Leejam Sports Company

Investor Presentation

Q1 2019

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1. Company Profile

Largest Fitness center operator in the MENA Region
An indigenous and localized Proud Saudi Brand

134 incl. 29 female

Operational Fitness Centers
(31 March 2019)
Added 8 centers in Q1 2019

242k

Active Members
(31 March 2019)
Added 24k members (net) in Q1 2019

24%

Female members of total member base
(29 female centers as of 31 March 2019)

15th

Largest Fitness Chain in the World
(2018 IHRSA[1] Global Ranking)

[1] Source: International Health, Racquet & Sportsclub Association (IHRSA); in terms of number of wholly-owned centers

Other Key Metrics

217M SAR
Revenues
(Q1 2019)
22% growth

178M SAR
Revenues
(Q1 2018)

40M SAR
Net Income
(Q1 2019)
21% growth

33M SAR
Net Income
(Q1 2018)

99M SAR
EBITDA
(Q1 2019)
57% growth on reported basis

63M SAR
EBITDA
(Q1 2018)

180M SAR
Net Income
(FY 2018)

174M SAR
Net Income
(FY 2017)

275+
Corporates as Customers

47k
Corporate Members Approx.

48k GX classes in Q1
826k attendees
Growth from Dec LY to Mar CY
- GX Classes / month 29%
- Attendees 43%

Participated in 5 Fitness Events in Q1 2019

Basketball Championship

Extreme FT Championship

Strongest Man Championship

Football Championship

MOH event

Macro KSA Environment

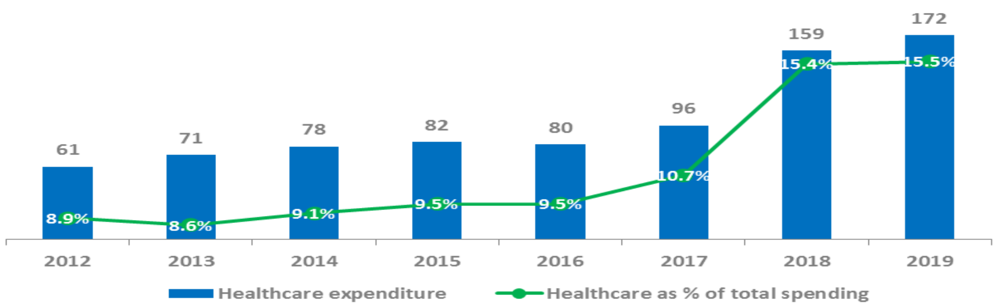
Government initiatives aim at supporting the health and fitness sector

Indicator	Male	Female	Total
Prevalence of obesity	31%	42%	34%
Prevalence of diabetes	17%	21%	19%
Prevalence of hypertension - hypertensive (2013)	18%	13%	15%
Prevalence of hypertension - borderline (2013)	47%	34%	41%
Prevalence of high cholesterol - hypercholesteraemic (2013)	10%	7%	9%
Prevalence of high cholesterol - borderline (2013)	20%	21%	20%

Source: World Health Organisation, International Diabetes Federation, NCBC Research

As part of the Vision 2030, the Saudi Government plans to promote a healthier lifestyle among its citizens with a goal of increasing the participation rate in sports or physical activity among citizens from 13% in 2016 (men 20% and women 7%) to 20% by 2020 and 40% by 2030.

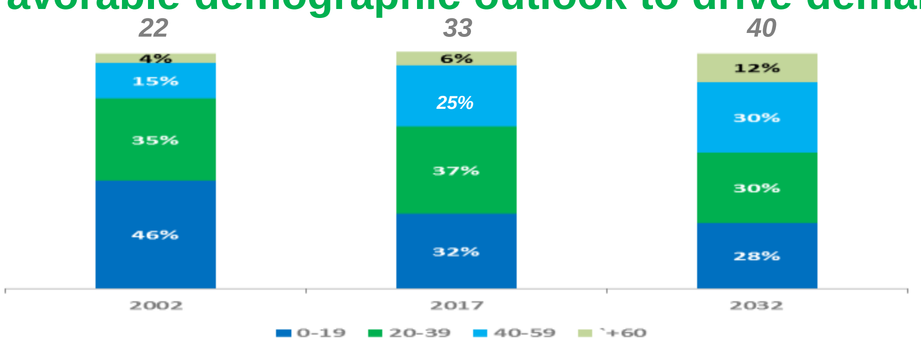
Healthcare spending to drive fitness sector growth



The government's expenditure on healthcare has increased over the past few years at a CAGR of 16%.

Saudi has a young population, with c70% of the population currently under the age of 40 years. This is accompanied by relatively high purchasing power (including females) and a general move towards healthier lifestyles.

Favorable demographic outlook to drive demand for fitness industry



Leejam's Mission Statement is to "Steer Society Towards Healthy Lifestyle and Encourage People to Exercise Daily."

We are focused on providing value to the community, and this is a core KPI for every facility that we operate across our expansive network.

NCBC research report

Diverse Brand Portfolio to Serve the Market

Male Brands	Female Brands	Other Brands
وقت اللياقة FITNESS TIME PLUS	وقت اللياقة FITNESS TIME LADIES PLUS	وقت اللياقة FITNESS TIME WELLNESS
وقت اللياقة FITNESS TIME	وقت اللياقة FITNESS TIME LADIES	وقت اللياقة FITNESS TIME JUNIOR
وقت اللياقة FITNESS TIME PRO	وقت اللياقة FITNESS TIME LADIES PRO	وقت اللياقة FITNESS TIME ACADEMY
		وقت اللياقة FITNESS TIME BASIC

لجام LEEJAM

Key Milestones

2005
- Start Planning Phase
- First "Fitness Time" center opens in Tabuk

2006

2007
- First "Fitness Time" standalone concept opens in Jeddah

2008
- Leejam Sports Company is established and acquires the Fitness Time brand

2009
- Introduction of Fitness Time Pro category

2010
- Introduction of Fitness Time Plus and Fitness Time Junior brands

2011
- The Company opens its 50th fitness center

2012

2013
- Investcorp acquires 25.1% stake in Leejam

2014

2015
- Intro of PT
- UAE launch
- Exclusive partnership with FC Barcelona
- MBR Award for Sports Creativity

2016
- The Company opens its 100th fitness centre
- Ranked in Global "Top 25" by IHRSA

2017
- Launch of female fitness centers

2018
- Listing of 30% shares on Tadawul (IPO) in September 2018
- Ranked 15th in global top 25 by IHRSA

Leejam 3.0

Goal: To be Top 10 Fitness Company in the World and be Employer of Choice in KSA

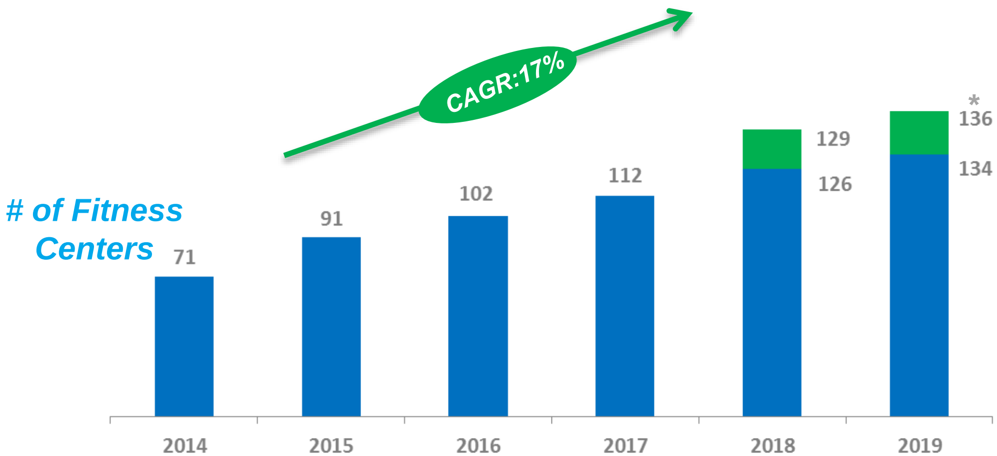
6 Key Pillars to achieve Leejam 3.0 in the next 3 years

- **Enhance Customer Experience**
- **Invest In Our People**
- **Leverage Technology**
- **Open Door Policy**
- **Improved Corporate Governance**
- **Grow & Exceed Shareholders Expectations**

