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Sport Clubs Co.

Initiation Report | November 2026



شـركـة الأنـديـة للريـاضـة
SPORT CLUBS COMPANY

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Three growth engines, one value proposition, initiating on Sport Clubs with "Overweight" rating

Sport Clubs is Saudi Arabia's second-largest gym operator, with a 10.9% share of the market. It is entering an accelerated growth phase built on three complementary growth engines (1) A rapid rollout of large, new identity clubs, (2) An upgrade of its existing base through the Zad Quwwa refurbishment program and the exit from the low-margin Express format and (3) Female's fitness, the fastest-growing and least penetrated segment of the market. The new identity clubs offer a Leejam-like experience at a materially lower price, and the format is clearly working. On Q2-26 data, new identity male clubs averaged 5,100 active members, 2.5x the legacy format, and generated 2.7x the revenue per club. We forecast revenue to grow at a 16.3% CAGR over 2025-30E to SAR 802mn, and net income at a substantially faster 22.5% CAGR to SAR 113.5mn, driven by club maturation and operating leverage on a largely fixed cost base. Our forecasts deliberately assume fewer members per new club and longer ramp-ups than current trends suggest, leaving room for upside if today's performance holds. We therefore view Sport Clubs as transitioning from a legacy regional gym chain into a scaled, value-focused fitness platform. We initiate coverage with a SAR 9.8/share TP, based on an equal-weighted DCF and P/E methodology, and assign an "Overweight" rating with an upside of 36.8% from last close.

Under-penetrated, consolidating market provides a long growth runway: Saudi primary gym market was at SAR 7.7bn in 2024 and is expected to reach SAR 15.6bn by 2030, a 12.5% CAGR. Penetration is forecast to rise from 6.9% to 10.2%, still well below the US (24.1%) and the UK (18.9%). Independent gyms still account for 74% of facilities, but chains are expected to grow at a 15.4% CAGR against 7.2% for independents. Several factors support demand, (1) Policy, Vision 2030 targets 64% of adults exercising at least 150 minutes a week by 2030, (2) Health need, obesity and diabetes rates are well above global averages, (3) Demographics, the population is young and (4) Female memberships grew at a 15% CAGR over 2017-24, against 4% for males. We believe this environment favors scaled chains with established brands, multi-format offerings and the financial capacity to expand.

New identity rollout is the first and largest growth engine: Of the 63 clubs operating today, 27 are in the new format: large, standalone, main-road sites with built-up areas above 3,000 sqm for male's clubs and 2,500 sqm for female's, modern equipment and dedicated parking. Every new club we model is a new identity club. We expect eight openings in 2026E and 11 a year over 2027-29E, taking the network from 58 clubs at end-2025 to 95 by 2030E. Members pay materially less than at Leejam: Q2-26 revenue per member was SAR 531 a quarter for Body Masters Premium and SAR 584 for Body Motions, against SAR 629 and SAR 728 for Leejam's male and female segments. With cost-of-living pressure and new entertainment options competing for the same wallet, we think value-for-money wins share.

The second engine is upgrading the existing base: The 36 legacy "Classic" clubs are being refurbished under the Zad Quwwa program. The company plans two to three refurbishments a year, and early results are encouraging: two refurbished clubs saw active members rise 3.2x and 1.4x from pre-renovation levels. At the same time, the low-margin Express format is being wound down, from 13 clubs in 2021 to seven today and one by 2028E, as capital shifts to the higher-yielding big-box format. Pricing and paid services add further support: the company raised membership prices by 6.0-6.6% in January 2026, and PT revenue per member grows at a 5-7% CAGR over 2025-30E.

Female's fitness is the third growth engine: Body Motions is the fastest-growing part of the business. We forecast its network to more than double from 17 to 37 clubs, average members to rise from 31.9k to 74.1k, and revenue to grow at a 21.6% CAGR to SAR 278mn, lifting its share of group revenue from 28% to 35% by 2030E. Females spend more than three times as much per member on PT as males, making the segment structurally richer in high-margin paid services.

Recommendation	Overweight
Target Price (SAR)	9.8
Upside/(Downside)	36.8%

Source: Tadawul, AlJazira Capital Research *price as of 26th Oct 2026

Key Financials

(in SAR mn, unless specified)	FY24	FY25	FY26E	FY27E
Revenues	327.4	376.2	445.7	553.6
Growth %	21.0%	14.9%	18.5%	24.2%
Gross profit	96.7	112.5	155.0	202.2
Growth %	33.6%	16.3%	37.8%	30.5%
EBIT	64.4	74.5	100.5	135.2
Growth %	28.7%	15.7%	34.8%	34.5%
Net income	36.1	41.2	62.5	77.5
Growth %	43.9%	14.0%	51.8%	24.0%
EPS	0.32	0.36	0.55	0.68
DPS	0.05	0	0	0

Source: Company report, AlJazira Capital Research

Key Ratios

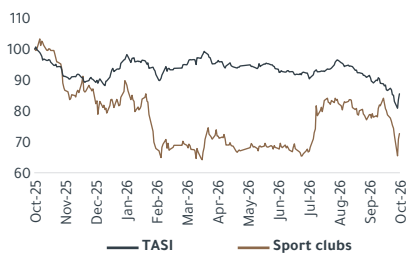
	FY24	FY25	FY26E	FY27E
Gross margin	29.5%	29.9%	34.8%	36.5%
EBIT margin	19.7%	19.8%	22.5%	24.4%
Net margin	11.0%	10.9%	14.0%	14.0%
ROA	4.7%	4.7%	5.9%	5.7%
ROE	23.4%	18.9%	20.7%	20.8%
P/E (x)	NM	23.3	13.1	10.6
P/B (x)	NM	3.6	2.5	2.0
EV/EBITDA (x)	NM	9.5	8.1	6.9
DY	NM	0.0%	0.0%	0.0%

Source: Company report, AlJazira Capital Research

Key Market Data	
Bloomberg ticker	SPORTCLU AB.
Market Cap(mn)	819
YTD%	-13.2%
52 week (High)/(Low)	10.6/6.3
Share Outstanding (mn)	114.4

Source: Company report, AlJazira Capital research

Price Performance



Source: Tadawul, AlJazira Capital research

Why Sport Clubs should avoid Leejam's ramp-up trap; that said we build a buffer by lowering new members and lengthening ramp ups: Leejam's recent expansion shows the risk of growing a network faster than demand. In FY25, its center count rose by 16 to 239, gross margin fell 3.4ppt to 38%, and normalized net profit declined 14%, with management citing the slow ramp-up of new branches. We do not expect the same at Sport Clubs, for three reasons. (1) it opens fewer clubs in absolute terms and has a much smaller base, eight in 2026E and 11 a year thereafter against Leejam's 30-plus, so management can focus on the strongest catchments and limit overlap with its own clubs. (2) value pricing makes new clubs quicker to fill when cost-of-living pressure and new entertainment options compete for the same wallet. Third, the track record is strong: new identity clubs have 5,100 members, 2.5x the legacy format, and group average members rose 28% in Q2-26 while the network grew only modestly, the opposite of Leejam's 2025 pattern. We still build in a buffer, assuming new Premium clubs add 4,500 members in 2027E and 3,500 from 2028E, with ramp-up stretching to two years from 2029E, so a moderate slowdown is already in our numbers.

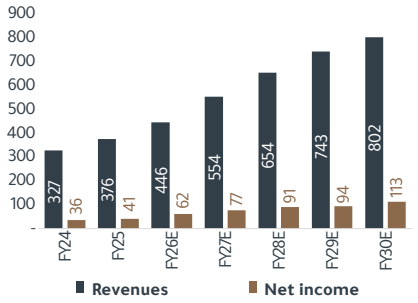
Expansion is debt-funded but leverage remains manageable: The rollout requires ~SAR 700mn of capex over 2026-30E, and almost all clubs are leased, taking lease liabilities from SAR 373mn in 2025 to a peak of SAR 928mn in 2029E. Free cash flow after lease payments stays negative over 2026-29E before turning positive at SAR 123mn in 2030E. Net debt excluding leases peaks at SAR 314mn in 2029E. Upfront membership payments give the business structurally negative working capital, with contract liabilities rising from SAR 102mn to SAR 218mn by 2030E. We assume dividends resume in 2029E at a 25% payout.

Our forecasts reflect strong medium-term earnings growth: We expect revenue to rise 18.5% in 2026E and peak at 24.2% in 2027E as the 2026-27 openings mature, giving a 16.3% CAGR over 2025-30E. Gross margin expands from 29.9% in 2025 to 34.8% in 2026E and 36.7% in 2028E. Revenue per club rises from SAR 6.5mn to SAR 8.0mn over 2025-28E, while cash cost per club edges up only from SAR 3.3mn to SAR 3.4mn. Operating margin widens from 19.8% to 24.1% by 2030E. Net income grows 51.8% in 2026E, 24% in 2027E and 17% in 2028E, pauses at 3% in 2029E as lease costs peak, and rebounds 21% in 2030E, with EPS rising from SAR 0.36 to SAR 0.99.

Valuation: We believe Sport Clubs offers a compelling multi-year growth story built on three complementary growth engines: i) the new identity club rollout, ii) the upgrade of its existing base, and iii) the structural growth of female's fitness. We value Sport Clubs using a 50:50 blend of DCF and P/E. Our DCF produces a fair value of SAR 9.82/share (WACC 9.4%, terminal growth 2.5%), while applying a 15.0x P/E multiple to FY28E discounted earnings produces SAR 9.77/share. This results in a blended target price of **SAR 9.8/share**, implying **36.8%** upside, and supports our "**Overweight**" rating. The stock trades at 13.1x 2026E and 10.6x 2027E P/E, and our estimates assume a slower ramp-up than the company is currently achieving, leaving room for upside.

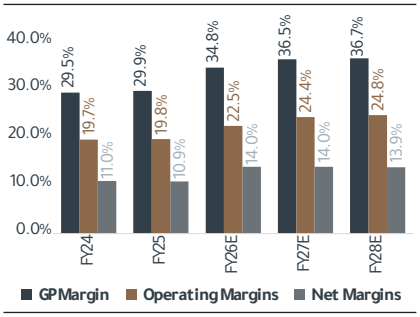
Key downside risks: New clubs underperform, new clubs could ramp up more slowly than expected, or draw members from nearby legacy sites, which would weaken the volume and operating leverage our forecasts depend on. Opening delays, we assume 11 openings a year in 2027-29E, so permit or construction delays would push revenue into later years. Competition, a competitive response from Leejam, through price cuts, budget formats or openings in Sport Clubs' catchments, could narrow the value gap that drives membership growth. Costs and financing, higher rents in prime locations, faster wage inflation and rising interest rates could compress margins, particularly in 2029E when lease and finance costs peak. Body Experts, revenue from the B2B segment depends on winning new contracts.

Revenue and Net income (SAR mn)



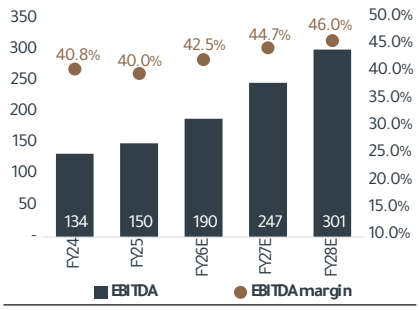
Source: Company report, AlJazira Capital Research

Margin performance



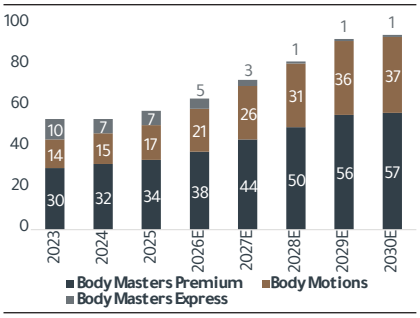
Source: Company report, AlJazira Capital Research

EBITDA (SAR mn) and EBITDA margin



Source: Company report, AlJazira Capital Research

Gym Growth



Source: Company report, AlJazira Capital Research

Industry analysis: Structural tailwinds are expanding growth avenues across KSA's fitness market

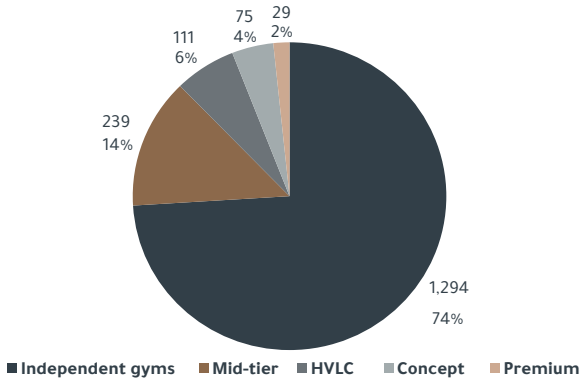
KSA's fragmented fitness industry structure creates growth opportunities across formats and business models

KSA's fitness industry remains highly fragmented, with independent gyms accounting for 74% of facilities in 2024, compared with just 26% for organized chains. We believe this fragmented facility base provides established operators and new entrants an opportunity to expand not only by competing but also by attracting customers to branded facilities.Within the organized segment, Fitness Time commands a leading 53.3% share of gym-chain revenue as of Q1-24, substantially ahead of Sport Clubs Company (10.9%), KUN Sports (7.4%), Armah Sports (3.9%), Ektimal for Sports (3.3%), and Gold's Gym (3.1%). Fitness Time's leadership is aided by scale, strong brand recognition, and presence across multiple customer segments. The market is segmented across several formats based on monthly membership fee levels. Based on Sport Clubs' prospectus, we understand that, Independent gyms typically charge SAR 200-250 per month, while HVLC operators target memberships below SAR 300. Mid-tier clubs are priced between SAR 300-700, premium clubs above SAR 700, and concept gyms generally around SAR 550-600, differentiated by specialised offerings rather than pricing alone. This spectrum allows operators to target distinct customer needs ranging from affordability and convenience to premium wellness and specialized fitness experiences.

