5	7.3	6.4	5.6	4.9
EV/EBITDA	22.5	17.7	16.8	14.9	13.5
FCF Yield	0.0%	1.9%	0.1%	1.7%	4.3%
Dividend Yield	1.7%	2.4%	3.4%	2.9%	3.3%

Source: Company data, GIB Capital

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