Market Leader with Strong Scale Advantage

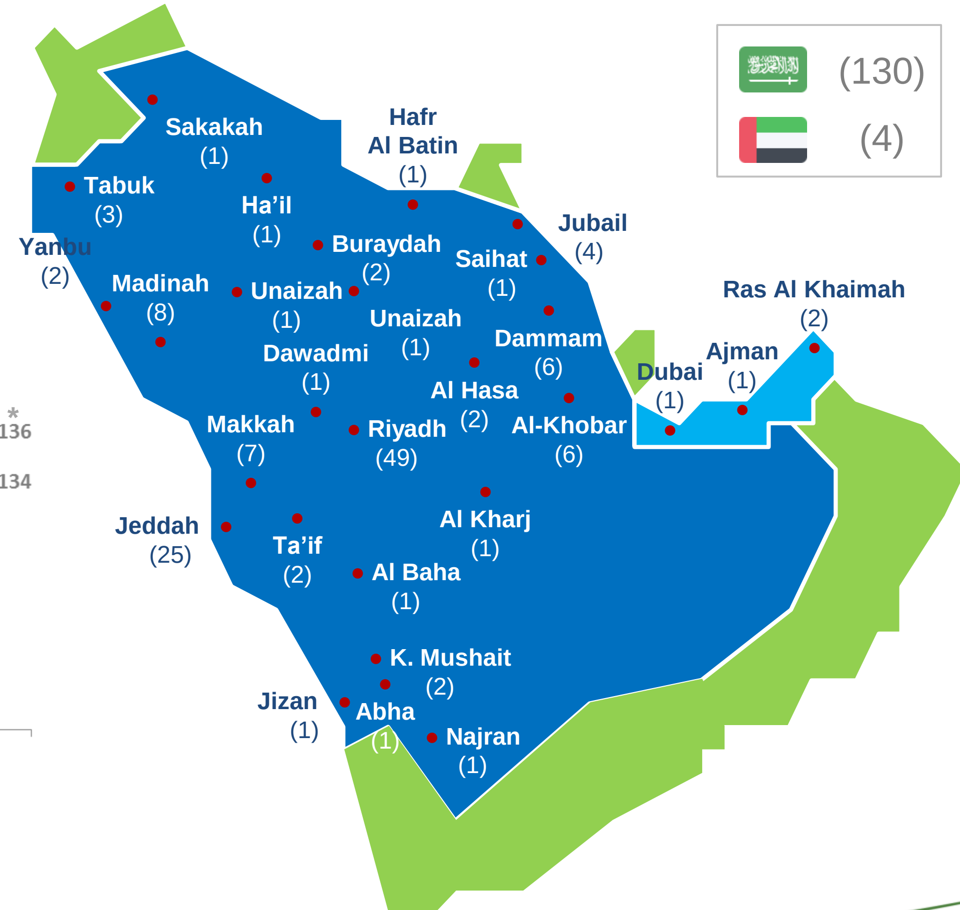
Strong geographical footprint with presence in 28 cities

Fitness Centres Evolution



Geographic Footprint

(as of 31 March 2019)



Source: Company

* 2 centers are currently closed for conversion to female centers.

**Subsequently in April CY, Escola location was closed.

Segmented Concept, Recognised Brand (1/3)

Key Features

	FITNESS TIME PLUS	FITNESS TIME	FITNESS TIME PRO	FITNESS TIME JUNIOR	FITNESS TIME LADIES PLUS	FITNESS TIME LADIES	FITNESS TIME LADIES PRO
Targeted at (age)	Males 25yrs+	Males 16yrs+	Males 16yrs+	Male Junior	Females 25yrs+	Females 16yrs+	Females 16yrs+
# of Fitness Centres[1] – KSA	4	49	41	4	-	23	5
# of Fitness Centres[1] – UAE	-	1	2	0	-	-	1
12-month Price (SAR)[2]	8,925*	4,988*	3,255*	3728*	8,925*	4,988*	3,255*

Facilities

	FITNESS TIME PLUS	FITNESS TIME	FITNESS TIME PRO	FITNESS TIME JUNIOR	FITNESS TIME LADIES PLUS	FITNESS TIME LADIES	FITNESS TIME LADIES PRO
Cardio	✓	✓	✓	✓	✓	✓	✓
Strength	✓	✓	✓	✓	✓	✓	✓
Semi Olympic Pool	✓	✓	✓	✓	✓	✓	✓
Jacuzzi, Sauna, Steam	✓	✓	✓	-	✓	✓	✓
Courts	✓	✓	✓	✓	✓	✓	✓
Squash	✓	✓	-	-	✓	✓	-
Virtual golf	✓	-	-	-	✓	-	-
Towels, slippers, etc.	✓	✓	-	-	✓	✓	-
Business Centre	✓	✓	-	-	✓	✓	-
Lounge and other amenities	✓	✓	-	-	✓	✓	-

Apart from above, the Company has 2 Corporate wellness, 1 Kidzenia (for kids) & 1 Academy locations. Total 134 locations.

[1] As of 31 Mar 2019
[2] Standard prices as of 31 Mar 2019

* VAT Inclusive

Segmented Concept, Recognised Brand (2/3)

State-of–art Spacious Facilities with a Customized Service Offering

Floor Trainers

- Available in each center to assist with equipment use, fitness regime etc.
- >1100 Floor Trainers in the current network

Special Events

- Competitions and tournaments organised on a regular basis for members
- Over 5k participants in Q1 2019 across 6+ sports events

Personal Training

- 1-on-1 coaching from a qualified instructor, launched in 2015
- Available in 89 centers, with over 214 Personal Trainers

New Exercise Concepts

- New home-grown concepts introduced in 2017
  - eXtreme Fitness
  - eXtreme Boxing
  - eXtreme Bootcamp

Group Classes

- Diverse GX programming available across the network; >20 different class types
- 28 GX classes / week for Male centers & 49 GX classes / week for Female centers

Industry-Leading Equipment

TRUE, Life Fitness, TRX, FREEMOTION FITNESS, TECHNOGYM, HOIST, SCHWINN, IVANKO Engineered Passion, ROGUE, SCHWINN FITNESS

[1] as of 31 of March 2019

LEEJAM

Segmented Concept, Recognised Brand (3/3)

Corporate Business

- The Company delivers services to corporate partners under the Fitness Time Wellness umbrella
- Fitness Time is an attractive partner for large corporate clients given its country wide footprint in 28 cities in KSA & UAE
- Opportunity to enhance corporate business by targeting female employees
- Further opportunity as companies seek to rollout corporate wellness programs
- Latest initiatives included partnerships with Ministry of Health, Labor & Civil services and Public Pension Fund.

Key Statistics

Number of corporates as B2B and B2C clients
(March 2019)

275+

Number of corporate members
(March 2018)

47,000 Approx.

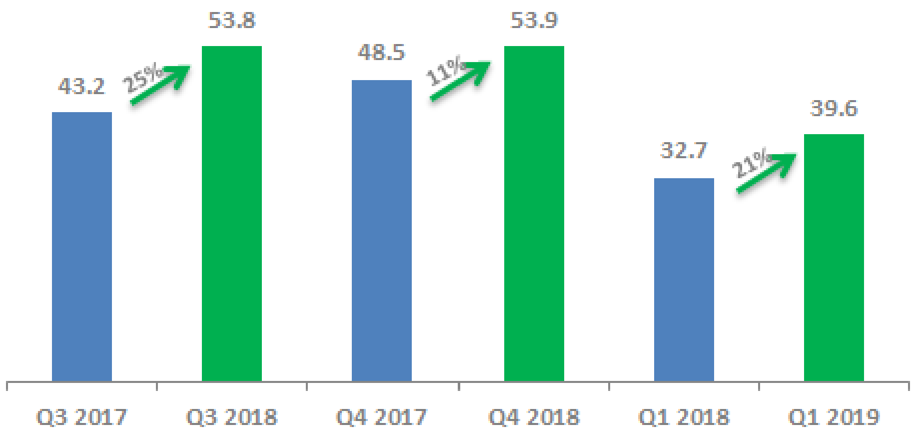
Corporate Revenue
(Q1 2019, SAR)

SAR 30.1M

SAR 18.5M
(Q1 2018, SAR)

Performance since IPO (Sept 2018)

Net Income
(SAR million)



ACCOLADES:

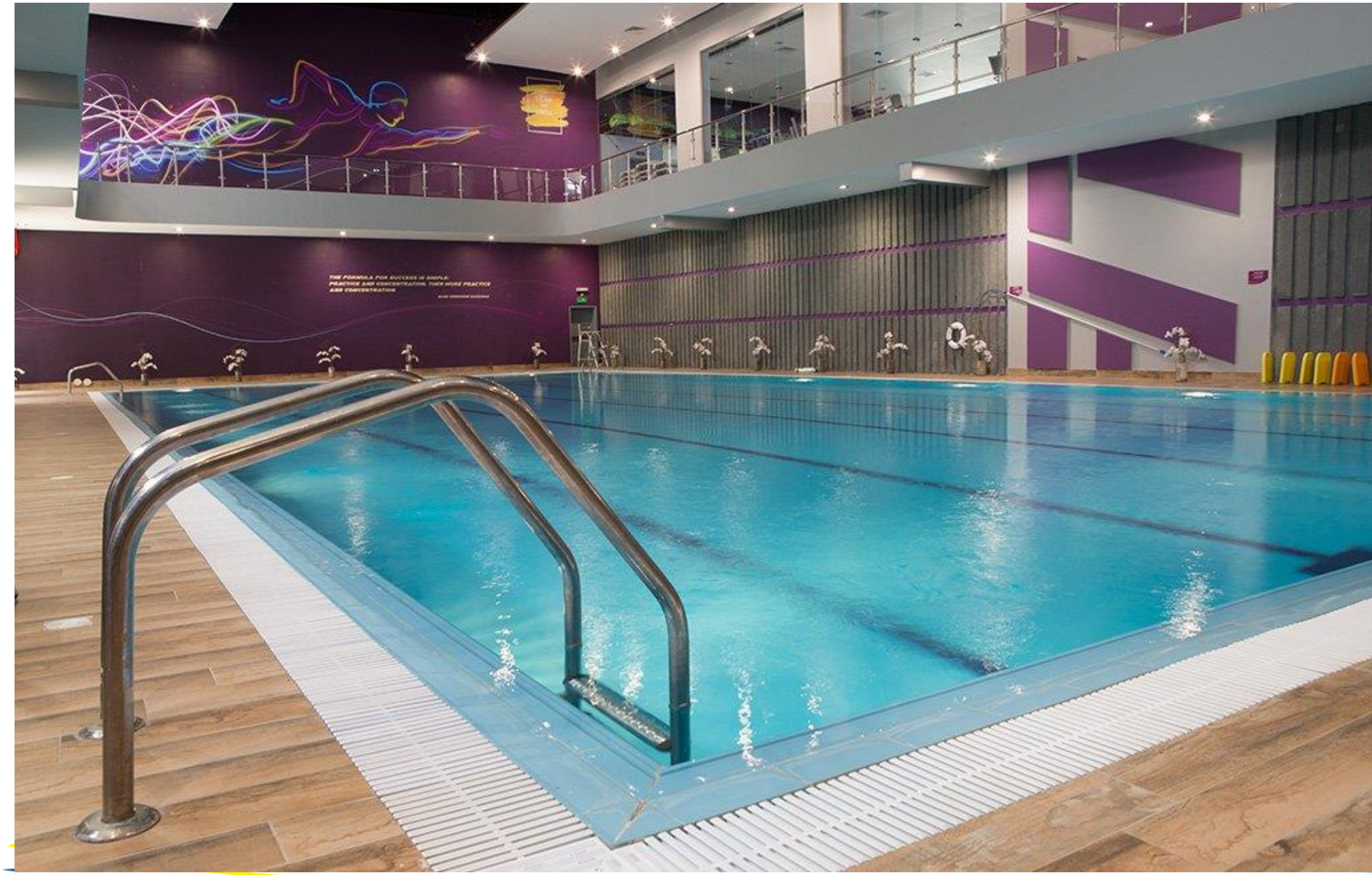
- Consecutive growth in results post IPO LY on Sept 10, 2018.
- Leejam 3.0 in place with 6 key pillars.
- Opening of 21 centers over last 7 month (16% of our entire portfolio since 2005).
- New initiatives include launch of GEMs program, WWYB (we want you back), mobile application etc.
- Focus on YOY expansion with opening of ave. 15 centers each year (in particular female centers).
- Focus on social and digital media.
- Gradually improving the realized prices, lower campaign days and more long term membership mix.
- Enhancing customer experience and growing member base.

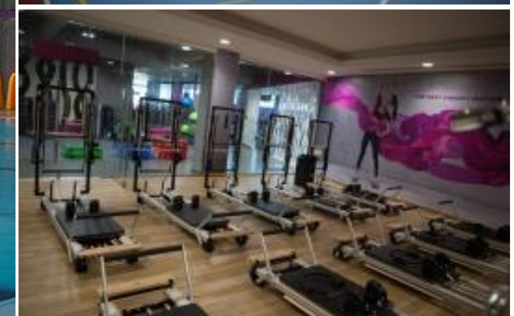
Other Significant Accolades

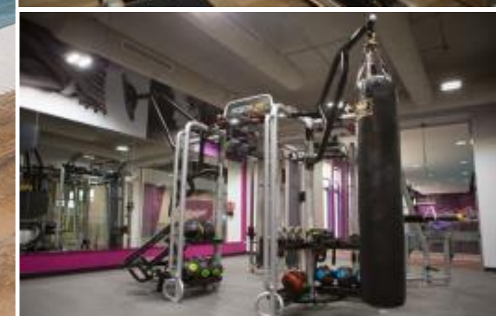
Shaikh Mohammad Bin Rashid Award – in 2015

Other Significant Accolades (contd.)

PNU the largest Fitness center in the world – operated by Fitness Time (in process of getting Guinness World Records Accreditation)







Other Significant Accolades (contd.)

Cover page story by CBI "IHRSA" magazine on LEEJAM 3.0 in April 2019 issuance &
Article coverage in CEO magazine by Khaleej Times

M LINK

INFUSING FITNESS INTO LIFESTYLES

Leejam Sports promotes positive health through its large state-of-the-art network of fitness centres

Photo: Supplied

Saudi-based Leejam Sports Company operates under the brand name of "Fitness Time". Currently one of the largest network of sports and fitness centres in the region, it emerged in 2006 to encourage healthier and active lifestyles, correct eating habits and promote a health-conscious population. With a presence in 24 cities in Saudi Arabia and four in the UAE, the organisation set its roots in fitness and recreational sports, and offers seven separate brands of men and women-only centres in the region.

The multi-facility centres are equipped with state-of-the-art facilities, such as full range cardio machinery, weights, cycle and spinning studios, basketball, squash and volleyball courts, football pitches, indoor running tracks, as well as on-site floor and personal trainers to facilitate member workouts and enhance experience. Specialities also include extreme fitness featuring high intensity workouts, boot camp classes and boxing. All Fitness Time centres have swimming pools, hot and cold Jacuzzis, steam and sauna rooms.

"Leejam is aligned with the Quality of Life 2020 and Saudi Vision 2030 initiatives and programmes and aims to strengthen its business on a national and CSR platform," said Ahmar Azam, CEO, Leejam Sports Company. Azam has been leading the company for the last five years, initially as the CFO to lead the corporate transformation and a successful IPO, and now as the CEO.

He is an honors graduate from the LSE, UK and an FCA from the Institute of Chartered Accountants of England and Wales (ICAEW). He is also an honorary board member of the Audit Committee of the International Cricket Council (ICC) and a member of the Advisory Board of the ICAEW.

GROWING MEMBERSHIP

Fitness Time has a segmented market approach that is tailored to fit different budgets — from the executive-level Fitness Time Plus; the flagship Fitness Time; the more economical Fitness Time Pro; and Fitness Time Ladies.

According to Azam, the recent exemption for females to drive in Saudi Arabia has given them the advantage to spend more time in fitness centres, leading to a paradigm shift as 50% of the population opened up for the fitness industry.

"What makes us unique is our understanding of the local culture and delivering fitness the way our members like it. People come to fitness centres for many reasons, but only stay when they feel they are part of the tribe and when they get results" said Azam.

To deliver on this, Fitness Time offers both all the standard facilities of a full-service gym, as well as many boutique concepts. "Personal training is thriving in our centres. We are now bringing HIIT and other new innovative concepts."

LEEJAM 3.0

Azam explains the last 12 years of the company from start-up stage to corporate transformation and a successful IPO as Leejam 1.0 and 2.0. The entire organisation is now marching towards the realisation of Leejam 3.0 in 3 years to make Leejam the Top 10 fitness company in the world and an Employer of Choice in Saudi Arabia. To achieve this objective, he has identified six key drivers. They are; enhancing customer experience; investing in people; leveraging technology; ensuring an open door policy; improving corporate governance; and growing the business.

"The entire organisation is fired up!" he adds. To some these plans might sound overly ambitious but those that know Azam well enough will not doubt that it will be done, with time to spare.

– Farhana Chowdhury

Achievements

- 2015 winner of the Mohammed bin Rashid Al Maktoum Creative Sports Award.
- Three-year exclusive partnership with FC Barcelona
- 15th largest fitness chain in the world and is expected to become one of the 10 largest fitness centre operators in the world in the next three years.
- A large number of active fitness members in the region with 250,000 members, and has the largest database of over 1.2 million members.
- 50% + increase in company value since IPO in September 2018.
- No. 1 pick in midcap companies in KSA by various institutional investors

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2. Board Members

Board Members

Ali Al-Sagri
Chairman

Hamad Al-Sagri
Board Member (Executive)
Vice Chairman & MD

Dr. Mohammed Al-Kinani
Board Member (independent)

Hisham Al-Khaldi
Board Member (independent)

Tareq Al-Angari
Board Member (independent)

Abdulelah Al-Nemr
Board Member (independent)

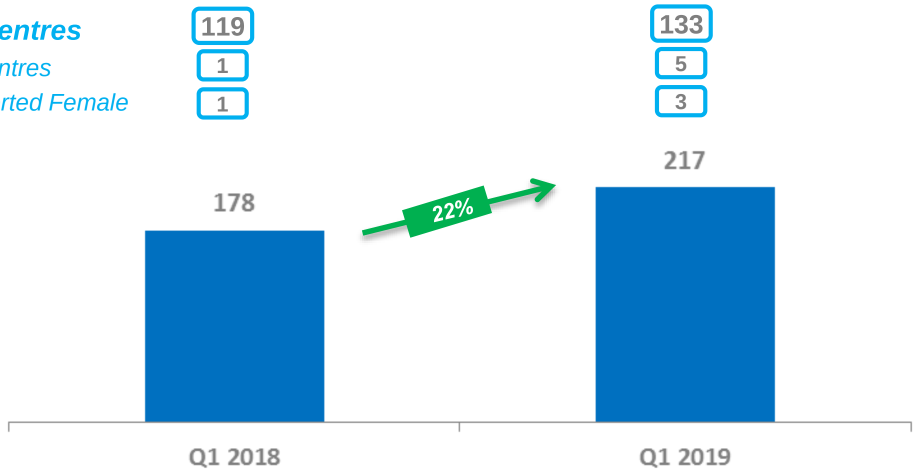
Hessah Al-Sagri
Board Member (non- Executive)

3. Financial Performance

Q1 Revenue and Net Income

Revenue
(SAR million)

# of Fitness Centres
- new Male Centres
- new & Converted Female Centres

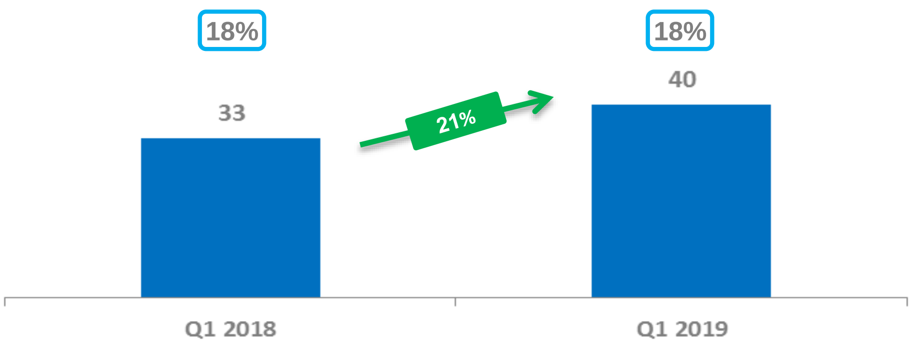


Key Messages:

- Revenue was 22% higher vs. LY, mainly due to:
  - 8 new centers openings in CY,
  - ramping-up of 22 non-LFL centers opened LY,
  - LFL growth of 4% (15% subs. income growth, male 17% & female 5%, first time since 2016) and new initiatives (WWYB, GEMS program etc.),
  - 70% growth in personnel training revenue (more number of PT centers), and
  - 62% increase in corporate revenue (more corporate clients).

Net Income
(SAR million)

Net Margin %

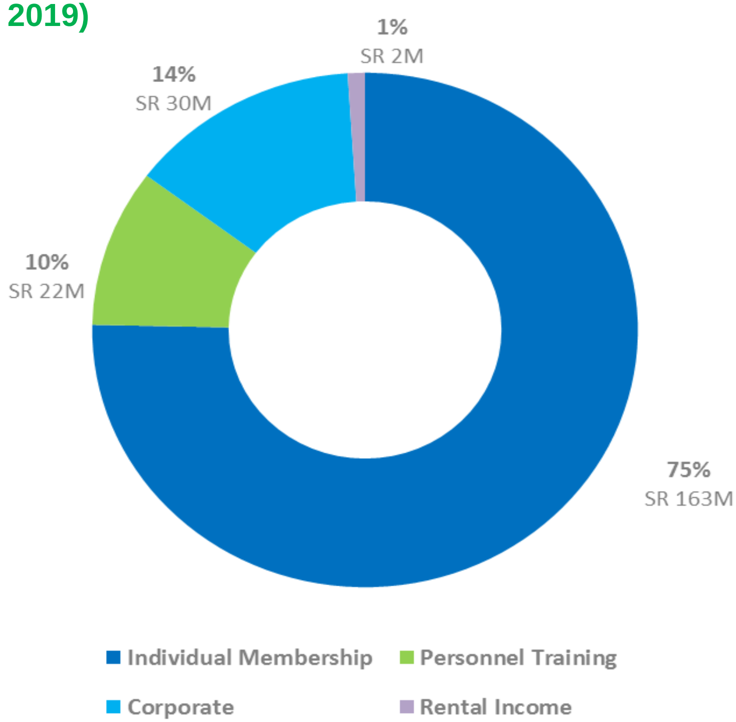


Key Messages:

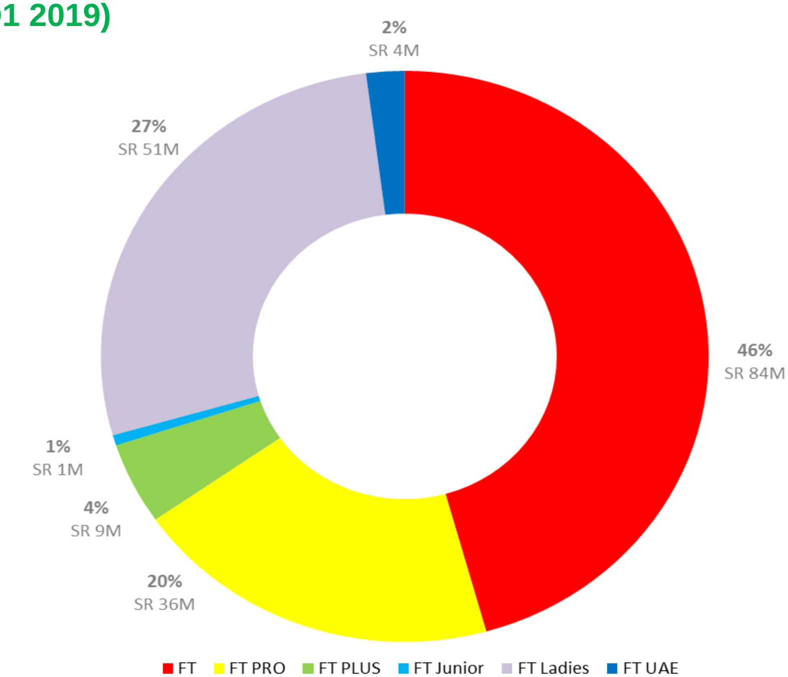
- Q1 2019 net income growth primarily driven by:
  - revenue growth from LFL, non-LFL centers & new female centers.
  - partly offset by:
    - higher operating costs (more number of centers), and
    - negative rent adjustment of IFRS 16 (SR 1.9M).
- Q1 2019 performance was partly stressed due to ramping-up of 19 centers opened in the last 6 months, being 14% of our entire portfolio since opening of 1st fitness center in 2005.

Revenue Break-Down

Revenue by Type
(%, Q1 2019)



Center Revenue by Brand
(%, Q1 2019)

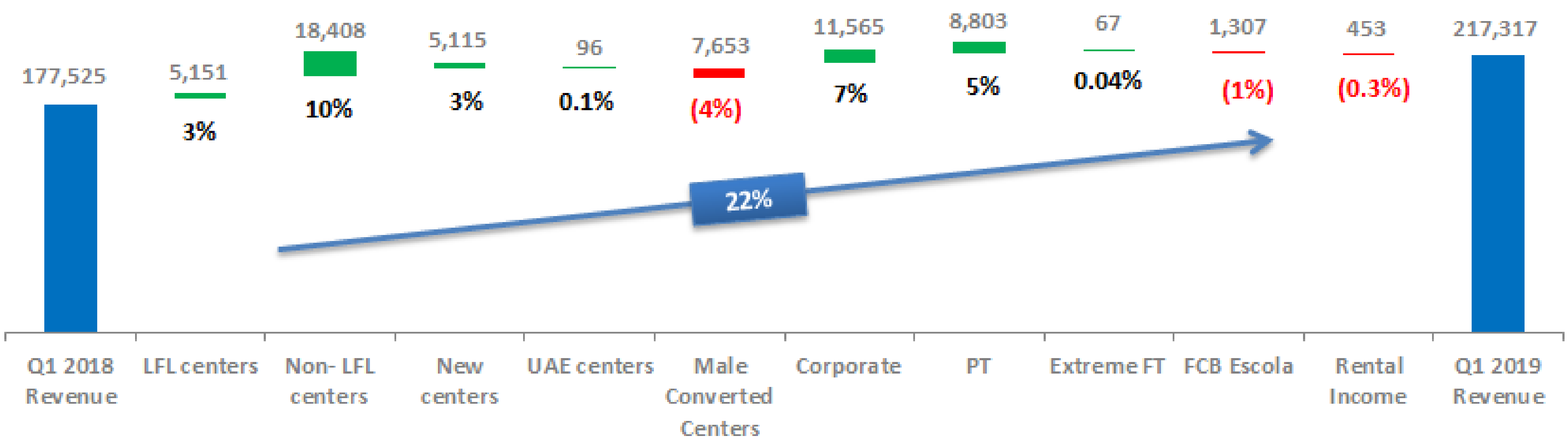


No. of centers by category	Q1 2019	2018	2017	2016
FT Men	52	49	50	48
PRO Men	43	41	42	40
Plus Men	4	4	4	3
Junior	4	4	8	9
Basic	0	0	0	1
Academy & Kidizinia	2	2	0	1
FT Female	23	20	4	0
PRO Female	6	6	4	0
Total	**134**	**126**	**112**	**102**

Source: Company

Q1 2019 vs. Q1 2018 Revenue Bridge

`In SR 000



Key Messages:

- Increase in LFL revenue mainly driven by higher LFL subs. income of 15%.
- Non- LFL includes 22 centers opened during 2018.
- Increase in PT revenue mainly due to roll-out of additional PT centers (Q1 CY: 89 vs. Q1 LY: 63).
- Increase in Corporate is driven by increase in Corporate members by 13K to 47K, & corporate companies.

Q1 2019 P&L

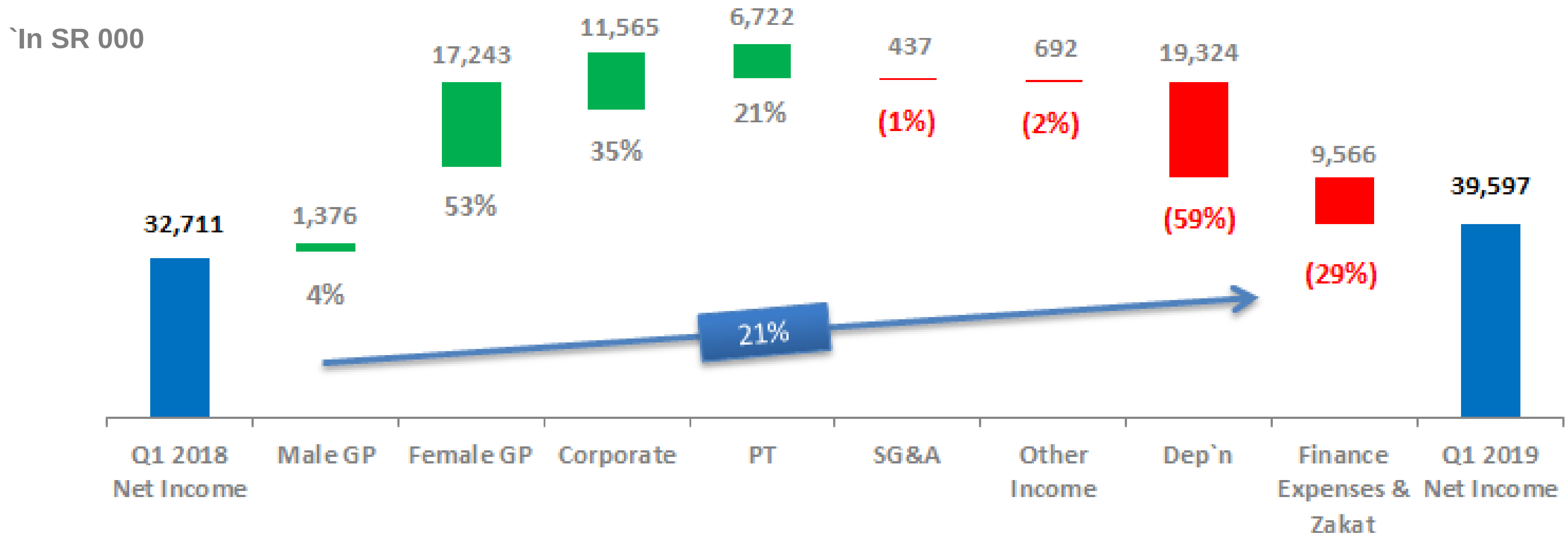
`In MSR

	Q1 LY	Q1 CY	Δ%
Centers # (EOP)	119	134	13%
Average # Of Centers	119	131	10%
Revenues	177.5	217.3	22%
Costs of revenue	(119.3)	(142.2)	19%
Gross Profit	**58.2**	**75.1**	**29%**
Gross Profits %	**32.8%**	**34.6%**	**2%**
Advertising and marketing expenses	(6.0)	(3.6)	(39%)
General and administrative expense	(17.7)	(20.2)	14%
Impairment (loss)	(0.1)	(0.1)	(6%)
Other Income	2.6	2.4	(9%)
Operating Profit	**37.0**	**53.6**	**45%**
Finance costs	(4.8)	(13.0)	168%
Net Profit before Zakat	**32.2**	**40.6**	**26%**
Zakat	0.5	(1.0)	(300%)
Net Profit for the period	**32.7**	**39.6**	**21%**
Net Profit %	**18.4%**	**18.2%**	**(0.2%)**
EBITDA	**63.5**	**99.3**	**56%**
EBITDA%	**35.8%**	**45.7%**	**9.9%**

Key Messages:

- Q1 Net income was higher by 21% vs. LY due to increase in number of operating centers, in particular female centers, resulting in growth of revenue.
- Increase in revenue was mainly due to;
  - higher membership revenue by SR 31.3M attributable to 8 new center openings (5 male centers and 3 female centers), ramping up of 22 non-LFL (Like-for-like) centers opened LY,
  - LFL growth of 15% (first time since 2016), and
  - Increase in Personal Training (PT) revenue by SR 8.9M (26 additional PT centers).
- Increase in cost of revenue was driven by higher number of operating centers, consumables, maintenance works and rising government levies (work permit etc.).
  - partly offset by rent adjustment under IFRS 16 for leases.
- Advertising & marketing was lower by SR 2.4M mainly due to lower expenditure (more focus on social media), lower campaigns and completion of FCB agreement in June 2018.
- SG&A expenses higher by SR 2.5M mainly due to;
  - increase in employees work permit cost,
  - increase in professional fees (Board committees & more board members), Tadawaul fees & IT consultancy fees.
  - partly offset by no assets write-offs during CY Q1.
- Finance cost was higher by SR 8.1M mainly due to recording of interest expense of SR 8M on lease liabilities recognized under the new accounting standard for leases – IFRS 16 and higher depreciation charge SR 14.8M.
  - Total net impact of IFRS 16 on Q1 P&L was negative SR 1.9M.