Industry growth is expected to be broad-based across formats through 2030. Based on FIBO's 2025 report, premium clubs are poised to increase from 29 to 96 locations, HVLC clubs from 111 to 250, concept gyms from 75 to 273, and mid-tier facilities from 239 to 400. However, independent gyms are also expected to expand from 1,294 locations to 1,702 over the same period, representing the largest absolute addition of facilities. This suggests that industry growth is being driven more by rising fitness participation than by simple market-share transfers between operators. While mid-tier operators currently represent the largest share of the organized market, premium and concept formats are expected to capture an increasing share of future industry value. Sport Clubs' prospectus indicates that the average monthly revenue per member for industry is poised to increase from SAR 211 in 2024 to SAR 260 by 2030 (3.6% CAGR), with premium and concept formats growing faster at 4.8% and 4.6%, respectively. Premium facilities are also expected to generate the highest revenue per club, increasing from SAR 14.3mn to SAR 19.5mn over the period, compared with SAR 3.3mn to SAR 3.8mn for HVLC clubs.

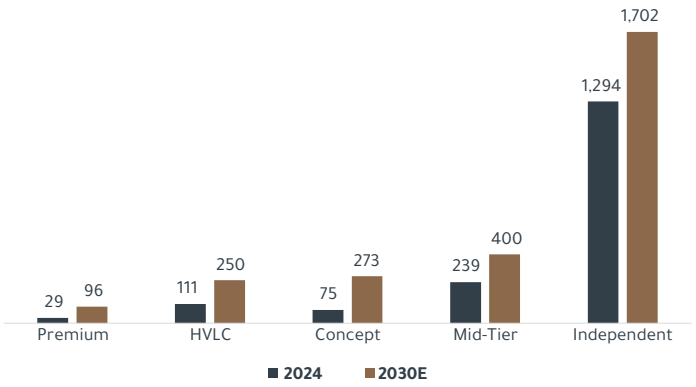
The industry's structure therefore creates opportunities across different business models. Mass-market and HVLC operators can drive growth through affordability, membership volumes, and network scale, while premium and concept operators can benefit from higher spending per member and greater monetization opportunities. However, higher revenue potential often comes with higher occupancy, fit-out, equipment, and staffing costs. As a result, long-term value creation is likely to depend less on market growth alone and more on an operator's ability to balance expansion, pricing power, utilization levels, and returns on capital.

Fig 1. Independent gyms lead, offering significant share gain potential



Source: FIBO 2025, AlJazira Capital Research

Fig 2. Market growth supports expansion across organized and independent gyms



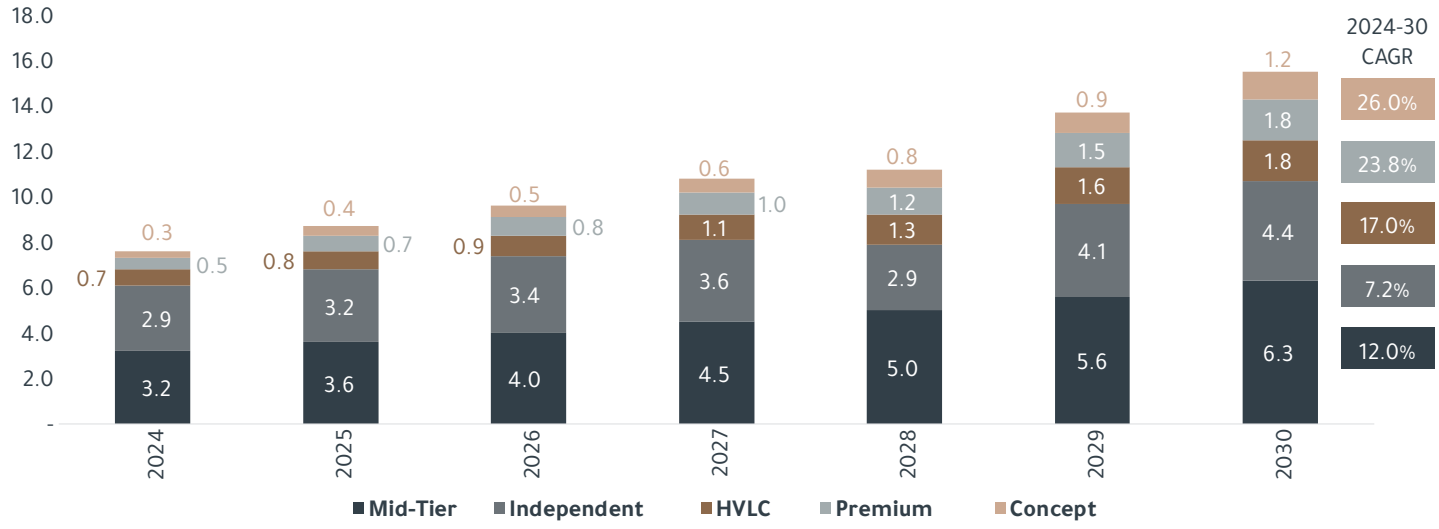
Source: FIBO 2025, AlJazira Capital Research

Fig 3. Premium operators expected to deliver stronger unit economics than HVLC peers, with revenue per location projected to grow at a 5.3% CAGR versus 2.4%, reflecting higher monetization potential and pricing power

Metric	2024	2030E	2024-30E CAGR
Average Monthly Membership Revenue per Member (SAR)	211	260	3.6%
Premium Revenue per Location (SAR mn)	14.3	19.5	5.3%
HVLC Revenue per Location (SAR mn)	3.3	3.8	2.4%

Source: Company report, AlJazira Capital Research

Fig 4. Industry profit pools are expected to shift toward premium formats as superior pricing power, ancillary revenue potential and higher spend per member drive faster revenue growth per location than volume-led HVLC operators



Source: Company report, AlJazira Capital Research

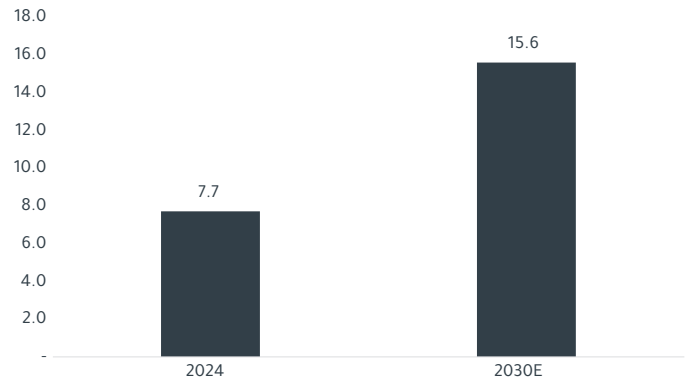
Government led initiatives are expanding the addressable market, but participation is not the same as gym penetration

KSA's fitness industry is benefiting from Vision 2030 initiatives aimed at increasing sports participation, improving public health, and encouraging private-sector investment in wellness infrastructure. Programs such as NAFES, female's gym licensing reforms, and investments in projects like NEOM, Qiddiya, and Sports Boulevard are supporting long-term expansion of organized market.

These structural tailwinds are expanding the addressable market, with the paid-membership gym industry projected to grow from SAR7.7bn in 2024 to SAR15.5-15.6bn by 2030, implying a CAGR of 12.4-13.0%, per Sport Clubs' prospectus. However, rising physical activity does not automatically translate into higher gym penetration, as significant portion of participation growth is driven by walking, outdoor exercise and community sports. As a result, key differentiator for operators is their ability to convert growing fitness awareness into recurring paid memberships and higher customer spend.

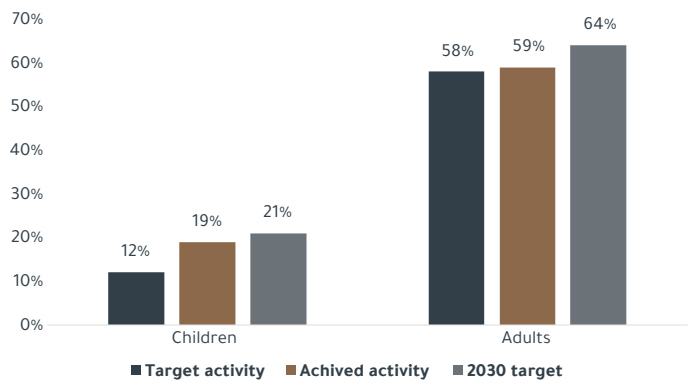
Despite recent growth, gym penetration in KSA remains low at 7.4%, compared with mature markets such as the US, Australia, and the UK. Even achieving penetration of 10.2% would leave it below most developed markets, highlighting significant long-term growth potential. Consequently, industry expansion is likely to depend on operators' ability to attract and retain members through convenient locations, competitive pricing, differentiated offerings, and higher-value ancillary services such as personal training and wellness programs.

Fig 5. Multi-pronged policy model has poised the paid gym membership market to nearly double by 2030E



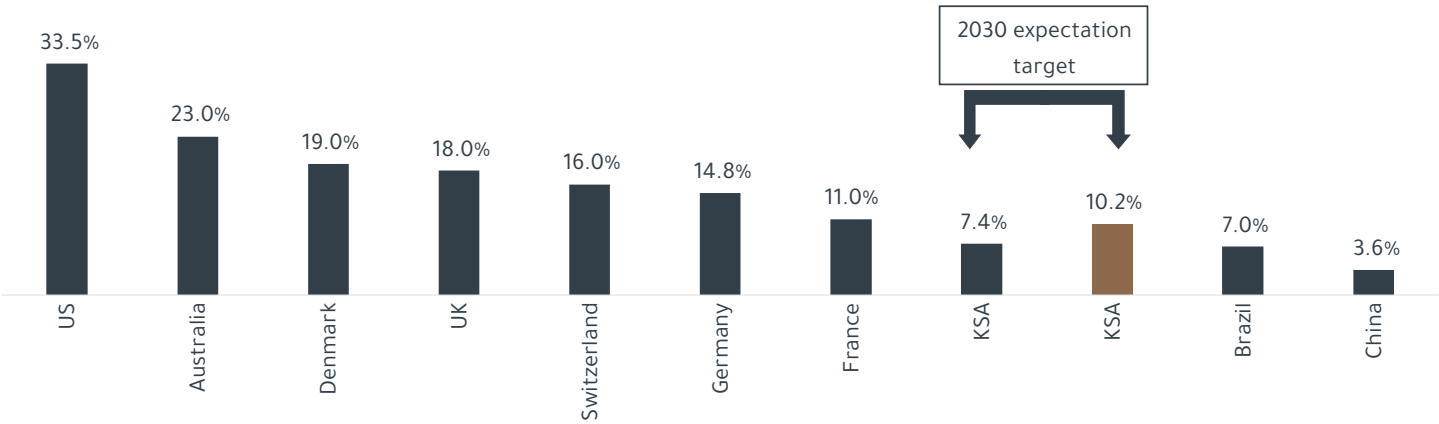
Source: Company report, AlJazira Capital Research

Fig 6. Progress against national targets has been encouraging



Source: GASTAT, Company report, AlJazira Capital research. Note: Children (aged 5-17) physical activity based on at least 60 minutes and for adults based on 150 minutes. Target level for Adults as on 2027

Fig 7. KSA's 7.4% gym penetration underscores early-stage nature; achieving 10.2% expectation would narrow, but not eliminate the gap vs developed fitness markets, supporting a multi-year growth runway for organized operators



Source: Health & Fitness Association, Vision 2030, AlJazira Capital Research

Consumer behavior is evolving beyond gym access, supporting higher monetization opportunities

KSA's fitness industry is increasingly benefiting from changes in consumer behavior, supported by rising health awareness, digital engagement, and greater participation among female. According to a 2026 industry survey, 60% of Saudis aged 18-45 engage in at least 3 hours of weekly physical activity, up from 52% in 2020, while 65% of female fitness center members joined after the relaxation of gym access regulations in 2016, thus highlighting the continued expansion of the health-conscious consumer base.

Consumer preferences are also evolving beyond basic facility access. Around 65% of members prioritize certified trainers, 62% value equipment quality, and 60% prefer diverse class offerings, highlighting growing demand for higher-quality and more personalized fitness experiences. At the same time, digital adoption is reshaping the industry, with 70% of consumers using fitness applications, 85% owning wearable devices, and online fitness participation more than doubling between 2020 and 2023. These preferences suggest that differentiation is increasingly being driven by service quality, programming, and member experience rather than simply facility access.

For operators, these trends suggest that future value creation extends beyond basic gym subscriptions, into areas such as personal training, recovery services, nutrition programs, group classes, digital subscriptions, and premium membership offerings. Operators that can combine quality facilities, personalized experiences and integrated wellness solutions are better positioned to drive higher revenue per member, improve retention, and sustain pricing power over time.

Fig 8. Saudi fitness enthusiasts are prioritizing quality, flexibility and differentiated fitness experiences

Consumer behavior statistics

65% of Saudi consumers prefer gyms with certified trainers

62% of Saudi fitness consumers prioritize equipment quality when choosing a gym

60% of Saudi consumers prefer gyms with diverse class options (eg: Yoga, HIIT)

50% of Saudi consumers prefer gyms with flexible membership plans

Source: worldmetrics, AlJazira Capital Research

Fig 9. Technology adoption is reshaping how fitness enthusiasts interact with the fitness ecosystems

Digital adoption statistics

70% of consumers use fitness apps to track workouts, up from 55% in 2021

85% of fitness enthusiast own a smart wearable device

40% of new gyms in KSA are equipped with AI-powered fitness tracking systems

22% of gyms in KSA use AI-based personal trainers

Source: worldmetrics, AlJazira Capital Research

Operators differentiating through pricing, formats and expansion

Fitness Time's scale advantage is prompting challengers to compete through differentiated propositions

Fitness Time's leadership provides Leejam with an established position across KSA's organized fitness market. Sport Clubs, competes across HVLC and mid-tier formats, with facilities catering to male and female customers. Its multi-format portfolio allows it to address different customer requirements while leveraging an established operating platform.

Challengers are pursuing different approaches to gain share. KUN Sports' iN2 Fitness combines value-oriented pricing with investments in the member experience. In September 2025, KUN Sports reported that the network had reached 62 branches, following the opening of its first flagship location in Jeddah and further expansion in Obhur. The flagship introduced amenities including cold plunges, calisthenics and recovery zone, and a Pilates Reformer studio in female's branch. These additions indicate an effort to broaden the proposition beyond basic gym access without abandoning the appeal of value-oriented pricing.

