Target Price: SAR10.5/share
Current Price: SAR8.43/share
Upside: 24%
Rating: Overweight

Sport Clubs Company (Body Masters)

Strong operating momentum supports earnings growth

- Broadly in-line 2Q26 revenue (+26.0% y/y), while margin expansion drove a 100.9% y/y jump in net profit, ahead of estimates.
- Adjusted earnings to grow at a 24.8% CAGR over 2025-28e, driven by healthy top-line growth, new-identity centers rollout, stronger center economics, and operating leverage.
- We set our 1Y fwd TP to SAR10.5/sh, based on equal weightage valuation using DCF and P/E valuation approaches and maintain Overweight rating.

Stock data	
TASI ticker	6018
Mcap (SARmn)	964
Trd. Val (3m) (SARmn)	20.4
Free float	90.0%
QFI holding	11.2%
TASI FF weight	0.04%

Source: Bloomberg

Prices indexed to 100

Source: Bloomberg

2Q26 result: Sport clubs' revenue increased 26.0% y/y to ~SAR106mn, broadly in line with our estimate (~5% deviation vs consensus ~14%). The strong performance was primarily driven by a 31.2% y/y increase in subscription revenues as the active member base reached 164.3k. Further, revenue from personal training, health services, and accessories surged 77.9% y/y. This was partially offset by an 85.6% y/y decline in sports solutions revenue due to the absence of construction-related contracts during the quarter. Gross profit increased 53.0% y/y to SAR34mn, significantly ahead of our estimate, with gross margin expanding by 5.6ppts y/y, on improved operating leverage as strong revenue growth enhanced fixed-cost absorption. Moreover, operating profit rose 46.4% y/y to SAR22.5mn, despite a 67.8% y/y rise in operating expenses, largely driven by network expansion and higher SG&A. Overall, net profit more than doubled (+100.9% y/y) to SAR13.8mn, coming in 16.1% above our estimate and 64.2% ahead of consensus, driven by robust revenue growth and margin expansion.

Membership growth and network expansion remain key growth drivers… Sport Clubs is well positioned to capitalize on Saudi Arabia's expanding fitness market, with resilient topline growth and network expansion. Revenue rose 15.4% y/y in 1H26 despite a sharp drop in sports solutions (-91% y/y), aided by a 28% y/y jump in average members to 164.3k (122.2k male; 42.1k female) and the addition of 8 new centers over the past year.

Figure 1: Key financial metrics

SARmn	2024a	2025a	2026e	2027e	2028e
Revenue	**327**	**376**	**436**	**522**	**592**
Revenue growth	*21%*	*15%*	*16%*	*20%*	*14%*
Gross Profit	**97**	**112**	**137**	**168**	**196**
Gross Profit margin	*29.5%*	*29.9%*	*31.4%*	*32.2%*	*33.1%*
EBITDA	133	153	183	226	266
EBITDA margin	*40.6%*	*40.7%*	*42.0%*	*43.2%*	*45.0%*
Net profit	**36**	**41**	**56**	**72**	**89**
Net profit growth	*44%*	*14%*	*37%*	*28%*	*24%*
Net profit margin	*11.0%*	*10.9%*	*12.9%*	*13.8%*	*15.1%*
EPS (SAR)	0.3	0.4	0.5	0.6	0.8
DPS (SAR)	0.1	0.0	0.0	0.0	0.0
P/E	24.3x	22.2x	17.2x	13.4x	10.8x
EV/EBITDA	8.4x	7.3x	6.1x	4.9x	4.2x

Source: Company, GIB Capital

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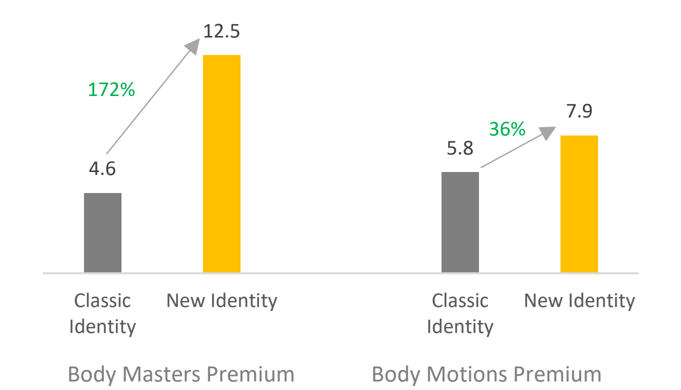
The network now stands at 63 centers (36 Body Masters, 20 Body Motion, and 7 Body Express centers) as of June 2026, with ~43% under the new identity. Going forward, the company plans to add a further 14 centers over the next 12 months, including 8 in the Central Region—its most lucrative market (40% GPM in 2Q26) and currently accounts for 54% of the network. Of these openings, 8 will operate under the Body Masters premium brand and 6 under the premium Body Motion format, reinforcing the shift toward higher-yield formats. We expect the network to reach 85 net centers by 2028e, supported by ongoing refurbishment investments, including 3 planned upgrades in 2026e. Together, these drivers underpin a 17.7% membership-revenue CAGR over 2025–28e, reflecting both capacity expansion and quality enhancements.