Q1 2019 vs. Q1 2018 Net Income Bridge

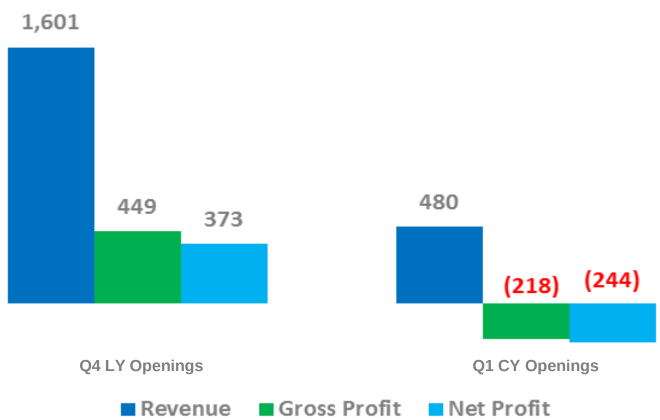


Key Messages:

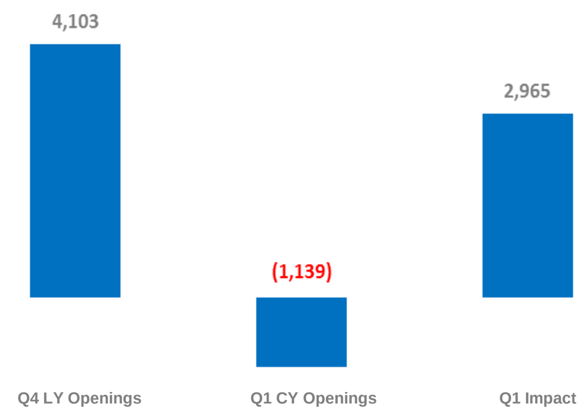
- GP of male centers improved mainly due to LFL growth 15% vs. Q1 LY.
- Female centers continue to contribute significantly towards the overall company profitability.
- Corporate witnessed growth due to new corporate wellness contracts (Al Rajhi & Sabic), whereas PT contribution improved due to growth in the PT centers.
- Increase in depreciation mainly due to addition of new centers and SR 14.8M additional impact due to the applicability of IFRS 16 from Jan 1, 2019, whereas finance cost include SR 8M impact of IFRS 16. Net negative P&L impact of IFRS 16 in Q1 2019 results SR 1.9M.

Financial Impact of Centers opened in Q4 2018 & Q1 2019

	Q4 LY Openings	Q1 CY Openings
No. of Centres	11	8
Ave. No. of Centres	11	4.7
Net profit Margin %	23%	(51%)



23% (51%) 6%

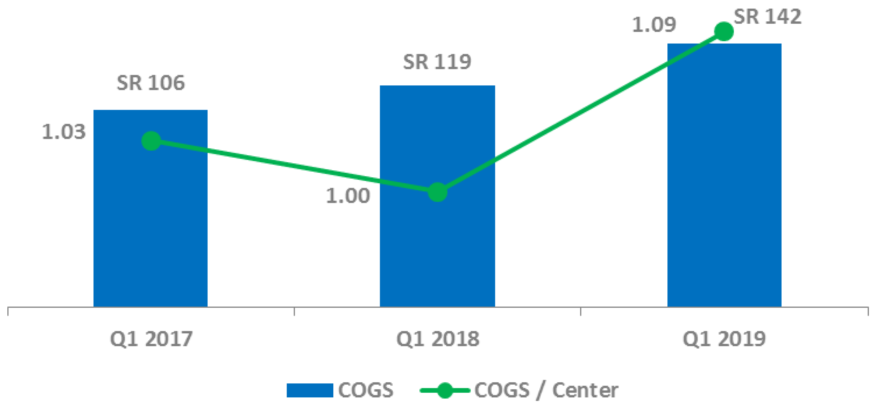


Key Messages:

- 11 centers opened during Q4 LY of which 10 were female and 1 male center, whereas 8 centers opened in Q1 CY (3 female & 5 male centers).
- With longer ramp up period as expected for female centers to ave. 6 months, and 12 months ave. for male centers, the net income contribution from these non-LFL and new centers was only SR 3M in Q1 CY.
    - Accordingly, Q1 CY results were stressed due to the ramping up phase of these non LFL and new center openings.
    - On a normalized level, LFL center margin approx. 30-50% for male & female centers respectively.

COGS & SG&A

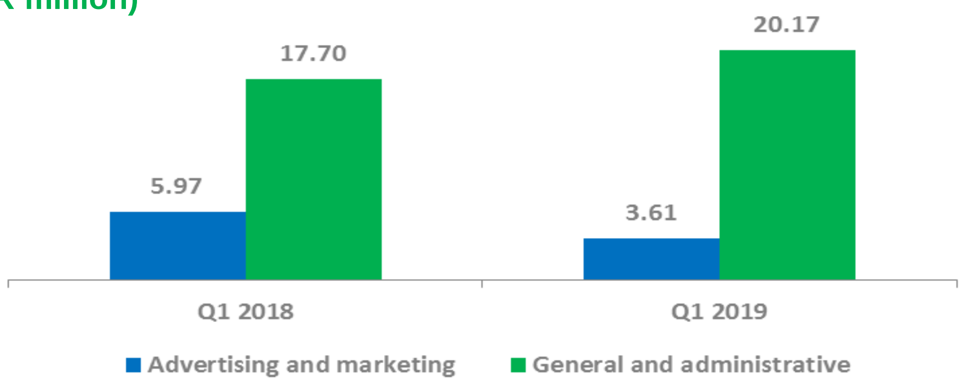
COGS
(SAR million)



Key Messages:

- ❖ 9% increase in average COGS / center is mainly due to higher operational cost of female centers (15-20% higher female salaries vs. male counterpart), depreciation under IFRS 16, consumables, repairs, rising government levies and cost of outsourced cleaners & security guards (legal requirement),
  - ➢ partly offset by:
    - ▪ rent adjustment under IFRS 16.

SG&A
(SAR million)



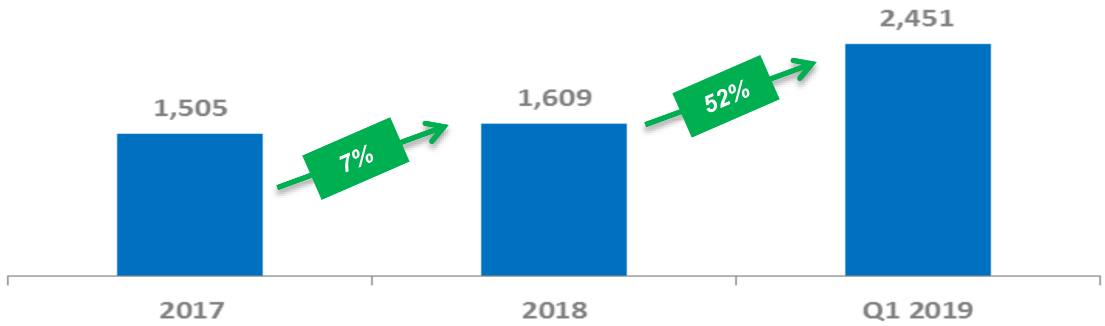
Key Messages:

- ❖ Decrease in advertising & marketing cost (39% lower vs. LY) mainly due to lower campaigns & shorter durations, lower media spend and non- renewal of FCB contract.
- ❖ General and administrative expenses were higher due to:
  - ➢ employees work permit costs, and professional fees
  - ➢ partly offset by no assets written off during CY.