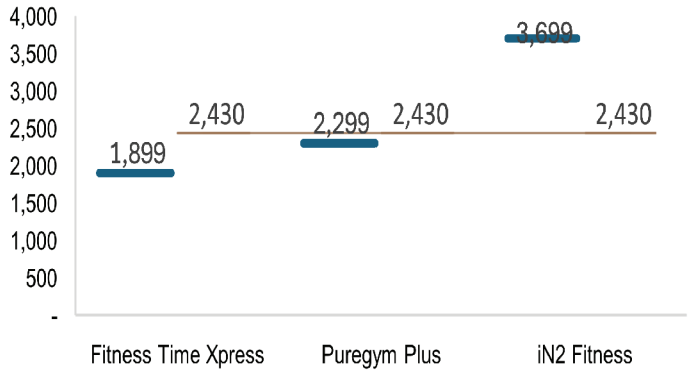
Armah Sports via B_Fit and Optimo, offers another model spanning serviced fitness clubs and differentiated formats. International operators such as Ektimal Sports via PureGym and Gold's Gym add to the competitive landscape, while boutique studios target specific training preferences. As market expands, basis of competition is likely to extend beyond membership prices to include location convenience, facility quality, range of services and ability to retain members. Operators that can establish distinctive proposition while maintaining repeatable operating model should be better placed to grow without relying on discounting.

Fig 10.KSA fitness market spans multiple customer segments, ranging from HVLC to premium and luxury -focused

Operator	Key Brand(s)	Gender Format	Segment
	Fitness Time Xpress	Male / Female	Value (HVLC)
	Fitness Time	Male / Female	Mid-Tier
	Fitness Time Pro	Male / Female	Mid-Tier
	Fitness Time Plus	Male / Female	Premium+
	Body Masters	Male	Value / Mid-Tier
	Body Motions	Female	Value / Mid-Tier
	Body Express	Male	HVLC
	iN2 Fitness	Male / Female	Value / Mid-Tier
	B_FIT	Male / Female	Premium
	Optimo	Male / Female	Luxury
	Pure Gym	Male	Value (HVLC)
	Gold's Gym Male	Male	Mid-Tier / Premium
	Gold's Gym Female	Female	Mid-Tier / Premium

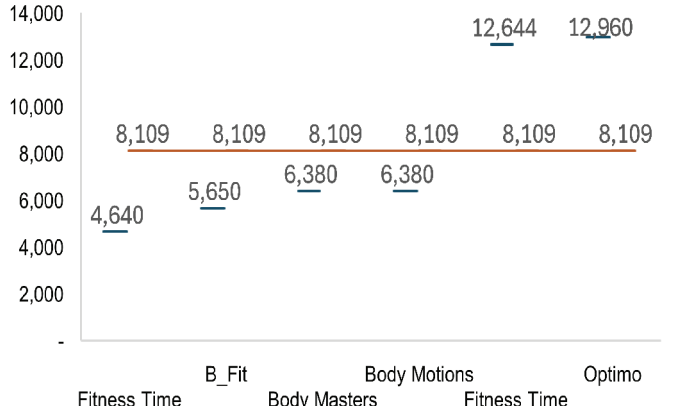
Source: Company report, AlJazira Capital Research

Fig 11. HVLC operators compete on affordability, although leading challengers are enhancing facilities and member experience to differentiate beyond price



Source: Brand websites, AlJazira Capital Research. Note: The membership is sourced from the respective websites with Riyadh as the selected region.

Fig 12. Premium and luxury operators command higher membership fees, reflecting enhanced facilities, specialized services, and focus on customer experience



Source: Brand websites, AlJazira Capital Research. Note: The membership is sourced from the respective websites with Riyadh as the selected region.

Female's fitness is broadening the customer base and creating an additional avenue for network expansion

Increasing female participation is creating opportunities for operators to expand their customer base through dedicated facilities and tailored fitness propositions. FIBO's 2024-2025 comparison shows that Fitness Time's female-only facilities increased from 47 to 67, while iN2 Fitness expanded from 19 to 29. Body Motions remained at 15 (17 - 2025 end) female-only locations. Expansion at Fitness Time and iN2 Fitness highlights the growing importance of female-focused formats within their respective networks. Growth is not limited to opening new facilities. Longer operating hours, convenient locations, tailored training programs and improved onboarding can help operators make fitness more accessible and increase utilization of existing sites.

Dedicated facilities also influence the capital requirements of expansion. Where male and female customers are served through separate locations, operators may need to invest in additional premises and equipment rather than accommodating the incremental demand within a single facility. This can constrain the economics of smaller catchment areas where demand is insufficient to support multiple sites. The opportunity will therefore depend on matching the format and location of each facility to local demand while maintaining adequate utilization and acceptable returns.

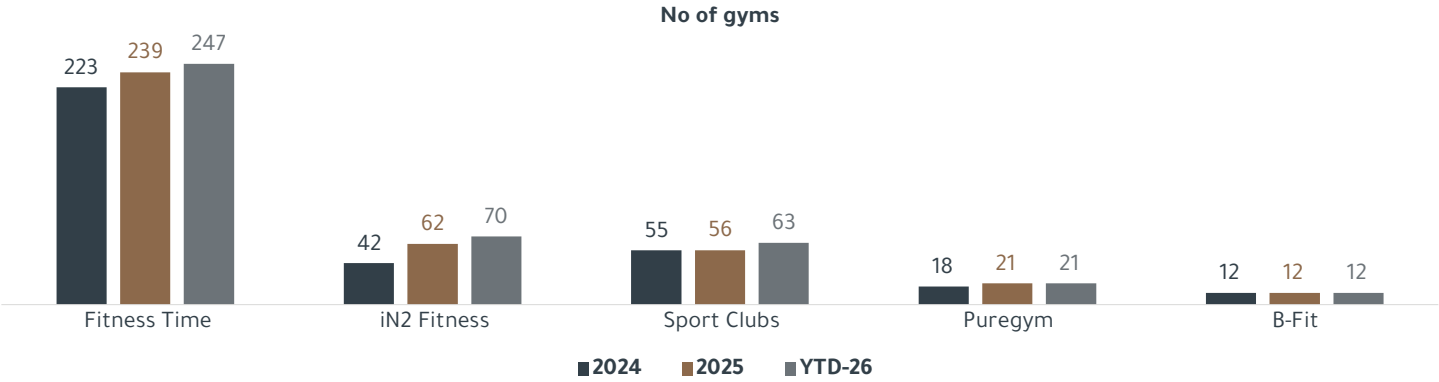
Expansion strategies are increasingly differentiated by scale, format and geography

As the Saudi fitness market matures, operators are increasingly differentiating themselves through targeted growth strategies rather than network expansion alone. Fitness Time continues to reinforce its market leadership, expanding from 169 clubs in 2024 to 247 by YTD-26, leveraging its scale, brand strength, and multi-format presence to broaden customer reach and enhance market penetration.

Among challengers, iN2 Fitness has been one of the fastest-growing operators, expanding from 42 to 70 clubs over the same period through a focus on value-conscious consumers and enhanced customer experiences. Sport Clubs had adopted a more measured approach, maintaining a stable network of around 55-56 clubs while strengthening its position in the HVLC and mid-tier segments, but now openings have accelerated. PureGym has expanded selectively, while Armah's club base has stayed constant at 12, thus highlighting the importance of utilization and return metrics in determining expansion viability.

The divergence in network growth suggests that while scale remains important, long-term success increasingly depends on format positioning, customer targeting, and capital allocation. Operators that can balance expansion with customer experience and operational efficiency are likely to be best positioned to capture future industry growth.

Fig 13. Operators are pursuing distinct growth strategies, with market leaders leveraging scale while challengers expand through targeted format positioning and selective network buildout



Source: FIBO 2025, Company websites, AlJazira Capital Research

Company Overview

Sport Clubs is one of Saudi Arabia's longest-established fitness operators, with a track record of more than 30 years. The company was incorporated by consolidating six fitness centers that had been operating since 1994. A 2008 rebrand under the "Body Masters" name, with a new identity and a broader full-service fitness proposition, laid the foundation for today's network. The company has since widened its offering and footprint: it opened a Martial Arts Academy in 2014, entered the Western Region with its first Jeddah-area club in 2016, and in 2020 made two strategic moves. It launched Body Motions to capture the fast-growing female's fitness segment, and created Body Experts, a B2B arm offering fitness consultancy, gym design and fit-out, equipment supply and facility management. The company converted to a closed joint-stock company in 2022 ahead of its 2025 listing on the Tadawul main market.

Fig 14. Timeline of events

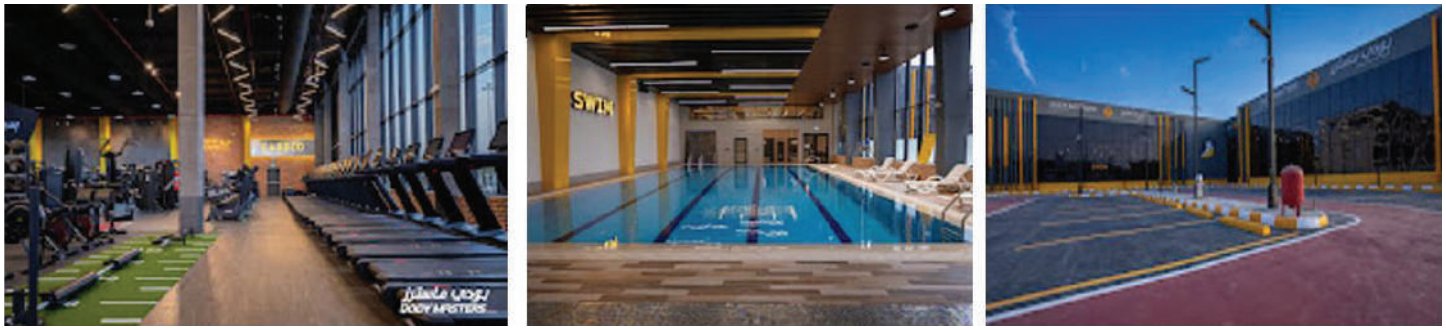
1994	2008	2013	2014	2016	2020	2025
Company commenced operations with 6 fitness centers	Rebranding of Body Masters clubs	Restructuring company's executive management	Opening Martial Arts academy	Entering the western region	Launched Body Motions and Body Experts	Began trading on Saudi stock exchange

Source: Company report, AlJazira Capital Research

Business segments: Sport Clubs has two segments. The core fitness clubs segment builds, manages and operates the company's own male (Body Masters) and female (Body Motions) clubs and generated 93% of 2025 revenue through memberships and club services such as personal training. Body Experts, the fitness solutions segment, contributed the remaining 7%, mainly through equipment sales and turnkey gym projects.

Revenue generators: Sport clubs subscriptions are the core of the business: membership fees from Body Masters (Premium and Express) and Body Motions clubs. Health club services are paid services inside the clubs, mainly personal training plus other value-added services. They are a higher-margin add-on to subscriptions. Sports equipment sales come mainly from Body Experts, the B2B segment: equipment supply and gym fit-out projects for corporate and government clients.

Fig 15.New identity club with ample parking space and modern facilities

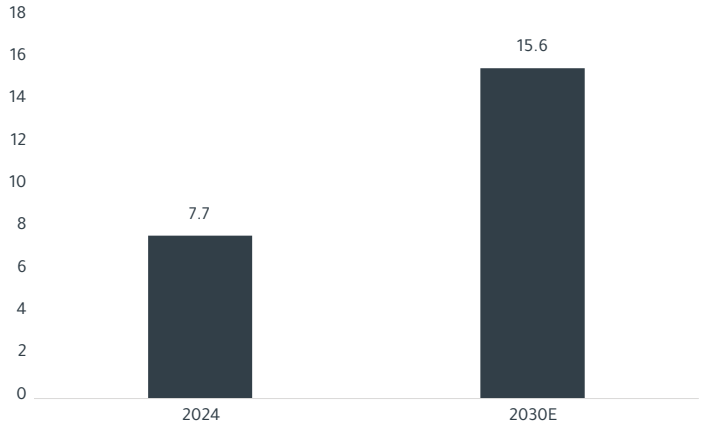


Source: Company website, AlJazira Capital Research

Investment Thesis

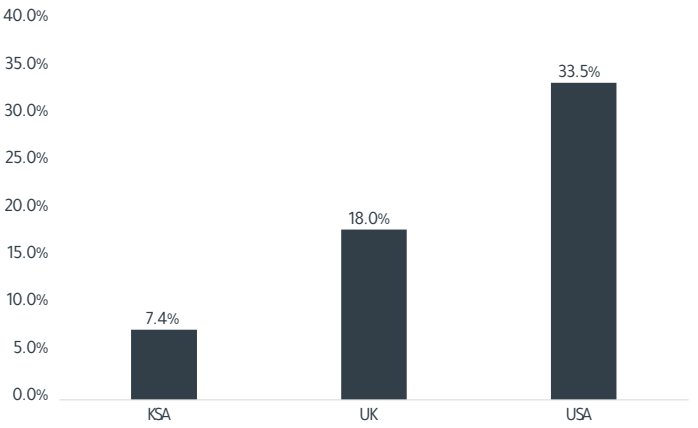
Saudi fitness: under-penetrated and structurally growing. The Saudi gym market is supported by policy, demographics and a shift toward organized chains. The primary gym market was worth SAR 7.7bn in 2024 and is forecast to reach SAR 15.6bn by 2030, according to market study. That is a 12.5% CAGR, faster than the 11.5% of 2017-24. Four drivers underpin this demand, (1) Policy: Vision 2030 targets 64% of adults exercising at least 150 minutes a week by 2030, up from 34% in 2022. The 2025 Vision 2030 report shows this already reached 59.1%. Licensing reform & land zoning are also making it easier to open gyms. (2) Health need: Obesity stands at 23.7% and diabetes at 17.7%, against global averages of 13.0% and 10.5%. (3) Demographics: The population is young, with 14.5% aged 15-24, and (4) Women: Female memberships grew at a 15% CAGR over 2017-24, against 4% for males. Female's share of gym members is forecast to rise from 32% to 41% by 2030. The market is also consolidating. Independents still make up 74% of gyms and 55% of members, but chains are forecast to grow at a 15% CAGR versus 7% for independents.

