

Target Price: SAR156/share
Current Price: SAR115.3/share
Upside: 35% (+Div. Yield: 3.6%)
Rating: Overweight

Leejam Sports (Fitness Time)

Expansion costs delay earnings upside; SAR156/share TP

Stock data

TASI ticker	1830
Mcap (SARmn)	6,040
Trd. Val (3m) (SARmn)	23.7
Free float	47.4%
QFI holding	6.7%
TASI FF weight	0.12%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

- In line 3Q25 topline (+9.5%y/y); however, elevated expansion related costs led to 56.6% y/y earnings drop. Missing our estimate by 22%.
- We cut our revenue forecasts by 2–3% and earnings by 22–25% for 2025–26e, driven by slower rollout, weaker growth, and elevated costs.
- We revise our 1 yr forward TP to SAR156/share (SAR194/sh. earlier), based on equal weightage valuation using DCF and EV/EBITDA (10.5x on 2026e EBITDA).

3Q25 result: Leejam delivered a revenue of SAR439mn, rising 9.5% y/y, in line with both our and consensus estimate. This growth was primarily fueled by a 9% increase in subscription and membership revenues, supported by the opening of new centers and a steadily expanding member base, alongside a 9% uplift in personal training (PT) revenues. However, gross profit stood at SAR170mn, down 1.2% y/y, ~10% below our estimate. The decline was driven by a 17.5% increase in COGS, reflecting ramp up costs tied to newly launched centers, which offset topline gains. Moreover, operating profit came in at SAR118mn, contracting 7.8% y/y, as operating expenses surged 19% y/y. The rise in Opex was attributable to strategic investments in talent acquisition, digital transformation, organizational development, and marketing initiatives. As a result, net profit fell sharply by 56.6% y/y to SAR81mn, missing our estimate of SAR104mn by ~22% (vs consensus of SAR106mn; 24% miss). The decline was largely due to elevated operating expenses and reduced income from short-term Murabaha.

Expansion era lingers amid guidance revision: In 9M25, Leejam expanded its footprint with 23 net new centers (22 FT, 1 concept studios/academies), reaching a total of 234 centers (214 FT). This rollout drove an all-time record of 532k members by Sep-25, translating into 9.4% y/y topline growth during 9M25. However, post the 3Q25 results, the ambitious target of 250 FT centers by 2025 has been revised, with management now guiding for 228–236 centers (239–246 earlier). Pipeline remains active, with 23 centers under construction and 29 under design. Accordingly, we conservatively expect 250 FT milestone will be nearly reached by late 2026e.

Figure 1: Key financial metrics

SARmn	2023a	2024a	2025e	2026e
Revenue	1,325	1,501	1,644	1,814
Revenue growth	24.4%	13.3%	9.5%	10.3%
Gross Profit	585	623	629	698
Gross Profit margin	44.1%	41.5%	38.3%	38.5%
EBITDA	696	731	751	851
EBITDA margin	52.5%	48.7%	45.7%	46.9%
Net profit	356*	456*	329	362
Net profit growth	38.3%	28.2%	-27.9%	10.1%
Net profit margin	26.8%	30.4%	20.0%	20.0%
EPS (SAR)	6.8	8.7	6.3	6.9
DPS (SAR)	3.7	5.2	3.7	4.1
P/E	17.0x	13.3x	18.3x	16.7x
EV/EBITDA	9.0x	8.6x	8.4x	7.4x

Source: Company, GIB Capital, *Include one-offs items.

Reem Alotaibi

+966-11-834 8470

Reem.Alotaibi@gibcapital.com

On the back of a slower than expected rollout, we now expect membership volumes to expand at a 6.4% CAGR over 2024–28e (vs. 7.2% earlier), supporting an 8.1% CAGR in subscription and membership revenues (vs. 9.3% earlier). Personal training revenues are likewise forecasted to grow at a 6.8% CAGR during the same period. Collectively, these dynamics are expected to deliver overall topline growth of 7.9% CAGR over 2024–28e.