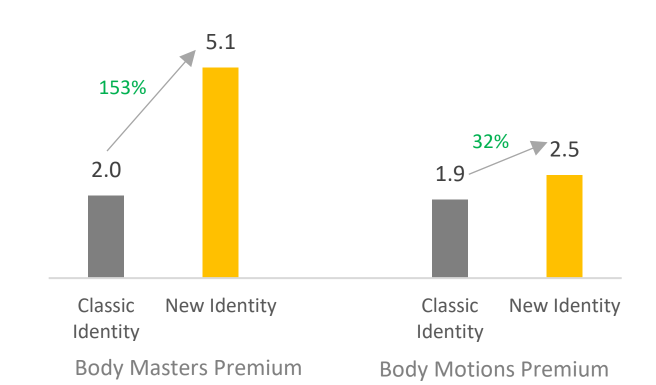
Looking at 2Q26 performance per center, the new identity is showing a meaningful step-up in economics vs the classic format, with higher member density translating into stronger revenue generation. Body Masters premium demonstrates the strongest uplift, with revenue per center rising from SAR4.6mn to SAR12.5mn (+172%), driven by stronger monetization of the enlarged member base (from 2.0k to 5.1k members per center). Body Motions posted a more moderate but still positive uplift (Figure 2, 3). Meanwhile, personal training and other services continued to gain traction, with revenue rising 98.5% y/y to SAR27.6mn in 1H26, lifting its contribution to revenue to 14.3% (vs. 8.3% in 1H25) on a 61% y/y rise in PT sessions. Besides these positive trends, retention remains a key watchpoint, declining 4.5% y/y to 65% in 1H26. Overall, we expect the combination of network expansion, higher center productivity and ancillary-service growth to drive revenue at a 16.3% CAGR over 2025–28e, reaching SAR592mn by 2028e.

Figure 2: 2Q26 Revenue per center (SARmn)



Source: Company data, GIB Capital

Figure 3: 2Q26 Active members per center (000s)

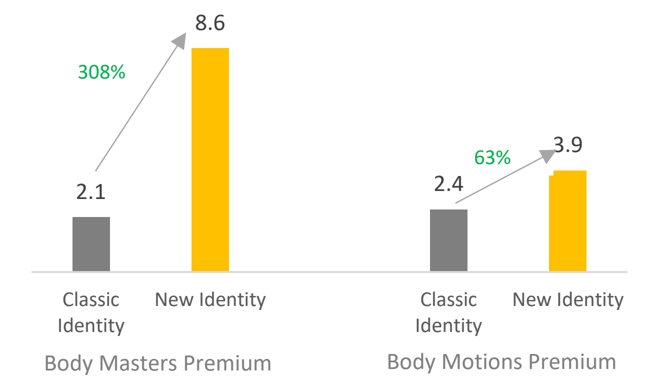


Source: Company data, GIB Capital

…with new-identity centers unlocking stronger unit economics, margin upside and earnings growth: Sport Clubs' profitability is clearly improving as the new-identity strategy scales, with gross margin expanding 5.4bps y/y to 29.0% in 1H26 and adjusted EBITDA rising 19.4% y/y, reflecting stronger operating leverage across the upgraded network. The uplift is most visible at the individual-center level, where the new-identity format is generating materially stronger unit economics than the classic model. Body Masters' new identity centers posted a 308% y/y rise in EBITDA per center in 2Q26, implying an EBITDA margin of 69% vs ~46% for classic sites, while Body Motions' premium EBITDA per center rose 63% y/y, with EBITDA margin rising 49% for the new identity vs 41% for the classic format. These results show that the new-identity rollout is not only driving higher revenue but also improving member monetization, unit economics, fixed-cost absorption, and overall earnings quality. With continued conversion of classic centers, refurbishment of older sites, and a pickup in the higher-margin Sport Solutions segment, we expect average EBITDA margins to trend toward 43.4% through 2028e, enabling earnings to grow faster than revenue. Consequently, we expect the adjusted earnings to reach

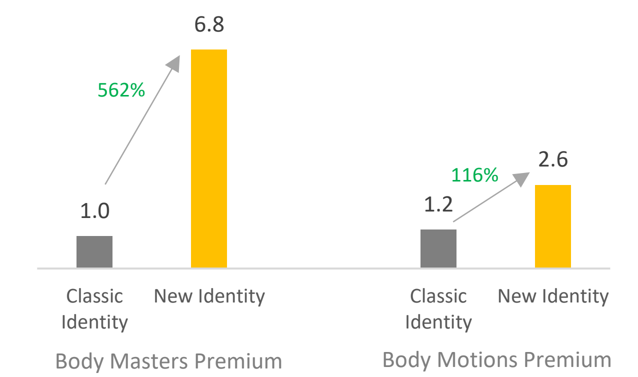
SAR89mn by 2028e, implying a 24.8% CAGR over 2025–28e, with net margin expanding from 12.2% in 2025 to 15.1% by 2028e, positioning the company for structurally stronger and more sustainable profitability.

Figure 4: 2Q26 EBITDA per center (SARmn)



Source: Company data, GIB Capital

Figure 5: 2Q26 Net income per center (SARmn)



Source: Company data, GIB Capital

Valuation and Risks: We value the company using an equal mix of P/E and DCF methodologies. For P/E, we apply an 18x multiple to an average of 2026-27e EPS, arriving at a 1-year forward TP of SAR11.2/sh. For DCF, using a WACC of 9%, we derive a 1-year forward TP of SAR9.7/sh. This results in a blended 1-year forward TP of SAR10.5/sh, implying an upside of ~24% and an Overweight rating. The main factors to track are the pace of expansions in the coming quarters, and the number of centers/members by the end of 2025-28e. Key downside risks include heightened competition, the cannibalization of centers, a higher churn rate, and a change in consumer spending.

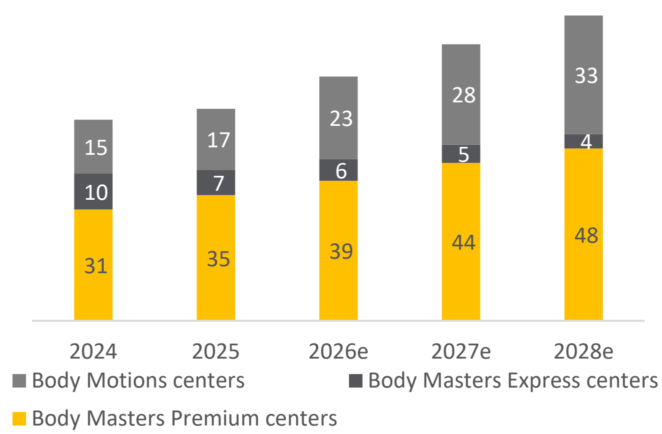
Figure 6: 2Q26 results summary

SARmn	2Q26	2Q25	y/y %	1Q26	q/q %	GIBCe	Variance %
Revenues	**106.4**	**84.4**	**26.0%**	**86.1**	**23.5%**	**101.0**	**5.3%**
Cost of Goods	72.4	62.2	16.4%	64.3	12.6%	71.7	**1.0%**
Gross Profit	**34.0**	**22.2**	**53.0%**	**21.8**	**55.7%**	**29.3**	**15.7%**
Operating Expenses	11.4	6.8	67.8%	10.1	13.0%	9.7	**17.9%**
Operating Profit	**22.5**	**15.4**	**46.4%**	**11.7**	**92.5%**	**19.6**	**14.7%**
Net Income	**13.8**	**6.9**	**100.9%**	**4.4**	**213.4%**	**11.9**	**16.1%**
Gross Margin	31.9%	26.3%		25.3%		21.5%	
Operating Margin	21.2%	18.2%		13.6%		13.0%	
Net Profit Margin	13.0%	8.1%		5.1%		4.8%	

Source: Company, GIB Capital ,2Q25 includes non-reoccurring expense of SAR0.4mn related to IPO.

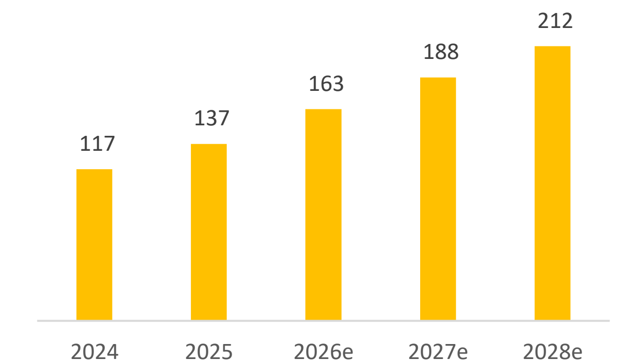
Financial analysis in charts

Figure 7: Total centers



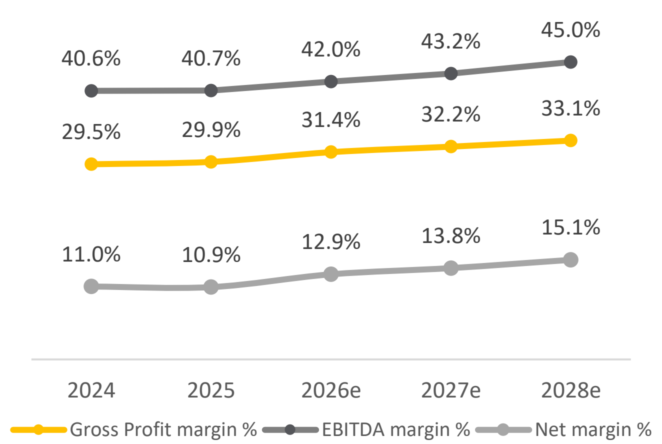
Source: Company data, GIB Capital

Figure 8: Average active members ('000s)



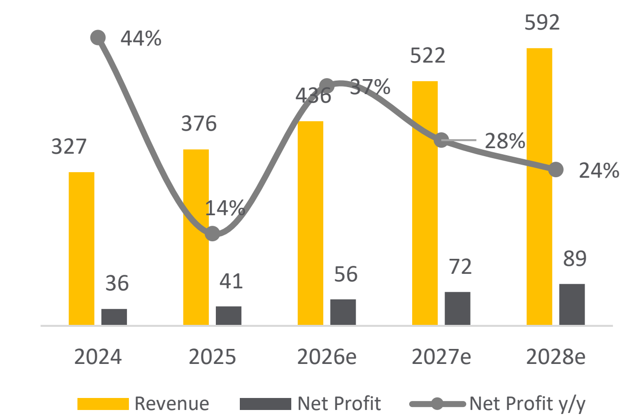
Source: Company data, GIB Capital

Figure 9: Margins trend



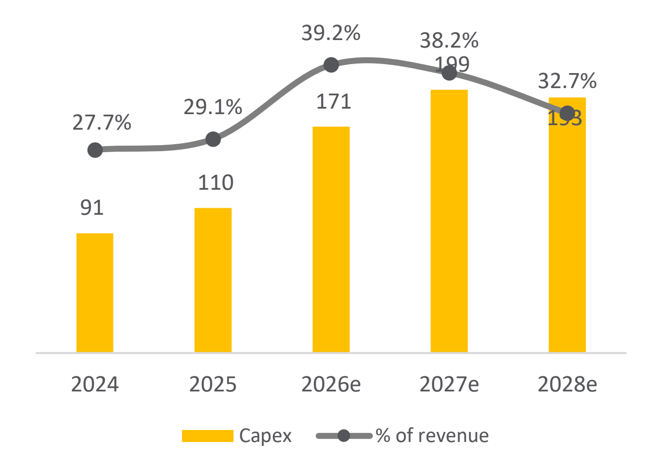
Source: Company data, GIB Capital, based on our calculations.

Figure 10: Financial Performance trend (SARmn)



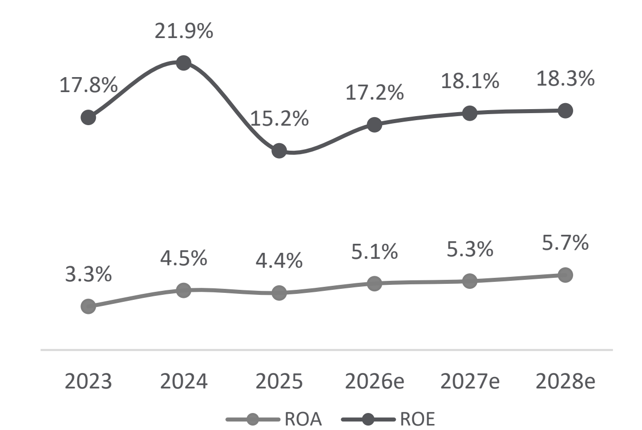
Source: Company data, GIB Capital

Figure 11: Capex (SARmn)



Source: Company data, GIB Capital

Figure 12: ROA and ROE



Source: Company data, GIB Capital

Financials

Figure 13: Summarized basic financial statements (SARmn)

Income statement	2024a	2025a	2026e	2027e	2028e
Revenue	**327**	**376**	**436**	**522**	**592**
revenue y/y	*21%*	*15%*	*16%*	*20%*	*14%*
COGS	231	264	299	354	396
Gross Profit	**97**	**112**	**137**	**168**	**196**
Gross Profit margin	*29.5%*	*29.9%*	*31.4%*	*32.2%*	*33.1%*
G&A	8	11	12	15	16
Advertising & Marketing	21	22	31	36	40
Operating profit	**67**	**79**	**94**	**117**	**140**
Operating margin	*20.5%*	*21.0%*	*21.5%*	*22.4%*	*23.6%*
Other income	4	3	3	3	3
Finance costs	31	35	39	47	51
PBT	**37**	**42**	**58**	**74**	**92**
Zakat/tax	1	1	1	2	2
Net income	**36**	**41**	**56**	**72**	**89**
y/y	*44%*	*14%*	*37%*	*28%*	*24%*
Net margin	*11.0%*	*10.9%*	*12.9%*	*13.8%*	*15.1%*
EPS	**0.3**	**0.4**	**0.5**	**0.6**	**0.8**
DPS	0.1	0.0	0.0	0.0	0.0
Payout	17%	0%	0%	0%	0%
EBITDA	**133**	**153**	**183**	**226**	**266**

Balance Sheet	2024a	2025a	2026e	2027e	2028e
Trade receivables	29	12	13	16	19
Prepayments and other current assets	29	25	33	42	47
Cash and cash equivalents	5	47	45	83	70
Total Current Assets	**73**	**92**	**99**	**150**	**149**
Property and equipment	463	540	658	795	915
Right-of-use assets	253	305	341	416	482
Total Non-Current Assets	**721**	**853**	**1,009**	**1,222**	**1,410**
Total Assets	**794**	**945**	**1,108**	**1,372**	**1,559**
Current Liabilities	240	208	245	342	375
Non-current Liabilities	389	466	537	632	696
Equity	**165**	**271**	**327**	**399**	**488**
Total Equity and Liabilities	**794**	**945**	**1,108**	**1,372**	**1,559**
BVPS	1.6	2.5	2.9	3.5	4.3

Cashflow	2024a	2025a	2026e	2027e	2028e
Cashflow from Operations	104	159	195	241	277
Cashflow from Investing	(90)	(117)	(176)	(205)	(200)
Cashflow from Financing	(18)	(1)	(20)	3	(90)
Total Cashflows	**(4)**	**42**	**(2)**	**39**	**(13)**

Source: Company data, GIB Capital

Figure 14: Key ratios

Key ratios	2024a	2025a	2026e	2027e	2028e
Profitability ratios					
RoA	4.5%	4.4%	5.1%	5.3%	5.7%
RoE	21.9%	15.2%	17.2%	18.1%	18.3%
Sales/Assets	41.2%	39.8%	39.4%	38.0%	38.0%
Net margin	43.9%	14.0%	36.5%	28.3%	23.8%
Liquidity ratios					
Current Assets/ Current Liabilities	0.3	0.4	0.4	0.4	0.4
Receivable Days	32	12	11	11	12
Inventory Days	16	11	10	10	11
Payable days	41	15	15	15	15
Cash conversion cycle	6	8	6	6	8
Debt ratios					
Net Debt/EBITDA (w/o IFRS liab.)	1.0	0.6	0.8	0.9	0.8
Net Debt/EBITDA (w/ IFRS liab.)	3.5	3.0	3.0	3.0	2.9
Debt/Assets (w/o IFRS liab.)	0.6	0.5	0.5	0.6	0.5
Net Debt/Equity (w/o IFRS liab.)	0.8	0.3	0.4	0.5	0.4
Valuation ratios					
P/E	24.3	22.2	17.2	13.4	10.8
P/B	5.3	3.4	3.0	2.4	2.0
EV/EBITDA	8.4	7.3	6.1	4.9	4.2
Dividend Yield	0.7%	0.0%	0.0%	0.0%	0.0%

Source: Company data, GIB Capital

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