Fig 16. Market to grow at 12.5% CAGR (SAR bn)



Source: Company report, Argaam, AlJazira Capital Research

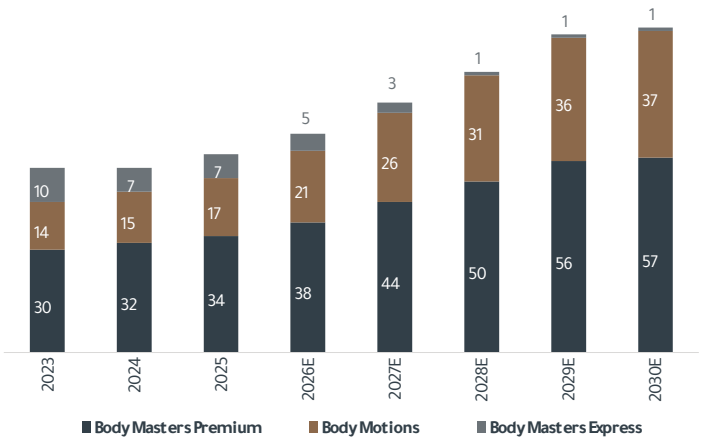
Fig 17. KSA gym membership penetration is low



Source: Company report, Argaam, AlJazira Capital Research

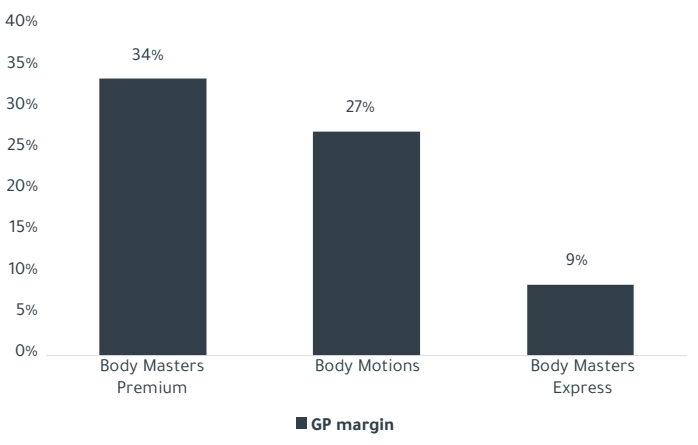
Accelerated expansion and refurbishment plan; exit from low-margin express format: Sport Clubs has embarked on an accelerated expansion and refurbishment strategy built on three pillars. The first is growing its network from 63 gyms in Q2-26 to around 100 by 2030. The second is refurbishing and rebranding its legacy "Classic" gyms, which still make up 36 of the current 63. The third is exiting the low-margin express format. The company opened five new Identity gyms in H1-26, and we expect it to end the year with eight new openings. We forecast 11 openings per year over 2027-29, after which the pace of expansion should moderate materially. On refurbishments, the company upgraded two Classic gyms in 2025 and encouraged by their performance, plans to refurbish two to three Classic gyms annually. Assuming capex of ~SAR 16mn per new club and ~SAR 4mn per refurbishment, we estimate total expansion Capex of ~SAR 700mn over 2026-29. Meanwhile, the express network continues to shrink, from 13 gyms in 2021 to seven as of Q2-26, as the company redirects capital towards its higher-yielding big-box format.

Fig 18. Segment wise gyms



Source: Company report, Argaam, AlJazira Capital Research

Fig 19. Exiting low margin express format (2025A)



Source: Company report, Argaam, AlJazira Capital Research

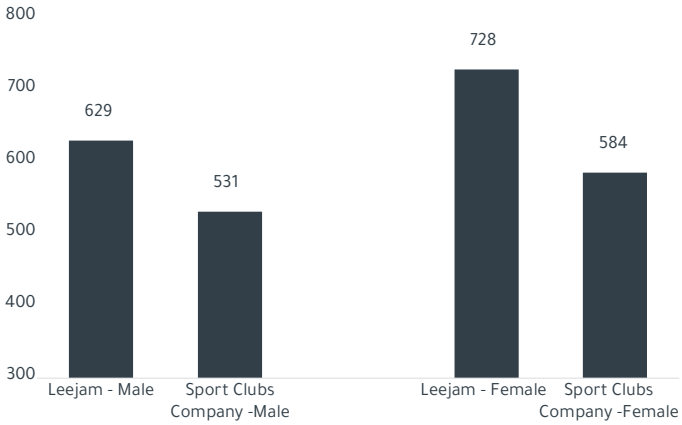
New identity clubs: a premium experience at a value price is winning market share. The new identity format is Sport Clubs' growth engine, and every club we model from here is one. The company credits the new identity and heavier technology investment with redefining the member experience. Recent openings are large, standalone, main-road sites with built-up areas above 3,000 sqm for male's clubs and 2,500 sqm for female's clubs, modern equipment and amenities, and dedicated parking. Members get this for materially less than at Leejam. On our numbers, Q2-26 revenue per member was SAR 531 for Body Masters Premium and SAR 584 for Body Motions, against SAR 629 and SAR 728 for Leejam's male and female segments. With cost-of-living pressure and new entertainment options competing for the same wallet, we think value-for-money wins share. For the company, a new club attracts 2.5x the members of a legacy male's club (1.3x for female's), spreading a largely fixed cost base over far more subscriptions. The trade-off is cost: prime, main-road catchments raise rent and depreciation intensity. We capitalize SAR 17.7mn of right-of-use assets per new club, and lease payments rise from 10.8% of revenue in 2024 and 13.5% in 2025 to 15.6% in 2028E. Of the 63 clubs operating today, 27 are in the new format, and the rest are being rebuilt to the new identity and operating standards under the Zad Quwwa program.

Fig 20. Modern look of new identity club



Source: Company report, Argaam, AlJazira Capital Research

Fig 21. Premium experience at a value price (Q2-26 rev/member)



Source: Company report, Argaam, AlJazira Capital Research

Comparatively New Identity clubs significantly outperform the Classic format across key metrics: A comparison of 12 new Identity and 31 Classic male clubs, alongside 15 new Identity and five Classic female clubs, shows a clear performance advantage for the new format across all key metrics. The analysis is based on Q2-26 data. Body Masters (male), New Identity clubs average 5,100 active members per club, 2.5x the Classic format. Revenue per club is 2.7x that of legacy clubs, while EBITDA and net income per club are 4.1x and 6.8x higher, respectively. This highlights the strong operating leverage of the new format. For Body Motions (female), the gap is narrower but still significant, New Identity clubs generate 1.3x the members, 1.36x the revenue, 1.6x the EBITDA and 2.1x the net income per club of their Classic counterparts. This performance gap underpins our margin outlook: as the share of new Identity clubs rises, we expect Sport Clubs' gross margin to expand from 29.5% in 2024 and 29.9% in 2025 to 36.7% by 2028E. The refurbishment program is also delivering encouraging early results. According to the company, one refurbished club recorded a 3.2x increase in active members compared with pre-renovation levels, while another saw a 1.4x increase.

Fig 22. Revenue per club for Q2-26 (SAR mn)



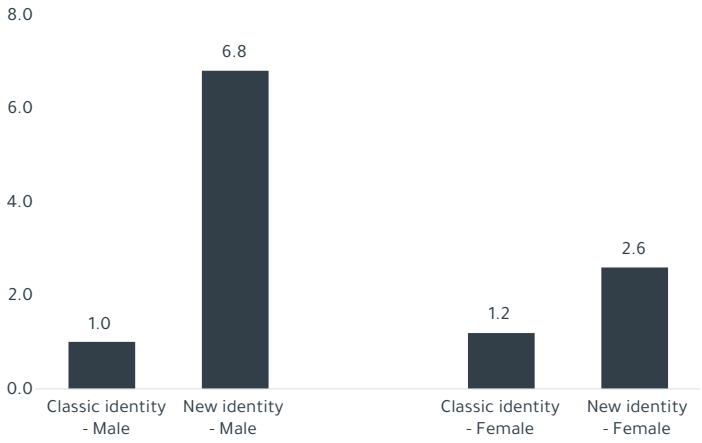
Source: Company report, Argaam, AlJazira Capital Research (Rev TTM), 3 clubs annualized

Fig 23. EBITDA per club for Q2-26 (SAR mn)



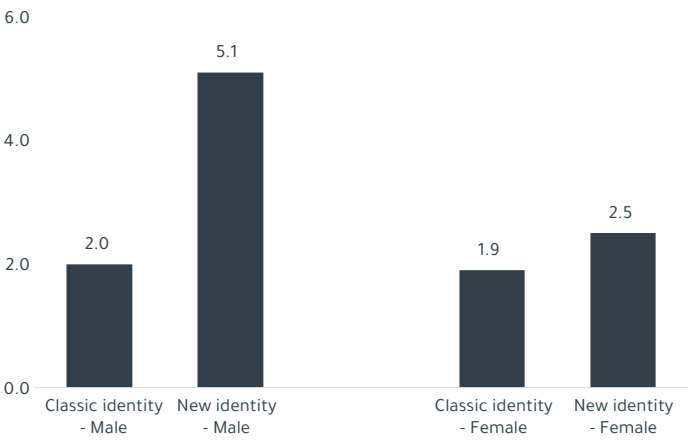
Source: Company report, Argaam, AlJazira Capital Research (EBITDA TTM), 3 clubs annualized

Fig 24. Net income per club for Q2-26 (SAR mn)



Source: Company report, Argaam, AlJazira Capital Research (NI TTM), 3 clubs annualized

Fig 25. Active members per club for Q2-26 (000s)

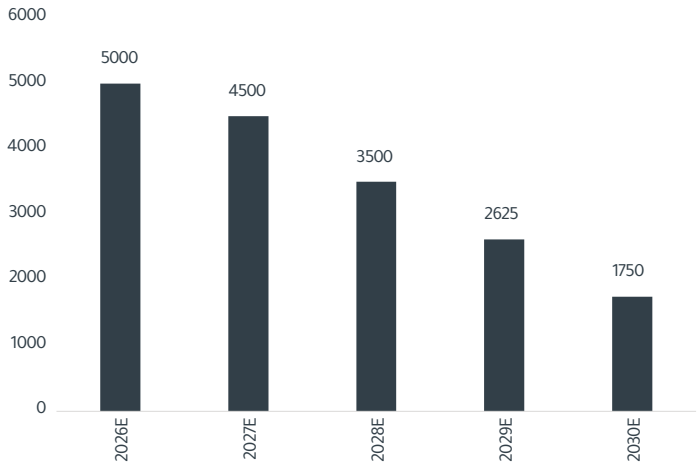


Source: Company report, Argaam, AlJazira Capital Research, 3 clubs annualized

Why Sport Clubs should avoid Leejam's ramp-up trap; that said we build a buffer by lowering new members and lengthening ramp ups: Leejam's recent expansion shows the risk of growing a network faster than demand. In FY25, its center count rose by 16 to 239, gross margin fell 3.4ppt to 38%, and normalized net profit declined 14%, with management citing the slow ramp-up of new branches. We do not expect the same at Sport Clubs, for three reasons. (1) it opens fewer clubs in absolute terms and has a much smaller base, eight in 2026E and 11 a year thereafter against Leejam's 30-plus, so management can focus on the strongest catchments and limit overlap with its own clubs. (2) value pricing makes new clubs quicker to fill when cost-of-living pressure and new entertainment options compete for the same wallet. Third, the track record is strong: new identity clubs have 5,100 members, 2.5x the legacy format, and group average members rose 28% in Q2-26 while the network grew only modestly, the opposite of Leejam's 2025 pattern. We still build in a buffer, assuming new Premium clubs add 4,500 members in 2027E and 3,500 from 2028E, with ramp-up stretching to two years from 2029E, so a moderate slowdown is already in our numbers.

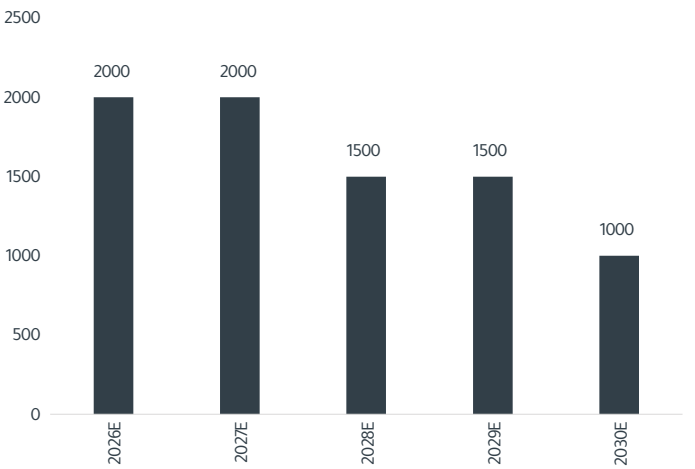
16% revenue CAGR over 2025-30E, on more conservative member additions and longer ramp-up times: We forecast revenue growth of 18.5% in 2026E and 24.2% in 2027E, the peak year as the 2026-27 opening cohort matures. Growth then moderates to 18.1%, 13.6% and 8.0% in 2028-30E as openings slow, giving a 2025-30E CAGR of 16.3% and taking revenue from SAR 376mn to SAR 802mn. Momentum is strong: Q2-26 revenue rose 26% YoY to SAR 106.4mn and net income nearly doubled to SAR 13.8mn, with average members up 28% to 164.3k. H1-26 revenue is up 15% at SAR 192.5mn. Our full-year forecast needs H2-26 revenue growth of c.21% and net income growth of c.44%, which we view as achievable given the clubs opened in Q2-26 and the seasonally stronger second half. We expect Body Masters Premium revenue (subscriptions plus PT) to grow at a 17.7% CAGR to SAR 505mn and Body Motions at a 21.6% CAGR to SAR 278mn, while Express shrinks to a negligible contributor as clubs close. We take a more conservative view on new-club ramp-up than current trends suggest. Each new Premium club adds 4,500 active members in 2027E, against 5,000 for today's new clubs, normalizing to 3,500 from 2028E; from 2029E, ramp-up stretches to two years. Each new Body Motions club adds 2,000 members in 2027E and 1,500 in 2028E. Network-wide members per club stay broadly flat because the large new clubs are averaged with smaller legacy sites; the cohort split is where the story shows. PT is a growing second engine in both segments, and female's PT spend per member is more than three times the male's level. Our yield growth stays modest by design, preserving the price gap to Leejam that drives volumes.