Ramp up dragging margins, profitability to normalize from 2H26e onwards: Despite a solid topline growth (+9% y/y, +17% q/q) and management’s ongoing efforts to shift the subscription mix toward higher yield offerings, expansion-related costs continue rising at a faster rate, weighing heavily on profitability during 9M25, with gross margin contracting by 4.4ppts to 36.7%, while operating margin declined by 4.8ppts to 25.4%. This pressure stemmed from the slower-than-expected ramp-up of newly opened centers and the rollout of lower yield Xpress formats, which diluted overall returns. In addition, increased costs for existing centers' refurbishment, and higher G&A and S&M spending further weighed on profitability. Looking ahead, challenges are expected to persist with expansion and refurbishment related expenses likely continuing to pressure margins through 2025-26e. However, we expect a gradual improvement from 2H26 onward as new centers mature. Around 17-24% out of 214 FT centers (between 36-52 centers) remain in the ramp-up stage, which typically requires 18-24 months to reach maturity. Once mature, these centers are expected to contribute meaningfully to earnings, generating ~SAR6.4mn/center vs ~SAR3mn/center for non-mature centers. In light of these dynamics, we revise our margin outlook for 2026e to 38.5% gross and 27.0% operating. Consequently, adjusted earnings are projected to grow at a CAGR of 10% over 2024–28e.

Change in estimates: Following weaker-than-expected results, we have revised our revenue forecasts down by 2-3% for 2025-26e, reflecting a slower-than-anticipated center rollout and a ~3.2% reduction in projected membership growth. In tandem, we cut our earnings estimates by ~22–25% for the same period, driven by lower topline expectations alongside rising expansion and refurbishment costs, elevated S&M spending, higher financing costs, and reduced contributions from Murabaha and other income.

Figure 2: Revision in estimates

SARmn	2025e			2026e		
	Current	Earlier	% change	Current	Earlier	% change
Revenues	1,644	1,693	-2.9%	1,814	1,842	-1.5%
Gross profit	629	707	-11.0%	698	780	-10.5%
GPM %	38.3%	41.8%		38.5%	42.3%	
Operating Profit	441	514	-14.1%	490	571	-14.3%
Operating margin %	26.9%	30.4%		27.0%	31.0%	
Net profit	329	423	-22.3%	362	479	-24.5%
NPM %	20.0%	25.0%		20.0%	26.0%	

Source: GIB Capital

Valuation and Risks: Despite weak results, 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. Based on equal weights of DCF valuation and EV/EBITDA valuation (10.5x on 2026e EBITDA; multiple revised from 13x to 10.5x to reflect current market sentiment), we revise our 1Y Fwd TP to SAR156 /sh. (SAR194/sh.), implying an Overweight rating with a potential upside of 35%. 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.

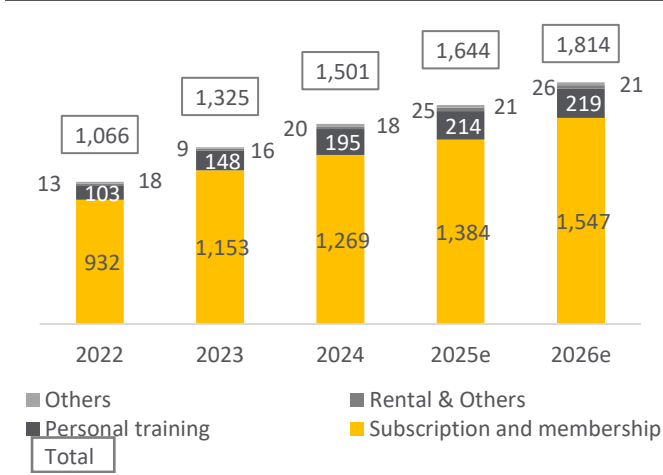
Figure 3: 3Q25 results summary

SARmn	3Q25	3Q24	y/y %	2Q25	q/q %	GIBCe	Variance %
Revenues	439	401	9.5%	376	16.8%	443	-0.8%
Cost of Goods	269	229	17.5%	241	11.6%	254	5.9%
Gross Profit	170	172	-1.2%	135	25.9%	189	-9.9%
Operating Expenses	52	44	18.2%	42	23.8%	47	9.8%
Operating Profit	118	128	-7.8%	93	26.9%	141	-16.4%
Net Income	81	187	-56.7%	72	12.1%	104	-21.9%
Adj. net income*	81	94	-14.2%	68	19.7%	104	-21.9%
Gross Margin	38.7%	42.9%		35.9%		42.6%	
Operating Margin	26.9%	31.9%		24.7%		31.9%	
Net Profit Margin	18.5%	46.6%		19.2%		23.4%	
Adj. Net Profit Margin*	18.5%	23.5%		18.0%		23.4%	

Source: GIB Capital, *Excluding SAR92.4mn land sale in 3Q24 and SAR4.6mn non reoccurring items in 2Q25.

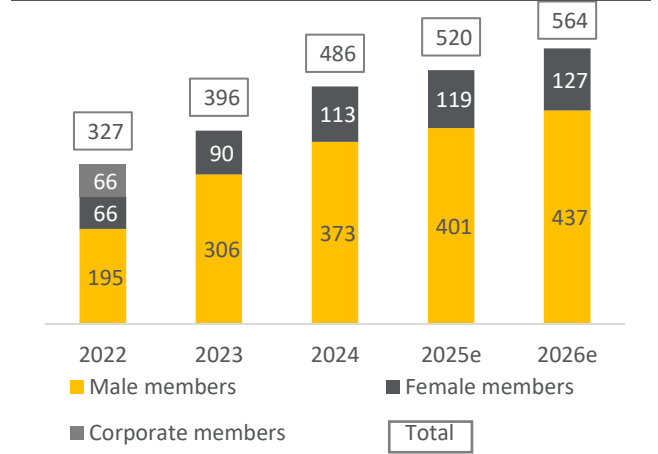
Financial analysis in charts

Figure 4: Revenue mix by service method (SARmn)



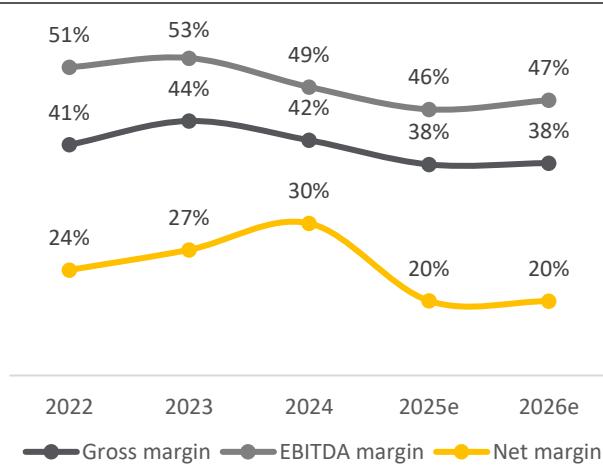
Source: Company data, GIB Capital

Figure 5: Leejam membership (000s)



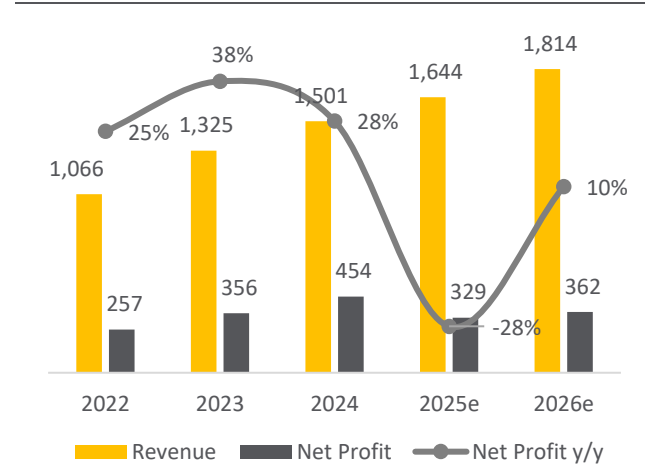
Source: Company data, GIB Capital, Company stopped reporting corporate members since 2023

Figure 6: Margins trend



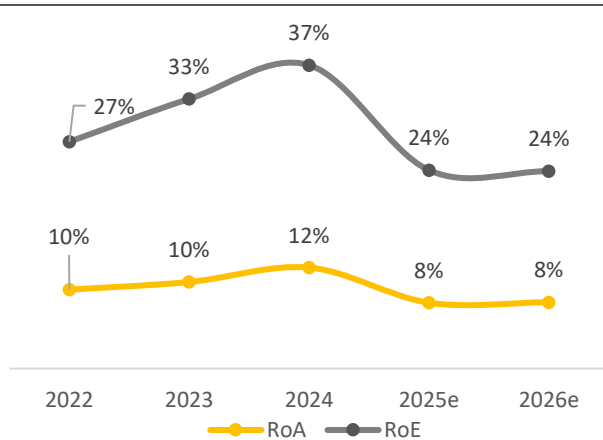
Source: Company data, GIB Capital, based on our calculations.