Balance Sheet

Total Assets

(SAR million)



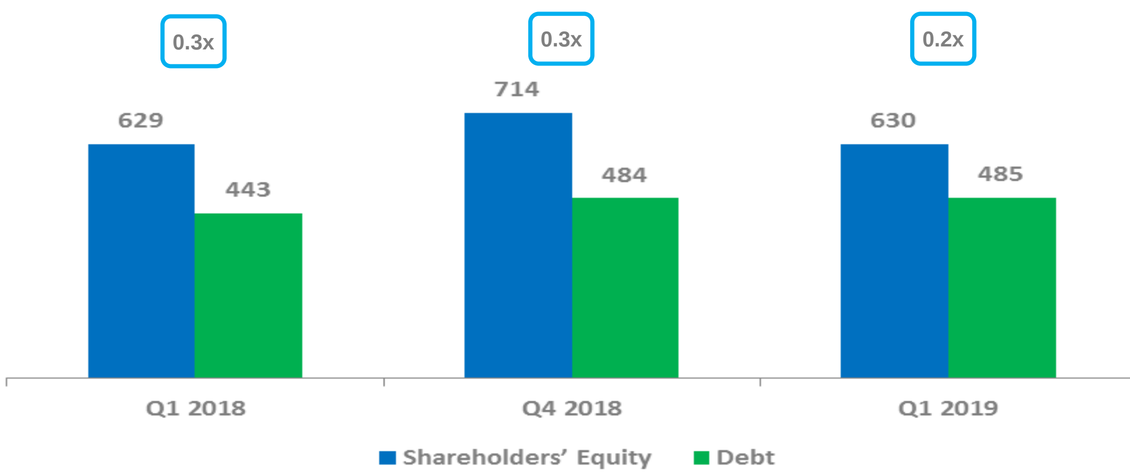
Key Messages:

- Increase in total assets by 52% is due to transition to IFRS 16, where the Company recognized right-of-use assets of SR 885M and corresponding lease liabilities of SR 977M.
- Adjustment to opening retained earnings was SR 94M under modified retrospective approach.

Shareholders' Equity and Debt

(SAR million)

Debt-to-Assets

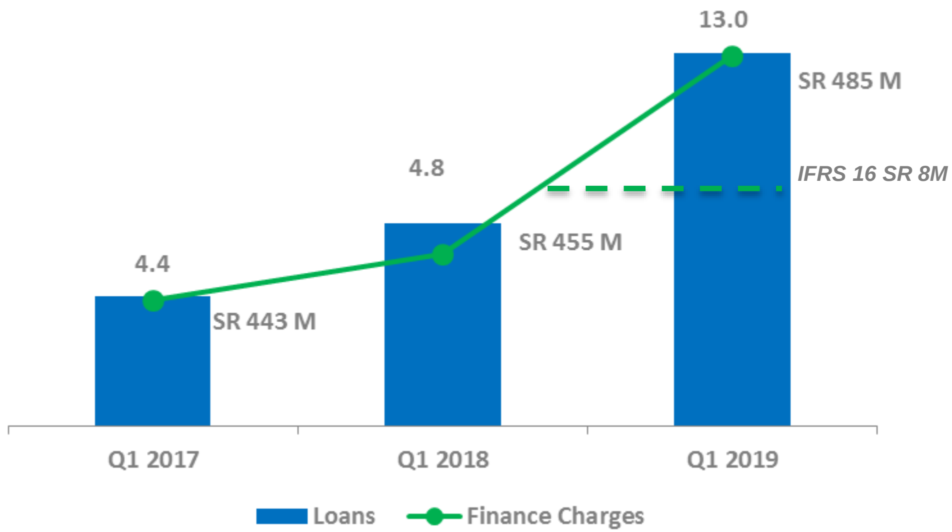


Key Ratios	Q1 2018	Q1 2019
ROA	11%	8%
ROCE	17%	11%
ROE	26%	30%

Loans & Finance Charges

Loans and Finance Charges

(SAR million)



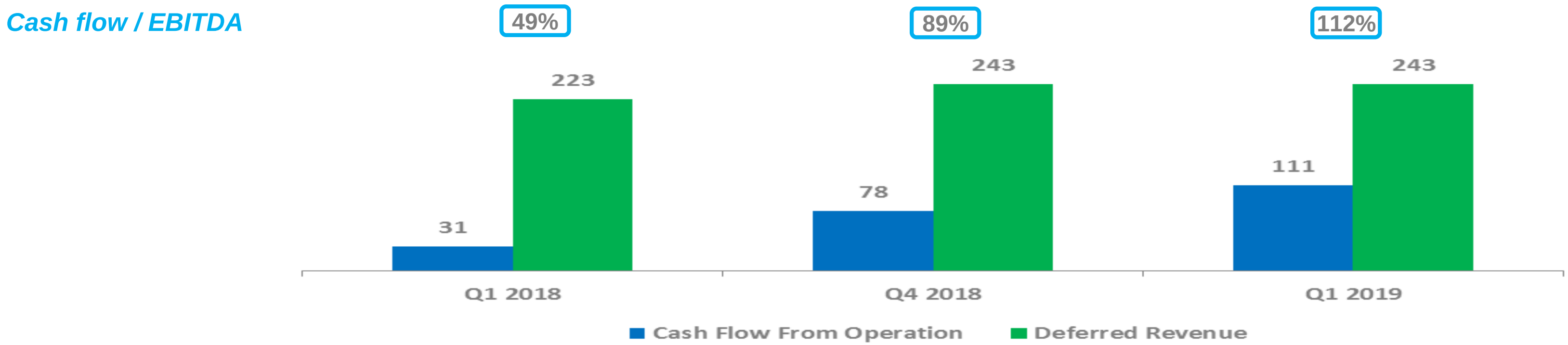
Key Messages:

- ❖ YOY Increase in loans to support center expansion.
- ❖ Approximate 50-60% split by managing the portfolio between floating & fixed rated borrowings.
- ❖ Weighted average cost of borrowings approximate 4.46%.
- ❖ Increase in Q1 2019 Finance charges mainly due to recording of interest expense of SR 8M on lease liabilities as per IFRS 16.

Cash Generation & Returns

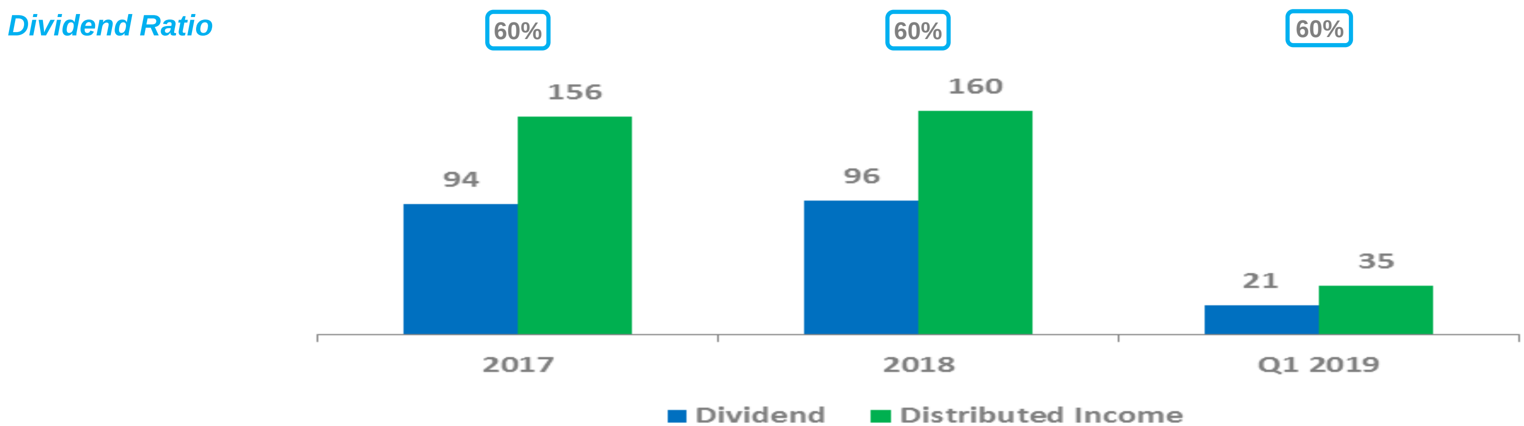
Cash Flow From Operations

(SAR million)



Dividend Declared and Pay-out

(SAR million)