Fig 26.Per club member added in first year of opening male



Source: Company report, Argaam, AlJazira Capital Research

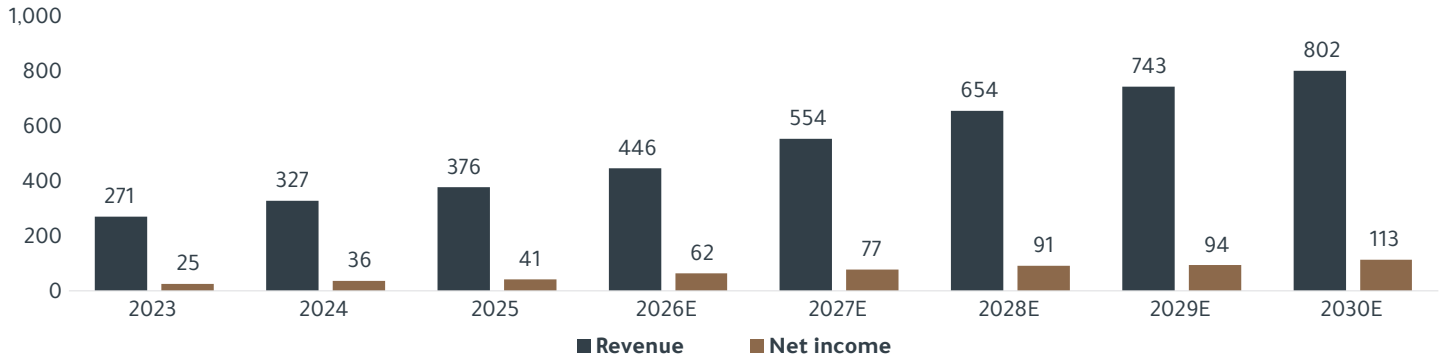
Fig 27.Per club member added in first year of opening female



Source: Company report, Argaam, AlJazira Capital Research

Superb growth, with earnings outpacing sales: We expect 2026 to be a standout year, with revenue rising 18.5% to SAR 445.7mn and net income jumping 51.8% to SAR 62.5mn. Q2-26 has already delivered 26% revenue growth on a 28% rise in average members, and H1-26 net income is up 73% to SAR 18.2mn. The earnings leap is driven by a 490bps gross margin expansion to 34.8% as new identity clubs make up a growing share of the network. Over 2025-30E, we forecast revenue to grow at a 16.3% CAGR, more than doubling from SAR 376mn to SAR 802mn, with growth peaking at 24.2% in 2027E as the 2026-27 openings mature. Profits should grow faster still: EBITDA at a 20.2% CAGR to SAR 378mn, operating profit at 21.0% to SAR 194mn, and net income at 22.5%, nearly tripling to SAR 113.5mn as EPS rises from SAR 0.36 to SAR 0.99. This operating leverage comes from spreading a largely fixed cost base over a fast-growing member base, widening gross margin by 583bps to 35.7% and operating margin by 431bps to 24.1%. Even our brief pause in 2029E, when lease costs peak and new clubs take longer to fill, only interrupts this trajectory before earnings rebound 20.8% in 2030E.

Fig 28. Earnings to outpace revenues (SAR mn)



Source: Company report, AlJazira Capital Research

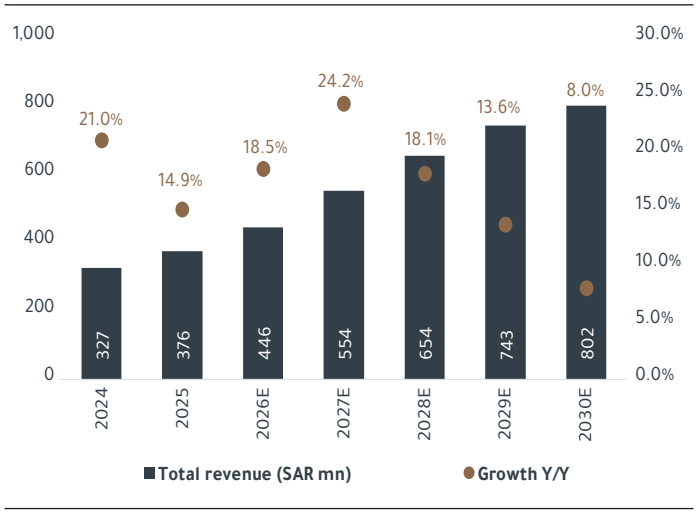
With almost all clubs leased, IFRS 16 shapes both the balance sheet and the P&L, so a closer look at leases helps explain how margins move. We capitalize SAR 195mn of new leases a year in 2027-29E, about SAR 17.7mn per new club across 11 openings a year. The lease liability rises from SAR 373mn at end-2025 to a peak of SAR 928mn in 2029E, 2.7x that year's EBITDA. Cash rent payment climbs from SAR 51mn to SAR 121mn, rising from 13.5% to 16.2% of revenue, as the network grows and shifts to main-road sites. Because IFRS 16 front-loads lease costs, ROU depreciation plus lease interest exceeds cash rent by SAR 8-11mn a year in 2027-29E. That drag equals 12% of 2029E net income and is a key driver of the 2029 pause. It reverses once openings stop: from 2030E the liability amortizes, lease interest falls to SAR 61mn by 2030E, and the P&L charge converges with cash rent at SAR 124-127mn. Against this backdrop, we expect gross margin to expand 490bps to 34.8% in 2026E and reach 36.7% in 2028E, before contracting 100bps to 35.7% in 2029E. The expansion comes from operating leverage at club level. Revenue per club rises from SAR 6.5mn in 2025 to SAR 8.0mn in 2028E as new-format clubs fill up, while cash cost per club, excluding depreciation, edges up only from SAR 3.3mn to SAR 3.4mn. Meanwhile, the weaker Express clubs disappear. The 2029E dip reflects longer ramp-ups and depreciation rising faster than revenue.

Financial Analysis

A solid track record to build on: Over 2022-25, Sport Clubs grew revenue at a 12.0% CAGR to SAR 376mn, while average members rose at a 10.8% CAGR to 147.5k. Growth came from three sources. Club subscriptions grew at a 9.8% CAGR to SAR 310mn, accelerating to 19% in 2025 as the new identity clubs scaled up. Body Experts lifted equipment and project revenue from SAR 2mn in 2023 to SAR 28mn in 2024-25, mainly on the AlUla contract. Health club services, mostly PT, added SAR 38mn in 2025. By segment, Body Masters Premium generated 59% of 2025 revenue, Body Motions 28%, Body Experts 7% and Body Masters Express 6%. Profitability improved faster than revenue: gross margin widened by c.410bps to 29.9% as underperforming legacy and Express clubs were closed, and net income grew at a 22.0% CAGR to SAR 41.2mn. Excluding SAR 4.7mn of IPO costs, 2025 net income was SAR 45.9mn, a 12.2% net margin. We forecast revenue to grow at a 16.3% CAGR over 2025-30E to SAR 802mn, driven by 43 new Premium and Body Motions clubs while Express is wound down. Operating leverage should push net income up at a 22.5% CAGR to SAR 114mn. The rollout requires SAR 700mn of capex over 2026-30E, keeping free cash flow negative until 2029E and pushing bank debt to a SAR 414mn peak in 2029E.

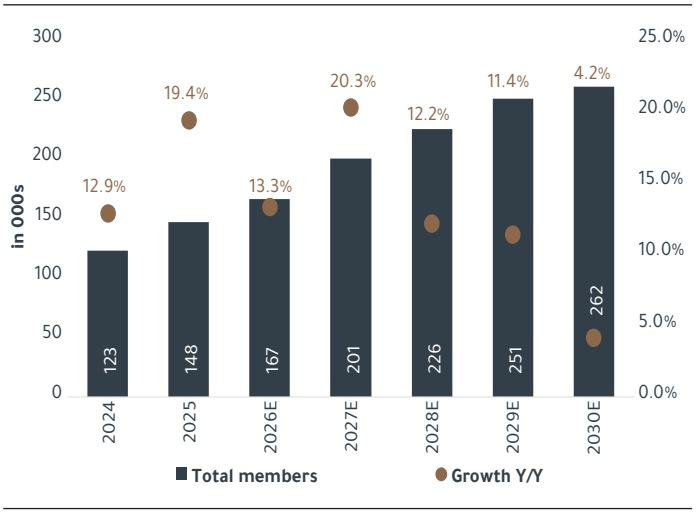
Revenue: 16.3% CAGR over 2025-30E, led by the new identity clubs: We expect revenue to grow 18.5% in 2026E and peak at 24.2% in 2027E as the 2026-27 openings mature, before moderating to 18.1%, 13.6% and 8.0% in 2028-30E as the opening program slows. Growth comes from more members, not higher prices: average members rise at a 12.2% CAGR from 147.5k to 261.9k, driven by a network that grows from 58 to 95 clubs, while subscription yields rise at only 2-4% a year, keeping the value gap to Leejam intact. Body Motions grows fastest, lifting its share of revenue from 28% in 2025 to 35% by 2030E.

Fig 29. Total revenue for the company (SAR mn)



Source: Company report, Argaam, AlJazira Capital Research

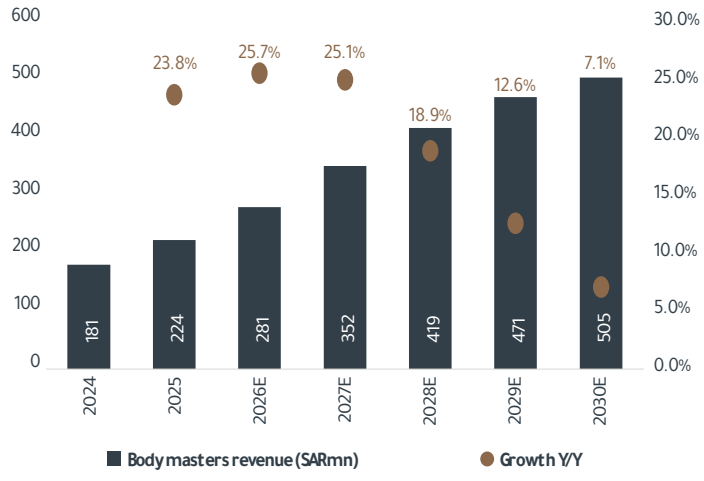
Fig 30. Total active members (000s)



Source: Company report, Argaam, AlJazira Capital Research

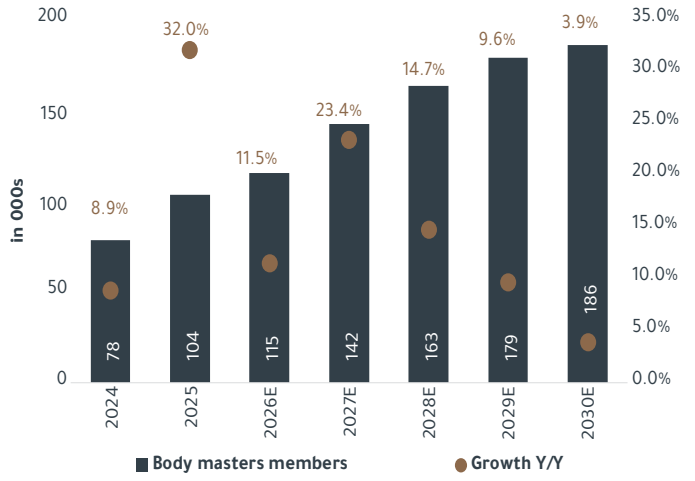
Body Masters Premium: We forecast Premium revenue to grow at a 17.7% CAGR to SAR 505mn, as the network grows from 34 to 57 clubs. Average members rise at a 12.5% CAGR from 103.5k to 186.2k. Each 2027E opening adds 4,500 members, normalizing to 3,500 per club in 2028E; from 2029E, ramp-up stretches to two years, so the 2029 cohort adds 2,625 per club in its first year and the remaining 5,250 in 2030E. Members per club therefore rise from 3,038 in 2026E to 3,269 in 2028E, dip to 3,200 in 2029E and recover to 3,266 in 2030E. Subscription yield jumps 11.4% in 2026E to SAR 2,216, helped by the higher share of new clubs, then grows 2-4% a year to SAR 2,471 by 2030E. PT revenue per member rises from SAR 173 to SAR 242, a 6.9% CAGR.

Fig 31. Body Masters revenue (SAR mn)



Source: Company report, Argaam, AlJazira Capital Research

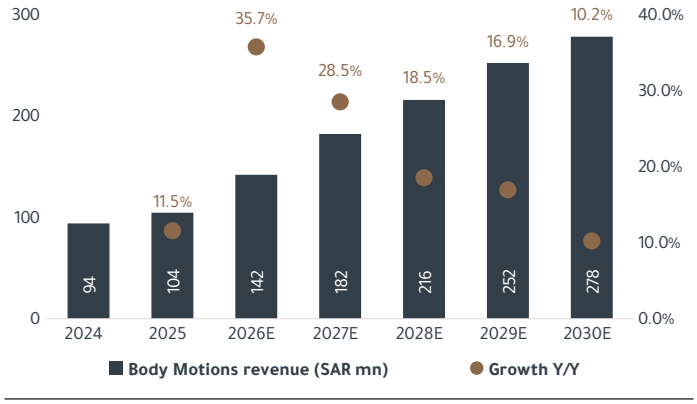
Fig 32. Total active members Body Masters (000s)



Source: Company report, Argaam, AlJazira Capital Research

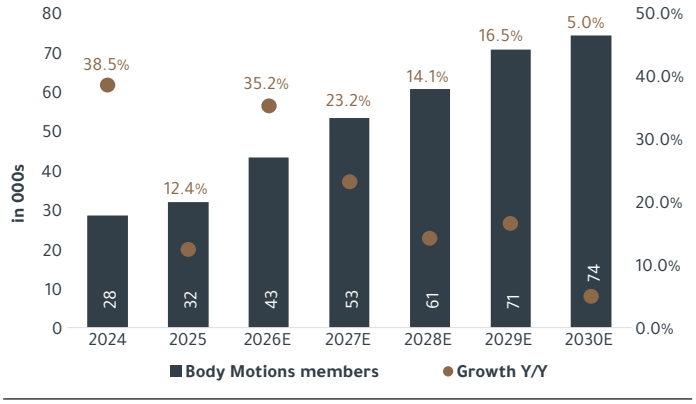
Body Motions: the fastest-growing segment. We forecast female's revenue to grow at a 21.6% CAGR to SAR 278mn, as the network more than doubles from 17 to 37 clubs. Average members rise at an 18.4% CAGR from 31.9k to 74.1k. New clubs add 2,000 members each in 2027E and 1,500 in 2028E, broadly in line with today's network average, so members per club stay at 1,950-2,050. Subscription yield dips 3.9% in 2026E while four new clubs ramp up, then grows to SAR 2,911 by 2030E. PT is especially important here: female spend SAR 758-839 a year per member on PT, more than three times the male's level, which keeps Body Motions' revenue per member above Premium's.

