

FITNESS TIME

OVERWEIGHT
CURRENT PRICE SAR74.7

UPSIDE +18.1%
TARGET PRICE SAR88.2

COMPANY UPDATE

Female gym expansions, PT to drive growth outlook

We remain Overweight on Fitness Time (Leejam) with a revised PT of SAR88.2. We believe continued expansion in female gyms and growth in personal training (PT) revenue will be the key top-line drivers going forward. Moreover, secondary sources of revenue such as spas and sales of fitness-related products will further support the top-line growth. We forecast a CAGR revenue growth of 9.9% and earnings growth of 12.3% between 2018 and 2024. Fitness Time trades at a 2020f PE of 17.6x vs. global peers average PE of 17.8x.

- New management remains committed to expansion:** In September 2019, Fitness Time appointed Justin Musgrove as the CEO for the company. This follows several changes in the management and board of the company this year. Despite the changes, we believe the earnings growth outlook remains intact. The new management remains committed to gym expansion plans, with plans to open of 15 new gyms (7 male & 8 female) in 2020. However, we conservatively forecast 12 new gyms in 2020f, taking total gyms to 147.
- Female centre ramp-up and personal training drive growth:** We expect revenues of Fitness Time to grow by +9.1% yoy in 2020f, and at a CAGR of 9.9% between 2018-2024f to reach SAR1.41bn. This growth will be mainly driven by expansion of female gyms and growth in personal training (PT) revenue. We expect revenue from female gyms to grow at a CAGR of +26.0% between 2018-2024f vs +5.1% for male gyms, while PT revenues are expected to grow at a CAGR of +17.9%. PT services are currently available in 95 out of 133 gyms, offering ample room for growth in PT.
- New management seeks to diversify revenue streams:** Fitness Time plans to diversify its revenues streams by utilizing unused space in female gyms to generate secondary income sources through the introduction of spas. Other potential revenue streams include sales of sport apparels and fitness-related products. The company also plans to open new small box gym formats. These plans are positive but remain in early stages. Accordingly we do not account for them, until further details are disclosed.
- Remain Overweight on strong growth outlook:** We remain Overweight on Fitness Time with a revised PT of SAR88.2. Fitness Time is our top consumer pick due to its strong growth outlook, supported by expansion in female gyms and PT revenue. In addition to top-line growth, we estimates an expansion in net margins from 22.5% in 2018 to 25.7% by 2024f primarily driven by female gym openings, which is another key positive.

Summary Financials

SAR mn	2018a	2019f	2020f	2021f	2022f	2023f	2024f	CAGR (%)
Revenues	800	925	1,009	1,118	1,220	1,309	1,408	9.9%
Gross Income	305	344	377	422	461	493	533	9.7%
Gross margin (%)	38.2%	37.2%	37.4%	37.8%	37.8%	37.7%	37.8%	
EBIT	203	267	284	322	349	374	403	12.1%
EBIT Margin	25.4%	28.9%	28.1%	28.8%	28.6%	28.6%	28.6%	
Net Income	180	204	222	265	297	328	362	12.3%
Net margin (%)	22.5%	22.1%	22.0%	23.7%	24.3%	25.1%	25.7%	
EPS (SAR)	3.44	3.90	4.24	5.05	5.67	6.27	6.91	12.3%

Source: Company, NCBC Research estimates

Please refer to the last page for important disclaimer

الأهلي كابيتال
NCB Capital



STOCK DETAILS

M52-week range H/L (SAR)	86/55
Market cap (\$mn)	1,043
Shares outstanding (mn)	52.4
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	0.7	(12.1)	32.9
Rel. to market	(0.9)	(16.0)	31.2

Avg daily turnover (mn)	SAR	US\$
3M	11.4	3.0
12M	11.7	3.1

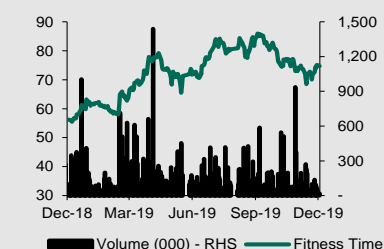
Reuters code	1830.SE
Bloomberg code	LEEJAM AB
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VALUATION MULTIPLES

	18a	19f	20f
PE (x)	21.7	19.1	17.6
PB (x)	5.5	4.8	4.3
EV/EBITDA (x)	14.0	8.8	8.4
Div Yield (%)	2.4	2.8	3.1

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

RELATIVE PERFORMANCE



Source: Tadawul

Mohamed Tomalieh +966 11 874 9771
m.tomalieh@alahlicapital.com

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Kindly send all mailing list requests to research@alahlicapital.com

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<http://research.ncbc.com>

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www.alahlitadawul.com

Corporate website

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