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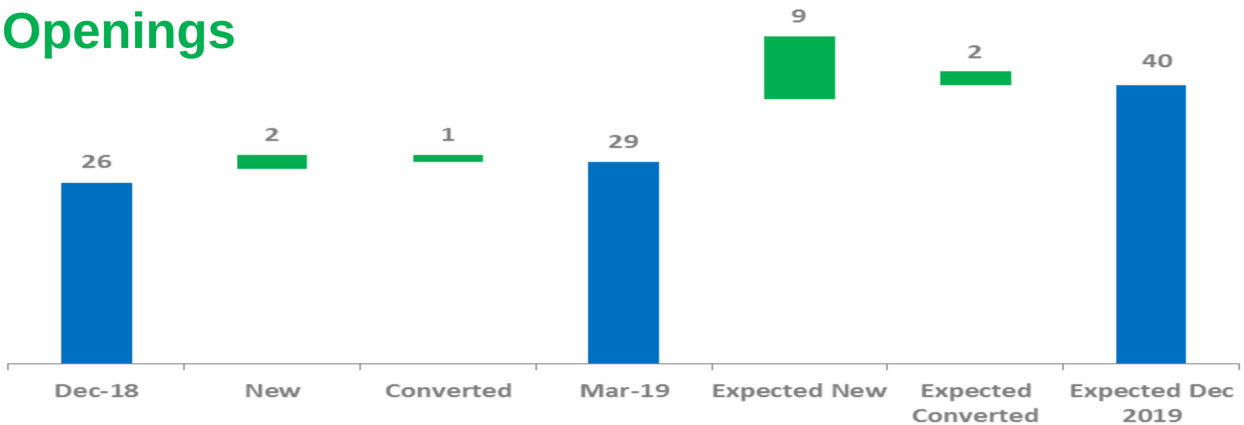
* Company continues to pay 60% dividend of distributable income (54% of net income).

Q1 2019 Male & Female Segments

Female Centers continue to make Material Contribution in Q1 2019

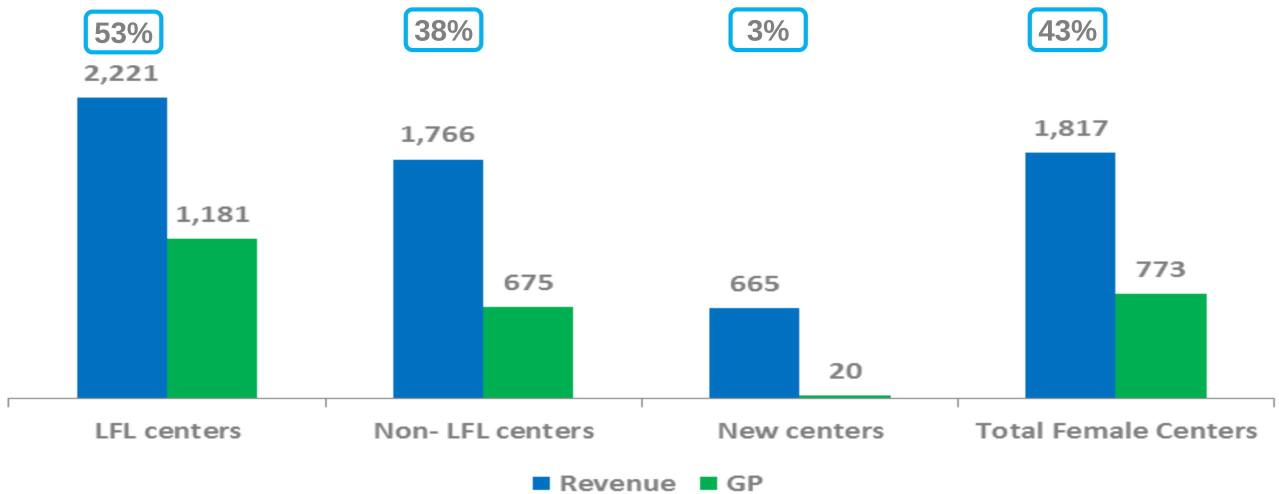
Female Centers Openings



Q1 2019 Female centers Ramp-up Evolution

Revenue and Gross Profit per centre (SAR million)

Gross Margin



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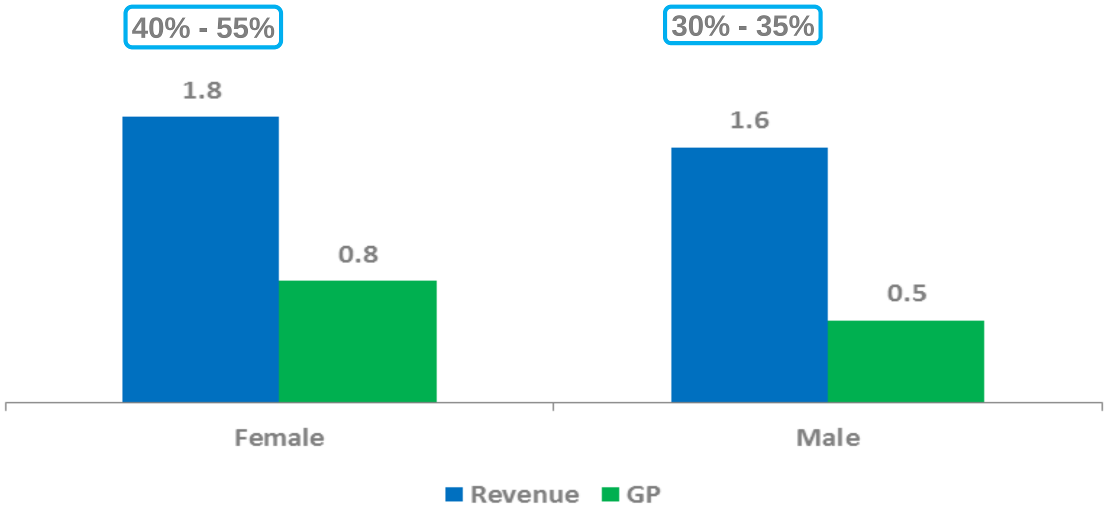
Ave. Female Centres Performance
Based on last 3 months performance
Revenue and Gross Profit per centre (SAR million)

Gross Margin, average



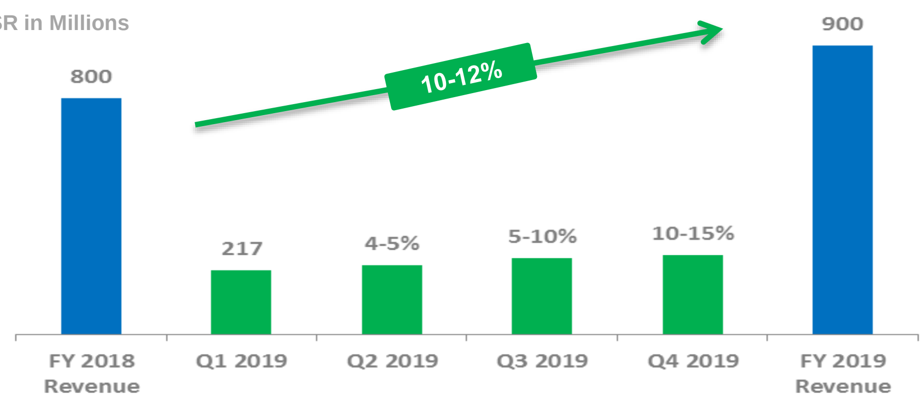
4. Outlook FY 2019

Outlook FY 2019

No. of centres Growth

Revenue Growth

SR in Millions



Tentative Guidance:

- Leejam 3.0 in full swing.
- Q1 revenue & net income witnessed 22% & 21% growth vs. LY, despite ramping-up of 19 centers opened in last 6 months. The momentum is expected to continue during 2019, with revenue growth of 10-12% driven by:
  - further opening of 8-10 fitness centers (mainly female centers)
  - expected better performance during Ramadan in Q2, National Day campaign in Q3 & seasonal strong Q4.
  - LFL growth and ramp up from non-LFL & new centers
  - expanding corporate & PT business
  - gradual improvement of realized prices
  - focus on bringing back members who left Fitness Time
    - Expected to bring back 6-7K members back/ month to the network in 2019. In Q1 additional 23k members added through WWYB.
  - cost control, and improving customer experience, member retention & services through:
    - successful launch of Fitness Time mobile application (April 29th)
      - signed users 20k as of May 15, 2019
    - successful launch of GEMs program to compensate center staff with KPI based bonus and commission structure
    - significant investment in staff training and employee retention
    - maintenance capex & refurbishment (SR 40M)
    - launching of new concepts & improving existing programs.
- Despite rising external costs, with opening of new centers, we expect QoQ growth in 2019.

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Q&A

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