

Leejam Sports Co. (Leejam) - 4Q23 Result Review

Analyst: Neetika Gupta

Recommendation:

Buy

Target Price (SAR):

UR

Previous TP & Date:

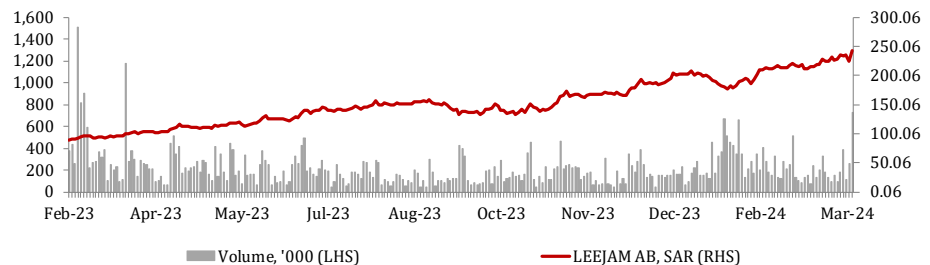
TP: 230.5 on 20-Dec-2023

Current Upside / (Downside):

-

Date: 20-Mar-2024

Bloomberg Ticker	LEEJAM AB
Current Market Price (SAR)	243.00
52wk High / Low (SAR)	246.60/95.00
12m Average Vol. (000)	203.1
Mkt. Cap. (USD/SAR mn)	3,363/12,614
Shares Outstanding (mn)	52.4
Free Float (%)	48%
3m Avg Daily Turnover (000)	49,100.0
6m Avg Daily Turnover (000)	38,000.0
P/E'24e (x)	35.8
P/Bv'24e (x)	10.2
Dividend Yield '24e (%)	1.5%
Price Perf. (1m/3m) (%)	10.1/31.5



Leejam posts strong revenue growth in 4Q23, slightly exceeding consensus and U Capital's estimate

Leejam's revenue in 4Q23 climbed 18.2% YoY, exceeding the consensus and our estimate by around 6% and 7%, respectively. Driven by an increase in both the members and fitness centers, the subscription & membership segment's revenue jumped 16% YoY, whereas revenue from personal training & swimming soared 49% YoY, which boosted the overall top line.

Backed by healthy top-line growth, net income surges c. 23% YoY, beating Bloomberg consensus and U Capital's expectations

Leejam's overall cost of revenue rose 19% YoY. This resulted from higher repair & maintenance, and cleaning expenses owing to the increased number of fitness centers. The ongoing club refurbishment program and more centers operating for 24 hours also added to the cost. However, the healthy revenue growth helped to comfortably absorb these to boost the operating profit by 17.6% YoY. The company also recorded SAR 3.6mn profit from short-term Murabaha, which helped offset higher finance costs. As a result, the company's bottom line surged 22.9% YoY, beating both Bloomberg consensus and our estimate.

Place on Under Review

Post the company's solid earnings growth in 4Q23, we place the stock Under Review, and will hopefully come with an update and revised target price soon, upon the availability of detailed financials. The company has declared a SAR 1.33 dividend per share (DPS) for 4Q23, exceeding our estimate of SAR 1.16 SPS. At yesterday's closing price, the TTM dividend yield comes to around 1.5%.

Valuation

At the current market price, the stock trades at 35.8x on our FY 2024e EPS and 10.2x FY 2024e EBITDA, above its 3-year daily average 12-month forward P/E of 20.4x, and its 3-year daily average 12-month forward EV/EBITDA of 12.1x.

Income Statement												
(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY 22	FY 23	YoY (%)
Sales/Revenue	336.7	277.0	301.8	348.2	398.0	370.5	18.2%	14.3%	7.4%	1,066.0	1,325.0	24.3%
Gross Profit (Loss)	163.0	108.7	124.2	159.9	192.0	172.5	17.8%	20.0%	11.3%	434.0	585.0	34.8%
Operating Profit (Loss)	131.0	77.6	91.2	126.5	154.0	138.6	17.6%	21.8%	11.1%	327.0	450.0	37.6%
Net Profit (Loss) after Zakat & tax	105.0	62.7	72.5	92.2	129.0	110.4	22.9%	39.9%	16.9%	255.0	356.0	39.6%
Balance Sheet												
(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	938.5	943.1	983.5	1,037.2	1,092.0	1,086.8	16.4%	5.3%	0.5%			
Key Ratios												
	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Gross Profit Margin	48.4%	39.2%	41.2%	45.9%	48.2%	46.6%						
Operating Profit Margin	38.9%	28.0%	30.2%	36.3%	38.7%	37.4%						
Net Profit Margin	31.2%	22.6%	24.0%	26.5%	32.4%	29.8%						
Return on Equity (RoE)	44.8%	26.6%	29.5%	35.6%	47.3%	40.6%						
Annualized EPS (SAR)	2.05	1.20	1.38	1.76	9.85	2.11						
BVPS (SAR)					20.85	20.75						
TTM P/E (x)					35.7							
Current P/BV (x)					11.7							

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research

For our earlier report on the sector, please [click here](#).

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%