

Target Price: SAR134/share
Current Price: SAR116.6/share
Upside: 15% (+Div. Yield: 3%)
Rating: Overweight

Leejam Sports (Fitness Time)

Raise TP to SAR134/share on better demand & execution

- 1Q23 numbers have been impressive with 20% revenue growth and 36% earnings growth – record number of gym members for a first quarter (+36% y/y).
- Given the healthy pricing environment and revised centre count for 2023, we raise our estimates higher. Market is trading cautiously because of the volatility in memberships seen in the past which is an opportunity in our view.
- With better-than-expected execution, we raise our valuation to SAR134/share (unchanged avg. of 12x EV/EBITDA and DCF).

Strong start in 1Q23: Q1 numbers had come much higher than usual trends. We believe this is because of company's newer promotions to renew subscriptions, Ramadan and better than usual weather. We believe the drop in subscribers would now be witnessed in Q2 instead of Q1 previously but improve Q2 revenues. Despite this, the demand environment is strong.

Faster than expected center expansion: The number of centers for 2023 has been revised upwards for 2023. In our view, the company is gaining market share and capitalizing on this demand environment by faster than expected openings. Despite this our numbers are conservative, a 13% topline growth for 2023 with stable gross margin.

Category		Current Centers	Expected Centers (Previous expectations)	Expected Centers (New expectations)
		31-Mar-23	31-Dec-23	31-Dec-23
Xpress	Female	6	4-5	6-7
	Male	21	27-28	27-28
Big Box	Female	40	41-42	43-45
	Male	93	95-96	95-96
Total		160	167 - 171	171 - 176

Source: Company, GIB Capital

Risks: The main factor to watch out would be number of subscribers at the end of 3Q. Higher than expected increase in competition, cannibalization of centres, change in discretionary spending by consumers, higher churn rate and the re-emergence of the pandemic are some of the key risks to our investment view.

Figure 1: Key financial metrics

SARmn	2021a	2022a	2023e	2024e
Revenue	885	1,066	1,208	1,266
Revenue growth	34%	20%	13%	5%
Gross Profit	372	436	494	514
Gross Profit margin	42.1%	40.9%	40.8%	40.6%
EBITDA	466	547	619	649
Op. income	258	317	373	388
Net profit	206	257	303	311
Net profit margin	23.3%	24.1%	25.1%	24.6%
EPS (SAR)	3.9	4.9	5.8	5.9
DPS (SAR)	2.1	2.7	3.5	4.2
P/E	29.6x	23.7x	20.2x	19.6x

Source: Company, GIB Capital

Stock data

TASI ticker	1830
Mcap (SARmn)	6,108
Trd. Val (3m) (SARmn)	32.0
Free float	48.2%
QFI holding	13.6%
TASI FF weight	0.15%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

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We use a rating system based on potential upside, 1 year from today, based on our valuation models. For "Overweight" ratings, the estimated upside is >10%, for "Underweight", the estimated downside is <10%. For returns in between +/- 10%, we have a Neutral rating.

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