Figure 7: Financial Performance trend (SARmn)



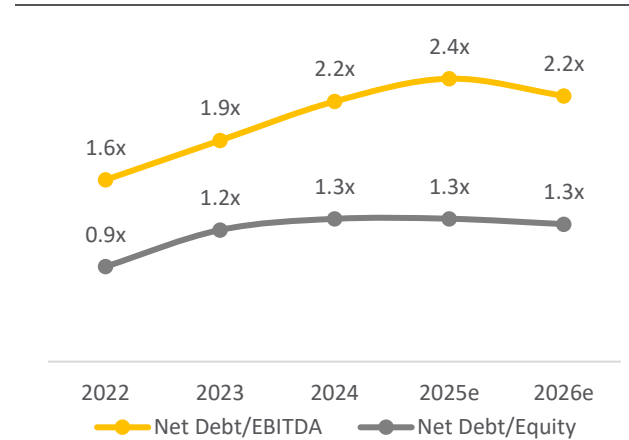
Source: Company data, GIB Capital

Figure 8: RoA and RoE



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	2024a	2025e	2026e
Revenue	1,066	1,325	1,501	1,644	1,814
revenue y/y	20%	24%	13%	9.51%	10.33%
COGS	630	741	878	1,015	1,116
Gross Profit	436	585	623	629	698
Gross Profit margin	41%	44%	42%	38.3%	38.5%
G&A	93	116	150	158	170
Advertising & Marketing	14	17	25	30	38
Operating profit	317	450	447	441	490
Operating margin	30%	34%	30%	27%	27%
Other income	7	2	5	(1)	0
Finance costs	59	83	91	110	115
PBT	265	366	464	334	371
Zakat/tax	7	11	10	5	9
Net income	257	356	456	329	362
y/y	25%	38%	28%	-28%	10%
Net margin	24%	27%	30%	20%	20%
EPS	4.9	6.8	8.7	6.3	6.9
DPS	2.7	3.7	5.2	3.7	4.1
Payout	54%	54%	60%	59%	60%
EBITDA	547	696	731	751	851

Balance Sheet	2022a	2023a	2024a	2025e	2026e
Inventories	8	15	24	28	31
Prepayments and other current assets	30	104	88	100	111
Trade receivables	23	29	26	36	40
Cash and cash equivalents	301	277	106	128	149
Total Current Assets	362	425	244	293	331
Property and equipment	1,535	1,706	2,058	2,339	2,581
Right of use assets	754	1,152	1,253	1,346	1,446
Total Non-Current Assets	2,336	2,976	3,440	3,809	4,152
Total Assets	2,698	3,401	3,721	4,138	4,518
Current Liabilities	719	901	902	984	1,062
Non-current Liabilities	1,041	1,408	1,568	1,768	1,926
Equity	939	1,092	1,238	1,373	1,518
Total Equity and Liabilities	2,698	3,401	3,721	4,138	4,518
BVPS	17.9	20.8	23.6	26.2	29.0

Cashflow	2022a	2023a	2024a	2025e	2026e
Cashflow from Operations	669	686	781	707	796
Cashflow from Investing	-180	-379	-456	-469	-467
Cashflow from Financing	-369	-331	-496	-217	-308
Total Cashflows	121	-24	-171	22	21

Source: Company data, GIB Capital

Figure 11: Key ratios

Key ratios	2022a	2023a	2024a	2025e	2026e
Profitability ratios					
RoA	10%	10%	12%	8%	8%
RoE	27%	33%	37%	24%	24%
Sales/Assets	40%	39%	40%	40%	40%
Net margin	24%	27%	30%	20%	20%
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
Net Debt/Equity (w/ IFRS liab.)	0.9	1.2	1.3	1.3	1.3
Valuation ratios					
P/E	23.5	17.0	13.3	18.3	16.7
P/B	6.4	5.5	4.9	4.4	4.0
EV/EBITDA	11.5	9.0	8.6	8.4	7.4
FCF Yield	0.0%	1.9%	0.1%	1.5%	2.5%
Dividend Yield	2.3%	3.2%	4.5%	3.2%	3.6%

Source: Company data, GIB Capital

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Contact us for queries:

Sell Side Research Department,
GIB Capital,
B1, Granada Business & Residential Park,
Eastern Ring Road, PO Box 89589, Riyadh 11692
www.gibcapital.com