Fig 33. Body Motions revenue (SAR mn)



Source: Company report, Argaam, AlJazira Capital Research

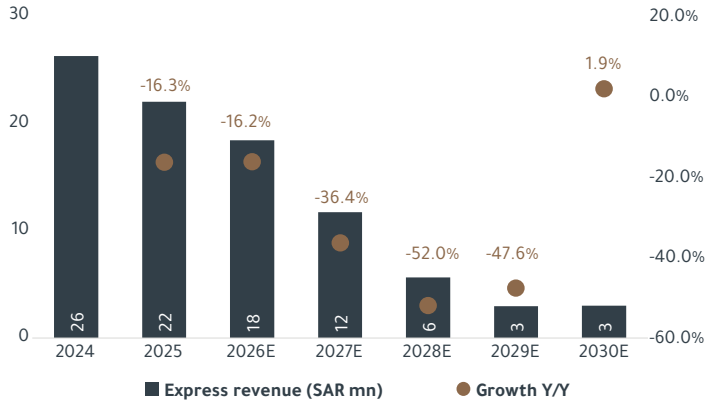
Fig 34. Total active members Body Motions (000s)



Source: Company report, Argaam, AlJazira Capital Research

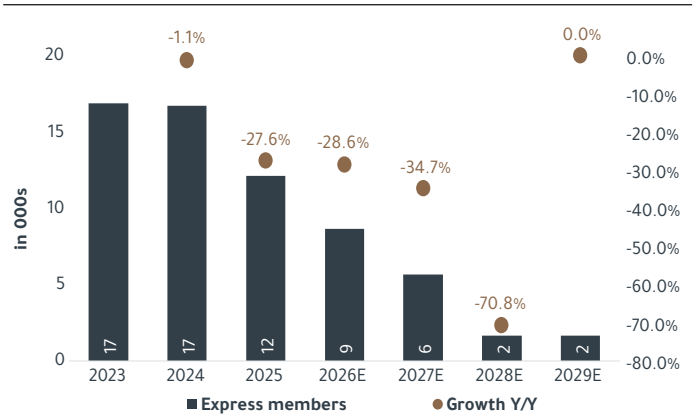
Body Masters Express: managed decline. In line with management's strategy, we model Express shrinking from 7 clubs to 1 by 2028E as sites are converted to Premium or closed when leases expire. Average members fall from 12.1k to 1.7k & revenue from SAR 22mn to SAR 3mn. Some members should move to nearby Premium clubs, so we see limited revenue leakage at group level.

Fig 35. Body Masters Express (SAR mn)



Source: Company report, Argaam, AlJazira Capital Research

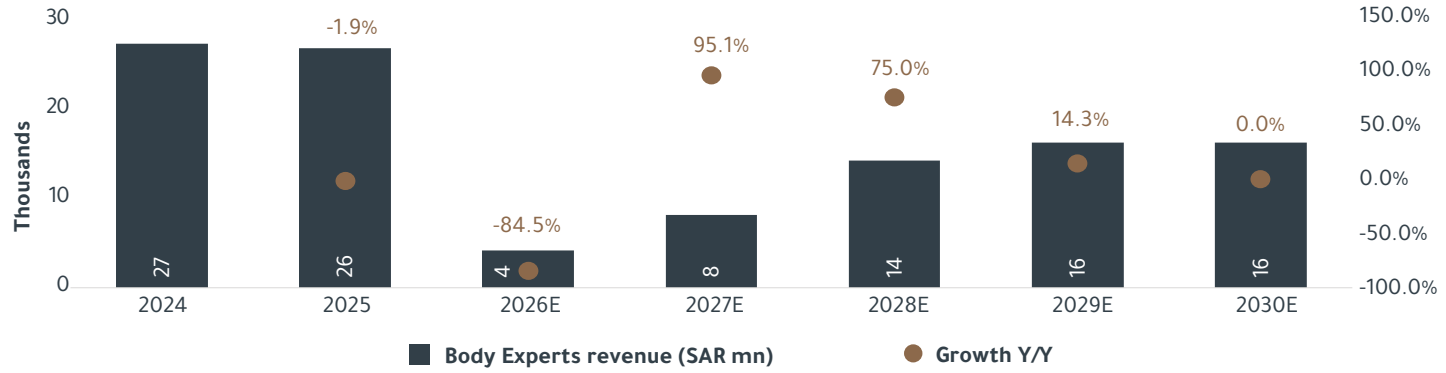
Fig 36. Total active members Express (000s)



Source: Company report, Argaam, AlJazira Capital Research

Body Experts: lumpy but rebuilding. Body Experts revenue falls from SAR 26mn in 2025 to SAR 4mn in 2026E, as construction revenue from the AlUla contract has now been fully booked. We then assume new contract awards rebuild revenue to SAR 14mn in 2028E and SAR 16mn by 2029-30E, at a 35% gross margin. Management guides for one to three new awards in 2025-26 and four to six over 2027-29, each worth SAR 2-4mn. Even adding the ten-year AlUla operating fee of SAR 2.8mn a year, our forecasts sit at or above the top of that range, so this line carries some downside risk. Body Experts accounts for only 2% of 2030E revenue, so the swing matters little to the group.

Fig 37. Body Experts revenue trajectory (SAR mn)

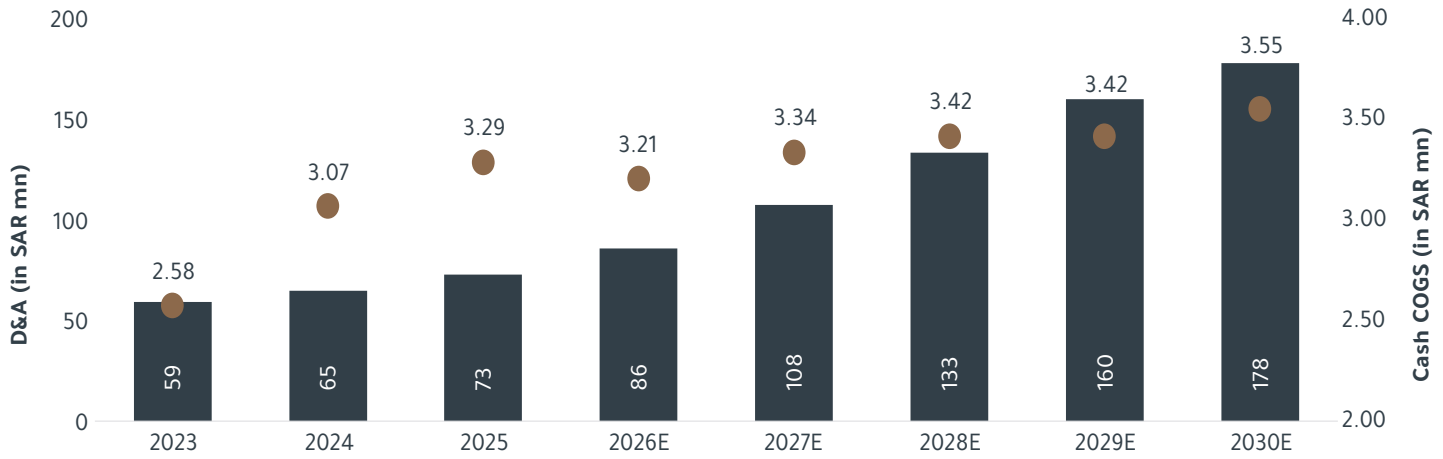


Source: Company report, Argaam, AlJazira Capital Research

Costs and margins: operating leverage on a largely fixed cost base

Staff and depreciation dominate the cost base. In 2025, salaries made up 44% of cost of revenue at SAR 116mn, depreciation of equipment and right-of-use assets 27% at SAR 71mn, utilities 9% and maintenance 6%. Most of these costs are fixed per club, so each extra member at a ramping club carries a high incremental margin. Going forward, we forecast cost of revenue on a per-club basis: cash cost per club, excluding depreciation, rises 1% a year on a like-for-like quarterly basis, from SAR 3.3mn in 2025 to SAR 3.6mn by 2030E, with depreciation modeled separately. Including depreciation, cost of revenue per club rises from SAR 4.5mn to SAR 5.4mn. Total D&A more than doubles from SAR 73mn to SAR 178mn, rising from 19.4% to 22.2% of revenue as the rollout adds equipment and leased sites. G&A normalizes to 9.3% of revenue in 2026E after an unusually low 6.0% in 2025, then falls to 8.2% by 2030E, while marketing edges up from 2.9% to 3.4% to support openings.

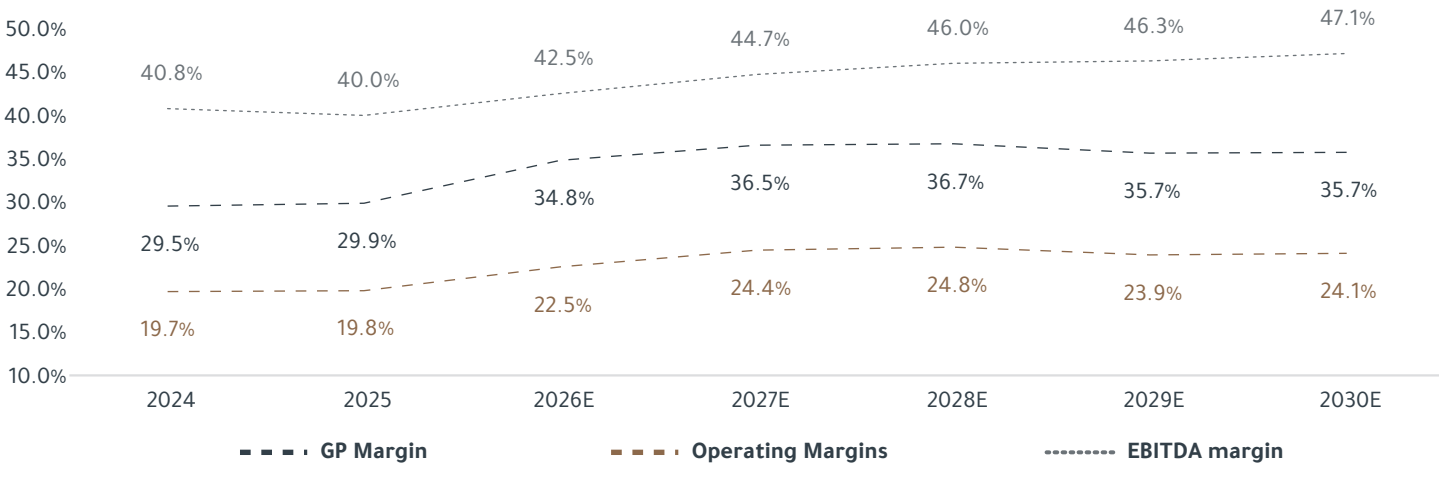
Fig 38. Depreciation to double over next 5 years (SAR mn)



Source: Company report, Argaam, AlJazira Capital Research

Gross margin steps up, then levels off. We expect gross margin to expand 490bps to 34.8% in 2026E and peak at 36.7% in 2028E, driven by the shift to new-format clubs: cost of revenue per club, including depreciation, grows at a 3.6% CAGR from SAR 4.5mn to SAR 5.4mn over 2025-30E, below the 5.4% CAGR in revenue per club from SAR 6.5mn to SAR 8.4mn. In 2029E, gross margin contracts 100bps to 35.7% as the longer ramp-up and rising depreciation catch up, and stays there in 2030E. Operating margin follows the same path, rising from 19.8% to 24.8% in 2028E and settling at 24% in 2029-30E. EBITDA margin climbs from 39.9% to 47.1% by 2030E, but IFRS 16 flatters this figure; after lease payments, the margin is 28-32%.

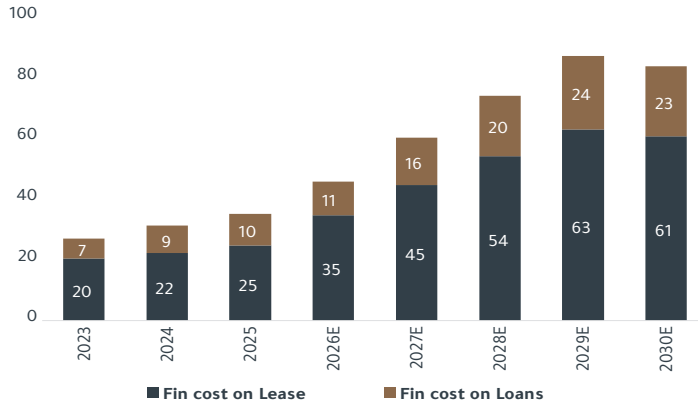
Fig 39.Margin trends, GP gets impacted by new additions



Source: Argaam, AlJazira Capital Research

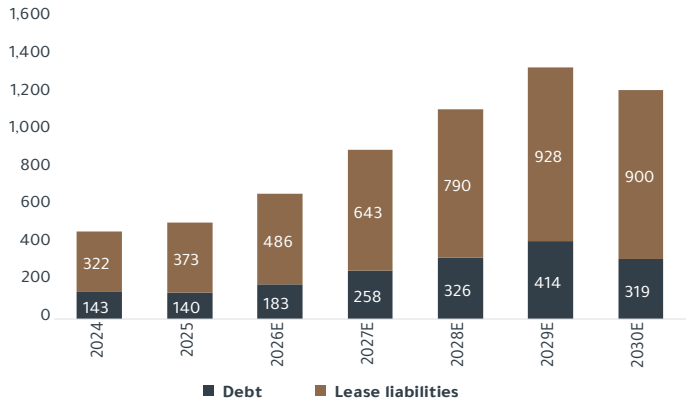
Finance costs are the main drag on earnings growth. Finance costs rise from SAR 35mn in 2025 to a peak of SAR 87mn in 2029E. About 70% is interest on lease liabilities, which grows from SAR 25mn to SAR 63mn as new leases are signed. The rest is bank interest, which increases from SAR 10mn to SAR 24mn as debt funds the rollout at 6-7% (SAIBOR plus 2%). Finance costs ease to SAR 84mn in 2030E as openings slow and debt is repaid. Other income, mainly rental income, stays at 0.8% of revenue.

Fig 40. Sizable increase expected in Finance costs (SAR mn)



Source: Company report, Argaam, AlJazira Capital Research

Fig 41. Loans and leases reflect upcoming gym additions (SAR mn)

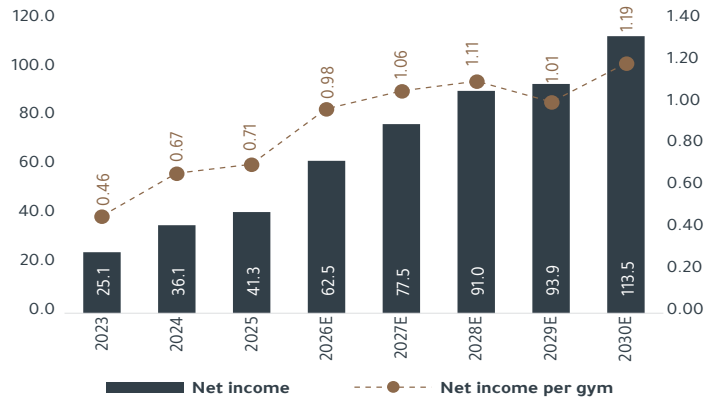


Source: Company report, Argaam, AlJazira Capital Research

Net income: a 22.5% CAGR over 2025-30E

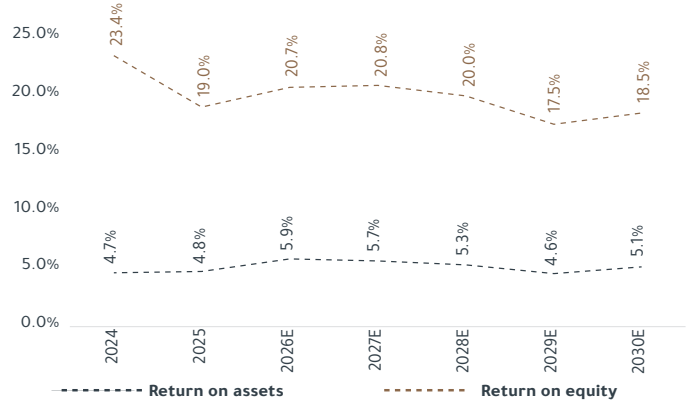
We forecast net income to rise 51.8% to SAR 62.5mn in 2026E, helped by the absence of IPO costs and the gross margin step-up, then 24% to SAR 77.5mn in 2027E and 17% to SAR 91.0mn in 2028E. Growth slows to 3% in 2029E: operating profit grows 9% but finance costs rise 18% as the largest lease cohort comes into full effect. Earnings rebound 21% to SAR 113.5mn in 2030E as openings slow and finance costs fall. Over 2025-30E, net income grows at a 22.5% CAGR, well ahead of revenue at 16.3%, and net margin expands from 10.9% to 14.1%. ROE rises from 19% to c.21% in 2026-27E and settles at c.18-19% as retained earnings build up the equity base.

Fig 42. Net income to compound at 22.5% CAGR over 2025-30E (SAR mn)



Source: Company report, Argaam, AlJazira Capital Research

Fig 43. As retained earnings build up the equity base RoE could settle at 18-19%

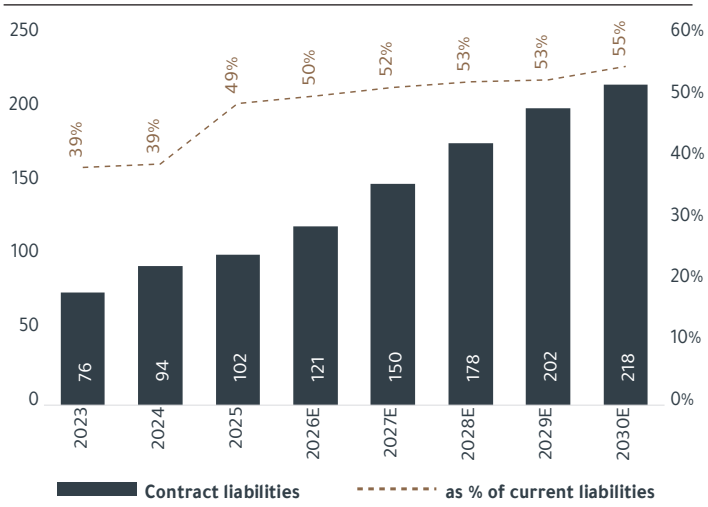


Source: Company report, Argaam, AlJazira Capital Research

Cash flow: strong operating cash, absorbed by the rollout until 2029E

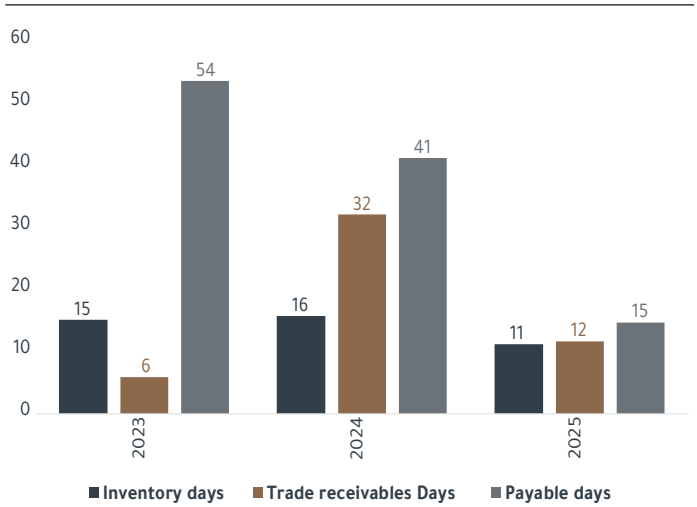
Negative working capital is a structural advantage. Members pay upfront, so contract liabilities fund much of the business. They stood at SAR 102mn at end-2025, 27% of revenue, and we expect them to grow with subscriptions to SAR 218mn by 2030E. Receivables fell from SAR 29mn to SAR 12mn in 2025 as the AlUla contract was collected, and other working capital items are small. Net working capital therefore stays negative, moving from SAR -86mn in 2025 to SAR -162mn by 2030E, and adds SAR 15-28mn of cash each year during the rollout. Operating cash flow before interest rises from SAR 168mn to SAR 391mn, with cash conversion consistently above 100% of EBITDA.

Fig 44.Contractual liabilities are around 50% of current liabilities (SAR mn)



Source: Company report, Argaam, AlJazira Capital Research

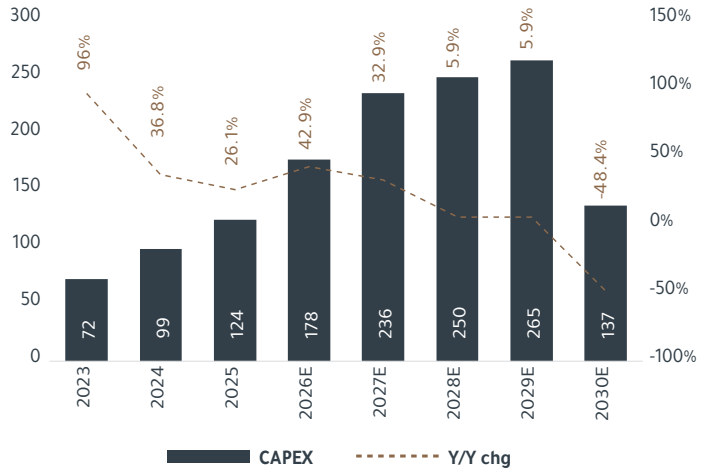
Fig 45.A negative working capital cycle is of structural advantage



Source: Company report, Argaam, AlJazira Capital Research

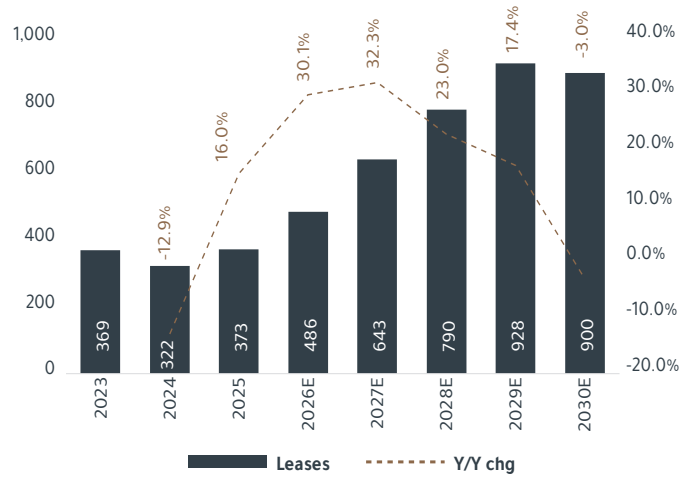
Capex peaks in 2027-29E. We forecast capex of SAR 1.07bn over 2026-30E, rising from SAR 124mn in 2025 to SAR 236-265mn a year in 2027-29E, or 36-43% of revenue, before falling to SAR 137mn in 2030E as openings slow. This covers fit-out and equipment for 11 openings a year, plus refurbishment of legacy clubs under Zad Quwwa; management guides to SAR 15-17.5mn per new Premium club and SAR 13-15.5mn per Body Motions club. Buildings are mostly leased, so the rollout also adds SAR 195mn of new lease liabilities a year in 2027-29E.

Fig 46.CAPEX to accelerate over 2027-29 (SAR mn)



Source: Company report, Argaam, AlJazira Capital Research

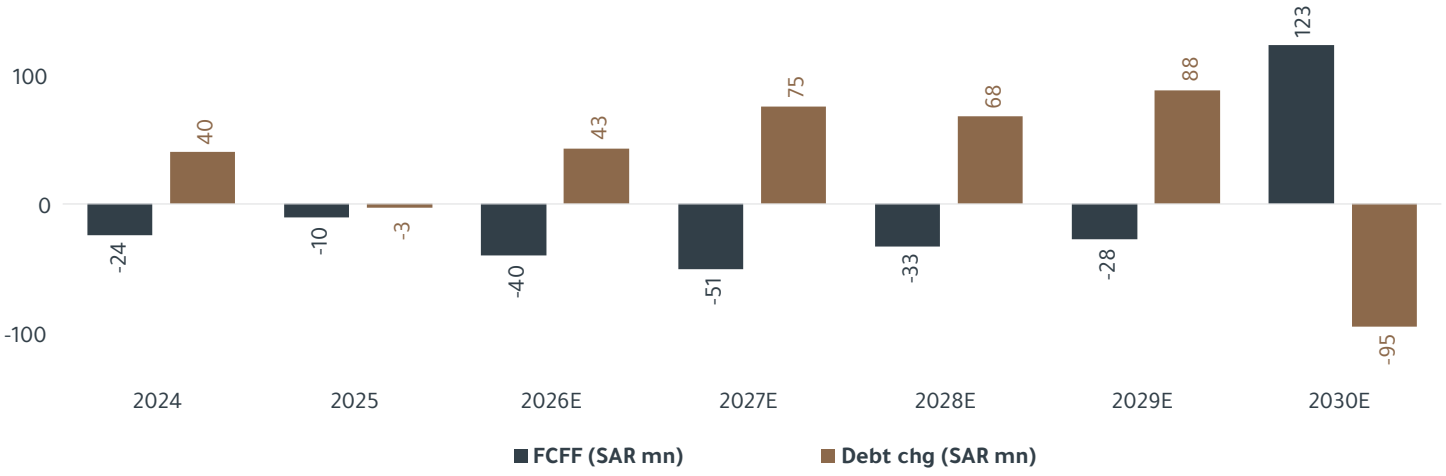
Fig 47.Leases to double over next 5 years (SAR mn)



Source: Company report, Argaam, AlJazira Capital Research

Free cash flow turns positive in 2030E. After capex and lease payments, free cash flow to the firm stays negative at SAR 28-51mn a year in 2026-29E, then turns strongly positive at SAR 123mn in 2030E. We assume the gap is funded with bank debt, which rises to a SAR 414mn peak in 2029E before SAR 95mn is repaid in 2030E. Leverage stays comfortable throughout, with net debt at no more than 1.4x EBITDA (Pre IFRS 16).

Fig 48. FCFF and debt movement (SAR mn)

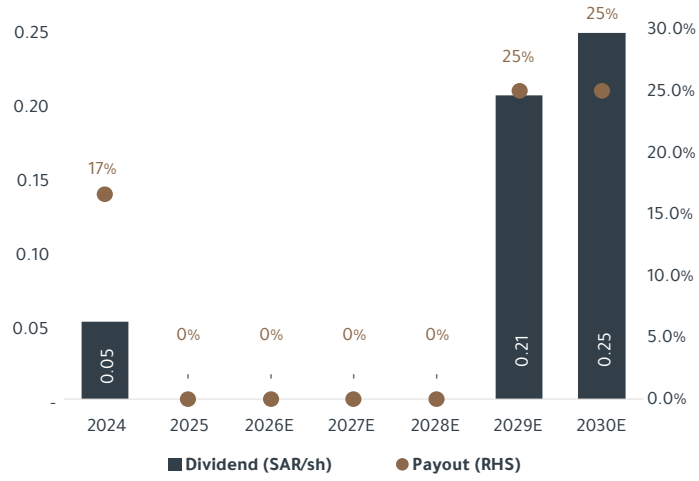


Source: Company report, Argaam, AlJazira Capital Research

Dividends resume in 2029E. Sport Clubs paid SAR 6mn a year in 2022-24 but has paused dividends to fund the rollout. We assume payments resume in 2029E at a 25% payout, giving DPS of SAR 0.21 in 2029E and SAR 0.25 in 2030E, yields of 2.9% and 3.5% at the current price. Management has indicated dividends could resume as early as 2027, which would be an upside risk to our assumptions, although it would also raise borrowing during the build-out.

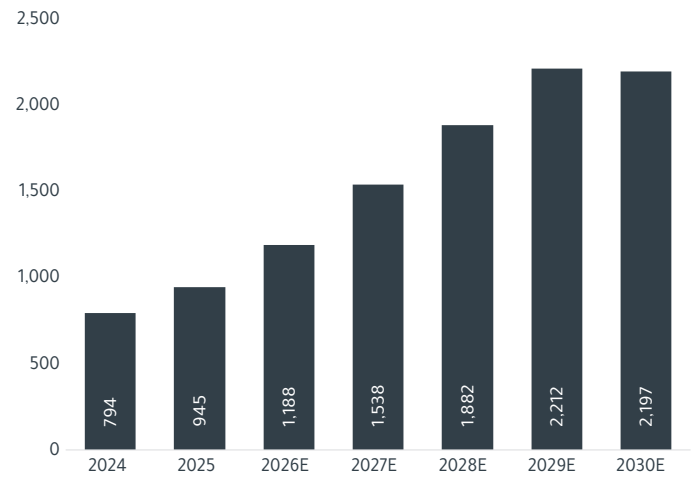
The balance sheet roughly doubles in size. We expect total assets to grow from SAR 945mn in 2025 to SAR 2.2bn by 2030E, with property and equipment rising to SAR 1.2bn and right-of-use assets peaking at SAR 825mn in 2029E. Equity grows from SAR 271mn to SAR 657mn on retained earnings.

Fig 49. We expect payout to resume in 2029



Source: Company report, Argaam, AlJazira Capital Research

Fig 50. Total assets grow with gym additions (SAR mn)



Source: Company report, Argaam, AlJazira Capital Research

Competitive landscape: Financial Strength, Operational Efficiency & Valuation

The Saudi fitness sector offers three distinct investment profiles. **Leejam Sports** is the market leader, benefiting from scale, brand strength, and operational efficiency, while **Sport Clubs** is positioned as a faster-growing challenger with stronger cash conversion. **Armah Sports** has expanded rapidly but remains focused on improving utilization and returns.

Leejam's scale advantage is substantial, with TTM revenue of SAR 1.65bn, nearly 4x that of Sport Clubs and 7x that of Armah. This supports industry-leading net margins of 26.9% and robust free cash flow generation. Sport Clubs operates at lower margins due to its growth-oriented strategy. Armah maintains healthy profitability, although its asset utilization remains below that of larger competitors.

All three operators benefit from the sector's favorable cash flow dynamics, supported by upfront membership collections and negative working capital. Sport Clubs stands out on cash generation, reporting the highest CFO/PAT ratio, indicating superior earnings quality and efficient working capital management.

From a valuation standpoint, the market currently assigns similar earnings multiples to Leejam and Sport Clubs, with both trading in mid teens P/E. However, Leejam offers a superior combination of scale, margins, balance-sheet strength, and cash generation at a comparable valuation. Armah, despite its impressive recent growth, trades at a significantly higher P/E multiple of nearly 30x, implying investors are already pricing in a substantial portion of its future growth potential.

Fig 51. Return and Valuation profile

Parameter	Leejam Sports	Sport Clubs	Armah Sports
TTM profile			
RoE	22.9%	21.2%	10.9%
RoA	7.0%	5.4%	5.4%
P/E	15.0	15.4	29.8
EV/EBITDA	6.2	6.3	DNA
YTD (%)	(20.7%)	(10.9%)	(19.6%)

Source: Company report, Argaam, AlJazira Capital Research

Fig 52. Financial quality and operating efficiency comparison

Parameter	Leejam Sports	Sport Clubs	Armah Sports	Remarks
TTM Sales (SAR mn)	1,650	402	236	Leejam is 4x and 7x bigger than Sport Clubs and Armah
3yr median				
Gross margins	41.5%	29.5%	47.5%	Leejam and Armah benefit from a stronger brand positioning, thus they operate at higher margins versus Sport Clubs
Opt margins	29.8%	20.5%	34.3%	
Net margins	26.9%	10.9%	21.6%	
FY22-25 CAGR				
Sales	14.8%	12.0%	157.4%	Armah has scaled up significantly over the last 3 years, while Sport Clubs has grown by 12% over the last 3 years
Opt Profit	10.4%	19.1%	Turned positive from losses	Despite operating at lower margins, Sport Clubs has efficiently controlled its cost, resulting in faster profit growth versus peers
Net income	6.2%	22.0%	Turned positive from losses	
3yr median				
Asset turns	0.42	0.42	0.20	Leejam and Sport Clubs exhibit similar asset utilization, while Armah's lower asset turns reflect its higher investment intensity
Debt/Equity	0.28	0.73	0.48	Leejam maintains most conservative balance sheet, whereas Sport Clubs relies more on leverage to fund expansion. Armah remains moderately leveraged
WC days	(10)	(2)	(23)	All three companies operate with negative working capital, benefiting from upfront membership collections
CFO/PAT	193%	387%	243%	Sport Clubs demonstrates the strongest cash conversion with CFO exceeding earnings by nearly 4x, highlighting high earnings quality and favorable working capital dynamics
Capex intensity	23.3%	28.2%	23.3%	All three players continue to invest heavily in network expansion

Source: Company report, AlJazira Capital Research

Valuation

We believe Sport Clubs offers a compelling multi-year growth story, built on three complementary growth engines, (1) Network expansion. The rollout of new identity clubs takes the network from 58 to 95 clubs by 2030E, (2) Upgrading the existing base. Legacy sites are being refurbished under Zad Quwwa, low-margin Express clubs are being phased out, and PT and pricing are adding to revenue per member, (3) Female's fitness. This is the fastest-growing and least penetrated segment, where Body Motions revenue grows at a 21.6% CAGR. The earnings path will not be linear. Front-loaded lease costs, rising depreciation and longer ramp-ups for later openings temporarily slow growth to 3% in 2029E. As the rollout matures and openings slow, operating leverage should return, with earnings rebounding 21% in 2030E. Overall, we forecast net income to grow at a 22.5% CAGR over 2025-30E, well ahead of the 16.3% revenue CAGR

We value Sport Clubs Company using a blended DCF and P/E approach, assigning equal weight to both methodologies. Our DCF-based valuation yields a SAR 9.82/share target price (WACC = 9.4%, terminal growth rate = 2.5%). On a relative valuation basis, we apply a 15.0x P/E multiple to our FY28 EPS estimate of SAR 0.8, which is discounted to SAR 0.65/share in present value terms, generating a SAR 9.77/share target price. Applying a 50:50 weighting to the DCF and P/E methodologies produces a blended target price of **SAR 9.8/share**; We assign an "**Overweight**" rating with an upside of **36.8%** from last close.

Fig 53. Blended Valuations

All figures in SAR, unless specified	Fair value	Weights	Weighted average
DCF	9.82	50%	4.91
P/E (15.0x FY28E - discounted)	9.77	50%	4.89
Weighted average price target			**9.80**
Up/Downside (%)			**36.8%**

Source: Company report, AlJazira Capital research, closing price as of 26th Oct 2026

Key Downside risks

- **Slower ramp-up at new clubs.** Our valuation relies heavily on new clubs filling up. If Premium openings from 2028E add 2,500 members rather than our assumed 3,500, or take longer than two years to mature, revenue and operating leverage would fall short.
- **Cannibalization.** As the network grows from 58 to 95 clubs, new sites may draw members from nearby legacy clubs rather than adding new ones, diluting members per club.
- **Competitive response from Leejam.** Leejam could cut prices, expand its Fitness Time Express budget format, or open more clubs in Sport Clubs' catchments, narrowing the value gap that drives volumes.
- **Opening delays.** We assume 11 openings a year in 2027-29E. Most of the 14 signed sites were still under construction or awaiting permits as of April 2026, and permit or construction delays would push revenue to later years.
- **Rent inflation in prime locations.** New clubs sit on main roads and in prime catchments. Each extra SAR 10mn of annual rent would cut 2029E net income by 11%.
- **Cost per club rising faster than assumed.** We assume cash cost per club grows only 1.6% a year, even though new clubs are larger and staff make up 44% of cost of revenue. Faster wage or utility inflation would erode the margin expansion.
- **Consumer slowdown.** Gym memberships are discretionary and compete with concerts, sports events and other entertainment, so a weaker consumer could slow sign-ups or force discounting.
- **Leverage and interest rates.** Net debt including leases reaches SAR 1.2bn in 2029E. Higher SAIBOR or tighter credit would raise finance costs, which already drive the 2029E earnings pause.
- **Body Experts awards.** Our SAR 14-16mn revenue in 2028-30E assumes contract wins at or above the top of management's guidance.

Key Upside risks

- **Faster ramp-up.** Today's new clubs have 5,000 members, against our more conservative 4,500 in 2027E and 3,500 from 2028E. If current trends hold, revenue and margins would beat our forecasts.
- **Stronger pricing.** The company raised prices by 6.0-6.6% across formats in January 2026, yet we assume yield growth of only 2-4% a year. Further increases while keeping the gap to Leejam would lift revenue with little added cost.
- **Earlier dividends, than our expectation;** we assume 2029E at a 25% payout.
- **Higher PT and ancillary revenue.** PT, nutrition services and retail sales could grow faster than we model, particularly in Body Motions.
- **Larger Body Experts contracts.** One or two large government or giga-project contracts, similar to AlUla, could add meaningful revenue in a single year.
- **Faster female's market growth.** Female participation is rising quickly. Body Motions could open more clubs or fill them faster than our 20 net additions to 2030E.
- **Lower interest rates.** Rate cuts would reduce bank interest on a debt load that peaks at SAR 414mn in 2029E.
- **Re-rating as execution is proven.** The stock trades at 10.6x 2027E P/E. Delivering on openings and ramp-ups could narrow the discount to Leejam's historical multiples.

Key Financial Data

Amount in SAR mn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement							
Revenues	327.4	376.2	445.7	553.6	653.8	742.6	802.1
Y/Y	**21.0%**	**14.9%**	**18.5%**	**24.2%**	**18.1%**	**13.6%**	**8.0%**
Cost of Sales	(230.7)	(263.8)	(290.7)	(351.4)	(413.7)	(477.6)	(515.6)
Gross profit	**96.7**	**112.5**	**155.0**	**202.2**	**240.1**	**264.9**	**286.5**
Gross margin	29.5%	29.9%	34.8%	36.5%	36.7%	35.7%	35.7%
Operating expenses	(32.3)	(37.9)	(54.5)	(67.0)	(78.0)	(87.4)	(93.0)
Operating profit	**64.4**	**74.5**	**100.5**	**135.2**	**162.1**	**177.5**	**193.5**
Operating margin	19.7%	19.8%	22.5%	24.4%	24.8%	23.9%	24.1%
Y/Y	**28.7%**	**15.7%**	**34.8%**	**34.5%**	**19.9%**	**9.5%**	**9.0%**
Financial charges	(31.4)	(35.1)	(40.1)	(60.4)	(74.2)	(87.4)	(83.8)
Profit before zakat	**37.0**	**42.4**	**64.0**	**79.4**	**93.3**	**96.3**	**116.3**
Zakat	(0.9)	(1.1)	(1.5)	(2.0)	(2.3)	(2.4)	(2.9)
Net income	**36.1**	**41.2**	**62.5**	**77.5**	**91.0**	**93.9**	**113.5**
Net margin	11.0%	10.9%	14.0%	14.0%	13.9%	12.7%	14.1%
Y/Y	**43.9%**	**14.0%**	**51.8%**	**24.0%**	**17.4%**	**3.2%**	**20.8%**
EPS (SAR)	**0.32**	**0.36**	**0.55**	**0.68**	**0.80**	**0.82**	**0.99**
DPS (SAR)	**0.05**	**-**	**-**	**-**	**-**	**0.21**	**0.25**
Balance sheet							
Assets							
Cash & bank balance	5.0	46.7	47.9	61.5	81.6	100.3	83.4
Inventory	9.9	8.1	8.9	10.8	12.7	14.6	15.8
Recievables	28.8	12.0	14.2	17.6	20.8	23.7	25.6
PPA	463.4	539.8	666.9	841.9	1,016.7	1,191.1	1,221.4
ROU - assets	252.7	304.7	411.9	561.0	698.5	824.5	788.6
Total assets	**794.3**	**944.7**	**1,188.0**	**1,538.1**	**1,882.2**	**2,212.2**	**2,196.7**
Liabilities & owners' equity							
Payable	26.1	10.6	11.7	14.2	16.7	19.3	20.8
Lease liabilities	321.9	373.4	485.7	642.7	790.3	927.9	900.3
Debt	143.0	139.9	182.9	258.2	326.0	414.0	318.6
Total owners' equity	164.7	270.5	333.0	410.5	501.5	571.9	657.0
Total equity & liabilities	**794.3**	**944.7**	**1,188.0**	**1,538.1**	**1,882.2**	**2,212.2**	**2,196.7**
Cashflow statement							
Operating activities	104.2	159.4	205.9	273.4	324.6	364.3	390.6
Investing activities	(90.0)	(116.7)	(177.8)	(236.3)	(250.3)	(265.0)	(136.7)
Financing activities	(17.8)	(1.1)	(26.8)	(23.5)	(54.2)	(80.5)	(270.8)
Change in cash	(3.6)	41.7	1.3	13.6	20.1	18.7	(16.9)
Ending cash balance	**5.0**	**46.7**	**47.9**	**61.5**	**81.6**	**100.3**	**83.4**
Key fundamental ratios							
Liquidity ratios							
Current ratio (x)	0.3	0.4	0.4	0.4	0.5	0.5	0.5
Quick ratio (x)	0.3	0.4	0.4	0.4	0.4	0.5	0.4
Profitability ratios							
GP Margin	29.5%	29.9%	34.8%	36.5%	36.7%	35.7%	35.7%
Operating Margins	19.7%	19.8%	22.5%	24.4%	24.8%	23.9%	24.1%
EBITDA margin	40.8%	40.0%	42.5%	44.7%	46.0%	46.3%	47.1%
Net Margins	11.0%	10.9%	14.0%	14.0%	13.9%	12.7%	14.1%
Return on assets	4.7%	4.7%	5.9%	5.7%	5.3%	4.6%	5.1%

Key Financial Data

Amount in SAR mn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement							
Return on equity	23.4%	18.9%	20.7%	20.8%	20.0%	17.5%	18.5%
Leverage ratio							
Debt to Assets	18.0%	14.8%	15.4%	16.8%	17.3%	18.7%	14.5%
Debt to Equity	86.8%	51.7%	54.9%	62.9%	65.0%	72.4%	48.5%
Market/valuation ratios							
EV	NM	1,054	1,054	1,054	1,054	1,054	1,054
EBITDA	134	150	190	247	301	344	378
EV/sales (x)	NM	2.8	2.4	1.9	1.6	1.4	1.3
EV/EBITDA (x)	NM	9.5	8.1	6.9	6.1	5.8	5.2
EPS (SAR)	0.3	0.4	0.5	0.7	0.8	0.8	1.0
BVPS (SAR)	1.4	2.4	2.9	3.6	4.4	5.0	5.7
Market price (SAR)*	NM	8.4	7.2	7.2	7.2	7.2	7.2
Market-Cap (SAR mn)	NM	961	819	819	819	819	819
Dividend yield	NM	0.0%	0.0%	0.0%	0.0%	2.9%	3.5%
P/E ratio (x)	NM	23.3	13.1	10.6	9.0	8.7	7.2
P/BV ratio (x)	NM	3.6	2.5	2.0	1.6	1.4	1.2

Source: Company reports, AlJazira capital Research

الجزيرة كابيتال
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RESEARCH DIVISION

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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.

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