Leejam Sports Co.

Results Flash Note Q2-25

Rapid expansions keep margins under pressure, Normalized earnings in line with estimates

Leejam posted a net income of SAR 72mn in Q2-25, down 1.3% Y/Y (up 1.6% Q/Q), compared to AJC estimate of SAR 66.2mn. Adjusting for one-offs, the net income drops to SAR 67.3mn, down 7.7% Y/Y and 5.1% Q/Q. Revenues increased by 9.4% Y/Y to SAR 376mn (deviation of +1.9%). This improvement was driven by increase in number of members (+13% Y/Y) and addition of 28 fitness time centers since Q2-24. Gross profit decreased by 0.3% Y/Y to SAR 135mn (+6.0% deviation). Operating profit declined by 7.0% Y/Y (up 4.5% sequentially) to SAR 93mn. The aforementioned pressure was due to new gym additions and investments in HR and IT infrastructure. We believe that the recent deterioration in margins is well reflected in stock prices after the 39.4% decline seen in the last 12 months. We maintain our "Overweight" recommendation with TP of SAR 163.4/share.

- Leejam posted a net income of SAR 72mn in Q2-25, down 1.3% Y/Y (up 1.6% on a sequential basis), compared to AJC and consensus estimate of SAR 66.2mn. The result had one off income of SAR 6.7mn due to reversal on impairments & zakat, and a one-off expense of SAR 2mn due to losses incurred on investments in associate. Adjusting for these one-offs, the net income drops to SAR 67.3mn (down 7.7% Y/Y and 5.1% Q/Q), 1.7% above consensus and AJC research estimate of SAR 66.2mn.
- Revenues increased by 9.4% Y/Y (up 1.9% Q/Q) to SAR 376mn (deviation of +1.9% to AJC estimate of SAR 369mn). This improvement was driven by increase in number of members (+13% Y/Y) and addition of 28 fitness time centers since Q2-24. The subscriptions and membership revenue increased by 8% compared to Q2-24 and paid programs revenue - including personal training and swimming grew by 17% Y/Y. The male segment revenue grew by 9% Y/Y and number of active male members reached 380,000. While the female revenue grew by 11% Y/Y and the number of female members reached 103,000. Number of male and female centers reached 147 and 60, respectively.
- Gross profit decreased by 0.3% Y/Y (up 4.1% Q/Q) to SAR 135mn (deviation of +6.0% to AJC estimate of SAR 127mn). Gross margins declined by 351bps Y/Y (up 76bps Q/Q) to 35.9% (deviation of +140bps to AJC estimate of 34.5%). The decline is due to the costs related to addition of 28 new fitness time centers over the last 12 months.
- Operating profit declined by 7.0% Y/Y (up 4.5% sequentially) to SAR 93mn. Operating margin contracted by 476bps Y/Y (+61bps Q/Q) to 24.7%, due to investments in HR, IT infrastructure and increase in other development costs. OPEX to sales increased 154bps Y/Y to 11.2% against our estimate of 10.2%.

AJC view and valuation: Leejam's current underperformance is more self-inflicted (due to expansions) and less due to external factors. We believe that two years of depressed earnings will be followed by an inflection in 2027, from whereon company would deliver double digit growth.We forecast normalized net income to decline by 7.7% Y/Y in 2025 (Ex. SAR 92mn, the one-off gain during 2024) and the company to deliver topline CAGR of 10.5%, and net income CAGR of 12.6% over 2024-28. We believe that the recent deterioration in margins is well reflected in stock prices after the 39.4% decline seen in the last 12 months. Trading at 2025E PE of 22.0x, we maintain our "**Overweight**" recommendation with TP of **SAR 163.4/share**.

Results Summary

SAR mn	Q2-24	Q1-25	Q2-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	339	369	376	9.4%	1.9%	1.9%
Gross Profit	133	130	135	-0.3%	4.1%	6.0%
Gross Margin	**39.2%**	**35.1%**	**35.9%**	-	-	-
EBIT	100	89	93	-7.0%	4.5%	3.9%
Net Profit	73	70.9	72	-1.3%	1.6%	8.8%
EPS	1.39	1.36	1.37	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation	**Overweight**
Target Price (SAR)	**163.4**
Upside / (Downside)*	**16.7%**

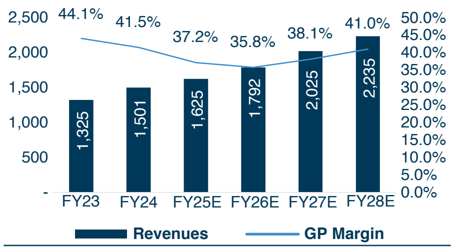
Source: Tadawul *prices as of 29th of July 2025

Key Financials

SARmn (unless specified)	FY22	FY23	FY24	FY25E
Revenue	1,066	1,325	1,501	1,625
Growth %	20.4%	24.3%	13.3%	8.2%
Gross Profit	434	585	623	604
EBIT	327	449	556	437
Net Profit*	255	356	454*	334
Growth %	23.8%	39.6%	27.6%	-26.5%
EPS	4.87	6.80	8.67	6.37
DPS	2.50	3.70	5.20	3.80

Source: Company reports, AlJazira Capital Research, FY24 had one-off gain of SAR 92mn

Fig 1: Revenue (SAR mn) and GP Margin



Source: Tadwaul, Aljazira Capital Research

Key Ratios

	FY22	FY23	FY24	FY25E
GP Margin	40.7%	44.1%	41.5%	37.2%
EBIT Margin	30.7%	33.9%	37.0%	26.9%
Net Margin	23.9%	26.9%	30.2%	20.6%
P/E (x)	17.3	29.8	21.3	22.0
P/B (x)	4.7	9.8	7.9	5.3
EV/EBITDA	9.5	17.0	13.3	11.9
Div Yield (%)	2.9%	1.8%	2.8%	2.7%

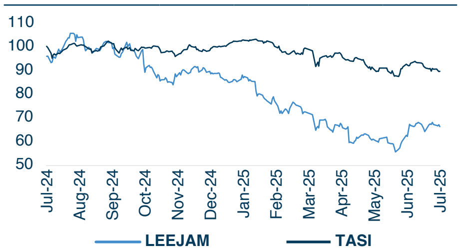
Source: Company reports, Aljazira Capita Research

Key Market Data

Market Cap(bn)	7.3
YTD%	-24.49%
52 week (High)/(Low)	224/116
Share Outstanding (mn)	52.4

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Bloomberg, AlJazira Capital Research

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RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer