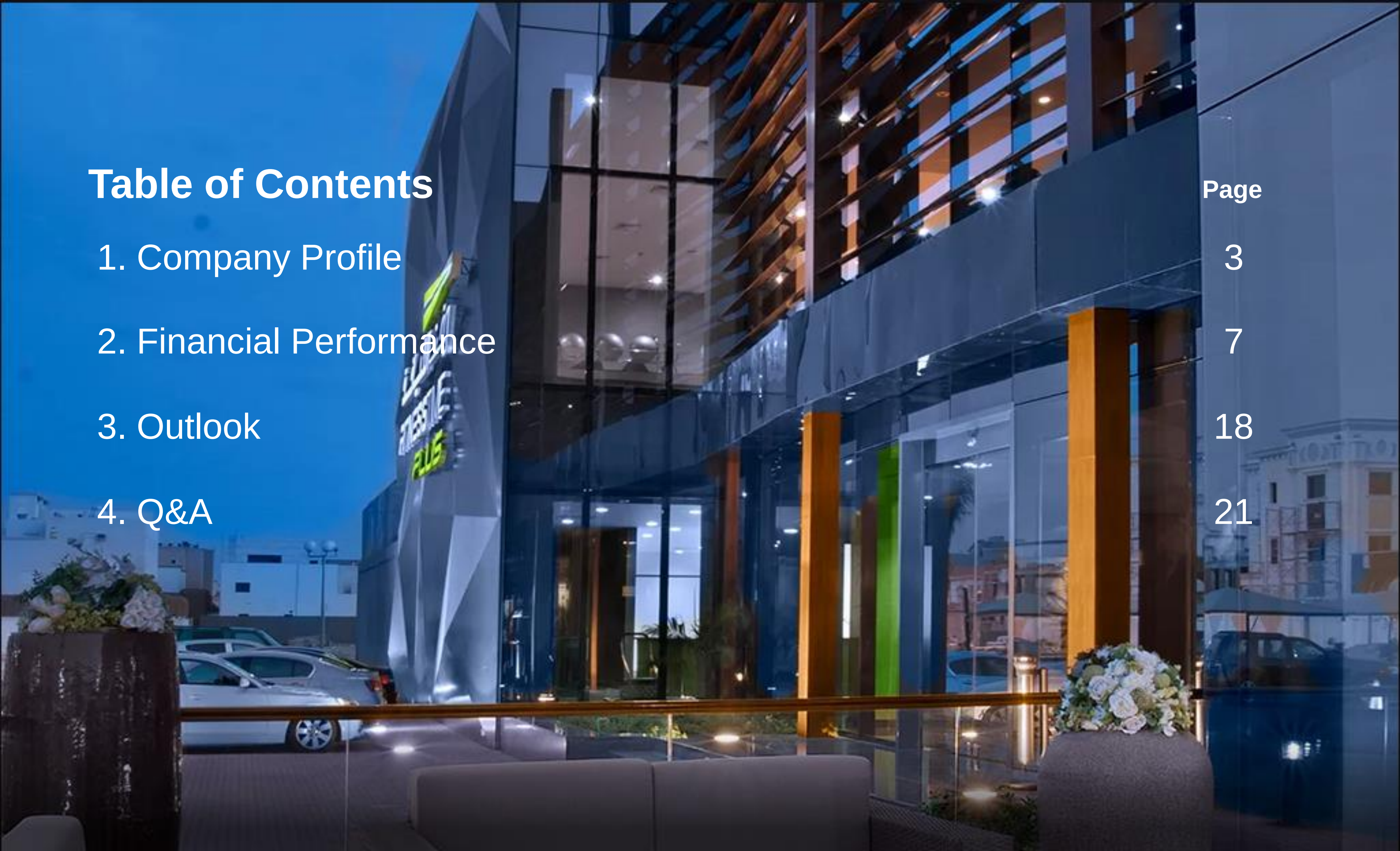
Leejam Sports Company

Investor Presentation

YTD Sept 2019



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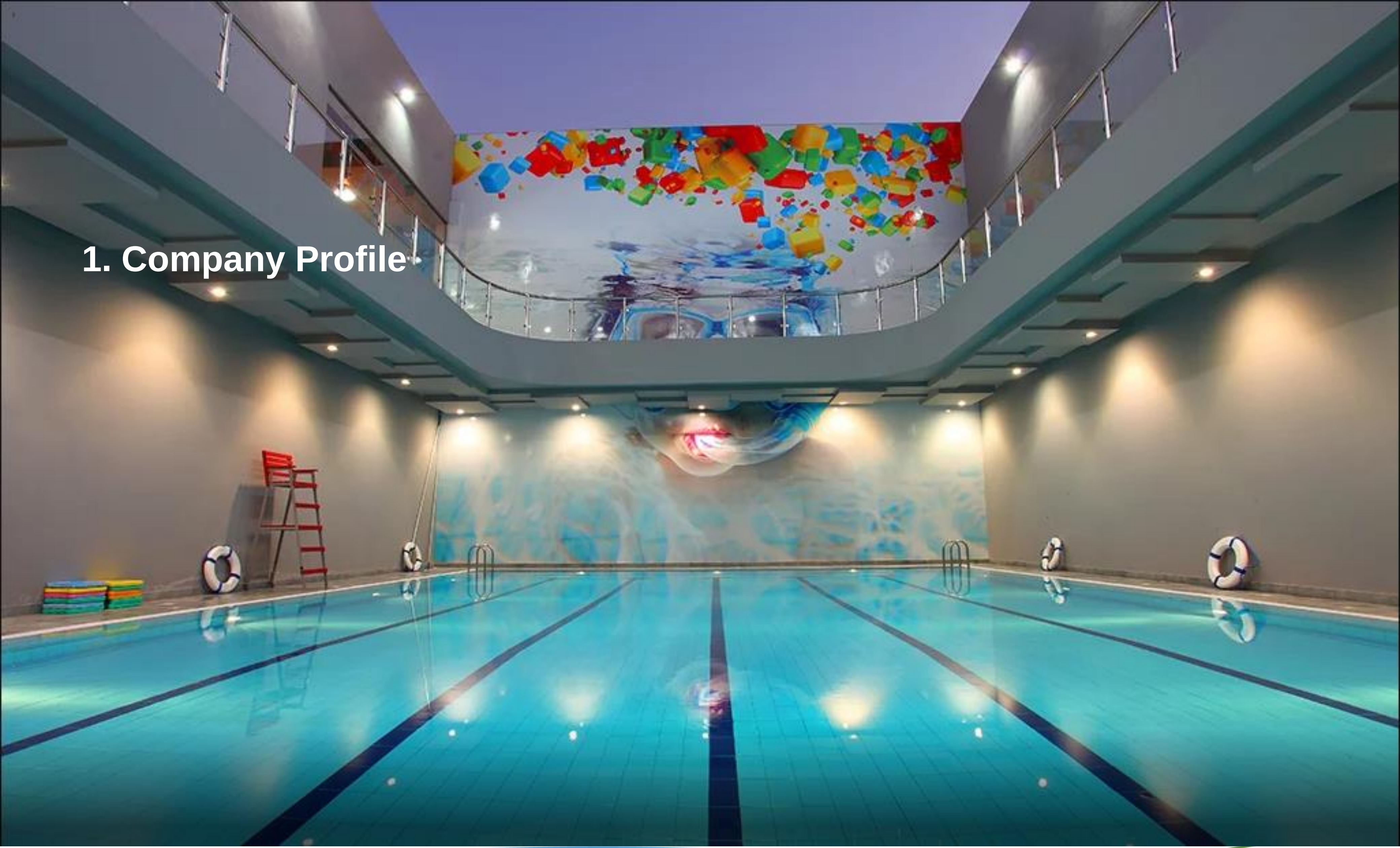
1. Company Profile



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

133 incl. 30 female

Operational Fitness Centers
(30 Sept 2019)
Added 10 centers in YTD Sept 2019

292k

Active Members
(30 Sept 2019)
Added 75k members (net) in YTD Sept 2019

26%

Female members of total member base excl. Corporate
(30 female centers as of 30 Sept 2019)

24th

Largest Fitness Chain in the World
(2019 IHRSA[1] Global Ranking)

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

Other Key Metrics

675M SAR
Revenues
(YTD Sept 2019)
17% growth

575M SAR
Revenues
(YTD Sept 2018)

138M SAR
Net Income
(YTD Sept 2019)
9% growth

126M SAR
Net Income
(YTD Sept 2018)

334M SAR
EBITDA
(YTD Sept 2019)
49% growth on reported basis

225M SAR
EBITDA
(Sept 2018)

121M SAR
EBITDA
(Q3 2019)

88M SAR
EBITDA
(Q3 2018)

275+
Corporates as Customers

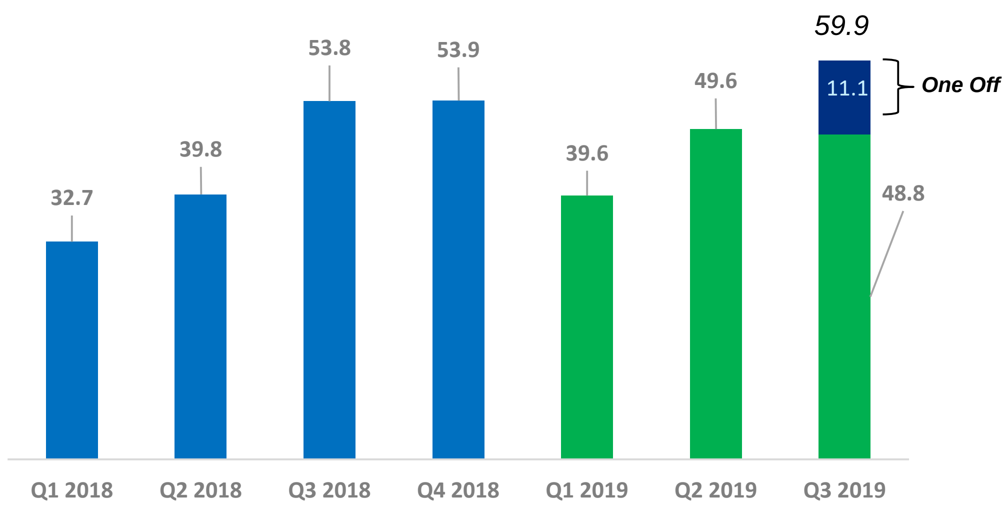
50k
Corporate Members Approx.

48.8M SAR
Net Income
(Q3 2019)
9% drop in Qtr. 3

53.7M SAR
Net Income
(Q3 2018)

Performance since IPO (Sept 2018)

Net Income
(SAR million)



ACCOLADES:

- One Off expenses related to depreciation expenses of female Center under conversion, provision for Legal Case and Charging one off Repair and Maintenance Expenses
- Consecutive growth in results comparing last qtrs. 11% growth over last year same qtr.
- Opening of 21 centers over last 12 month
- 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.

2. Financial Performance

YTD Sept Revenue and Net Income

Revenue
(SAR million)

# of Fitness Centres: 117 (YTD Sept 2018) | 133 (YTD Sept 2019)

- new Male Centres: 2 | 6

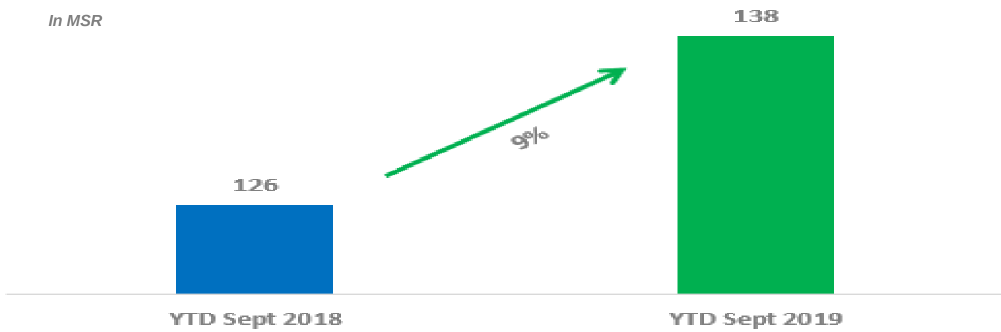
- new & Converted Female Centres: 8 | 4

Key Messages:

- YTD Sept CY Revenue was 17% higher vs. LY, mainly due to:
  - 10 new centers openings in CY,
  - Ramping-up of 22 non-LFL centers opened LY,
  - LFL growth of 18.5% subs. income growth: first time since 2016, and
  - 55% growth in personnel training revenue (more number of PT centers and improving utilizations rates).

Net Income
(SAR million)

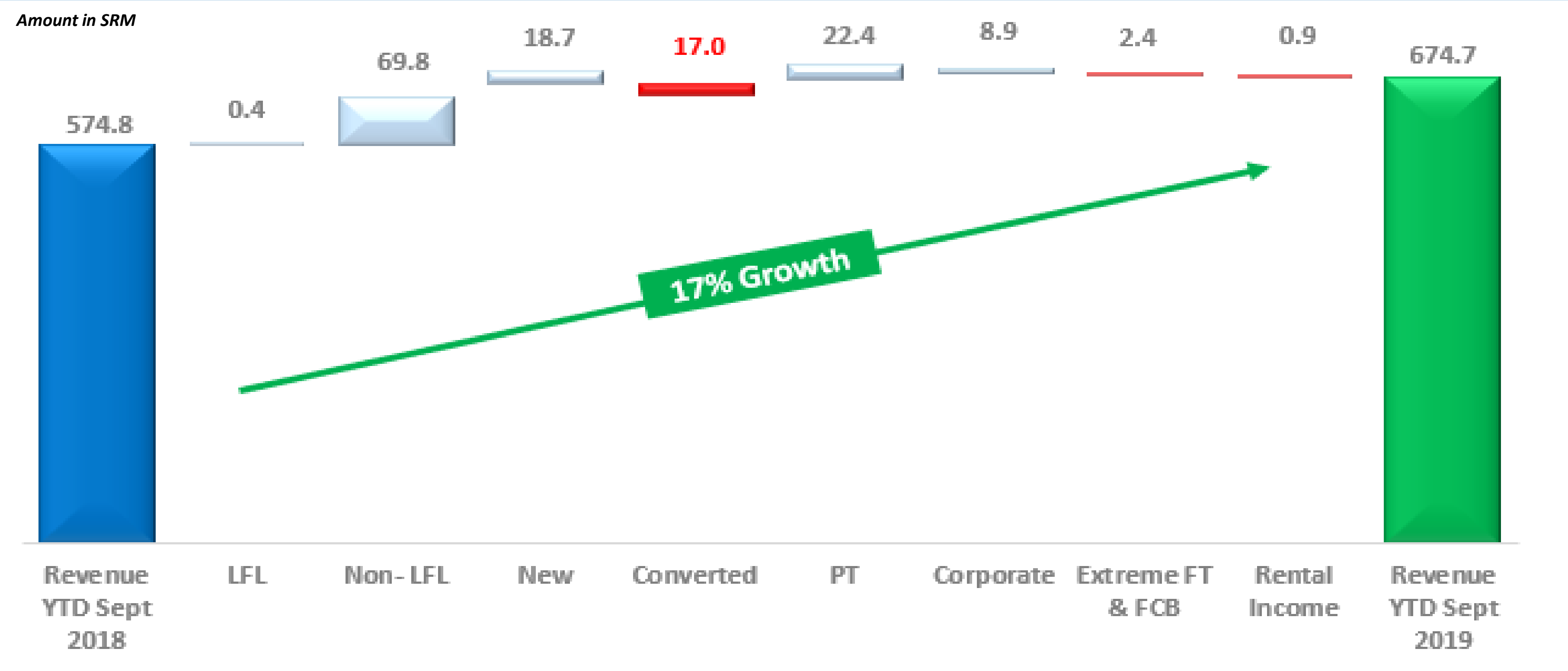
Net Margin %: 22% (YTD Sept 2018) | 20% (YTD Sept 2019)



Key Messages:

- 9% YTD Sept 2019 net income growth primarily driven by:
  - Revenue growth from non-LFL centers, new female center openings & positive growth of LFL centers.
  - Cost control initiatives & improving operational efficiencies.
  - Partly offset by:
    - higher operating costs (more number of centers), and
    - negative rent adjustment of IFRS 16 (SR 5.7M).
- YTD Sept 2019 performance was partly stressed due to ramping-up of 21 centers opened in the last 12 months, being 16% of our entire portfolio.

YTD Sept 2019 vs. YTD Sept 2018 Revenue Bridge

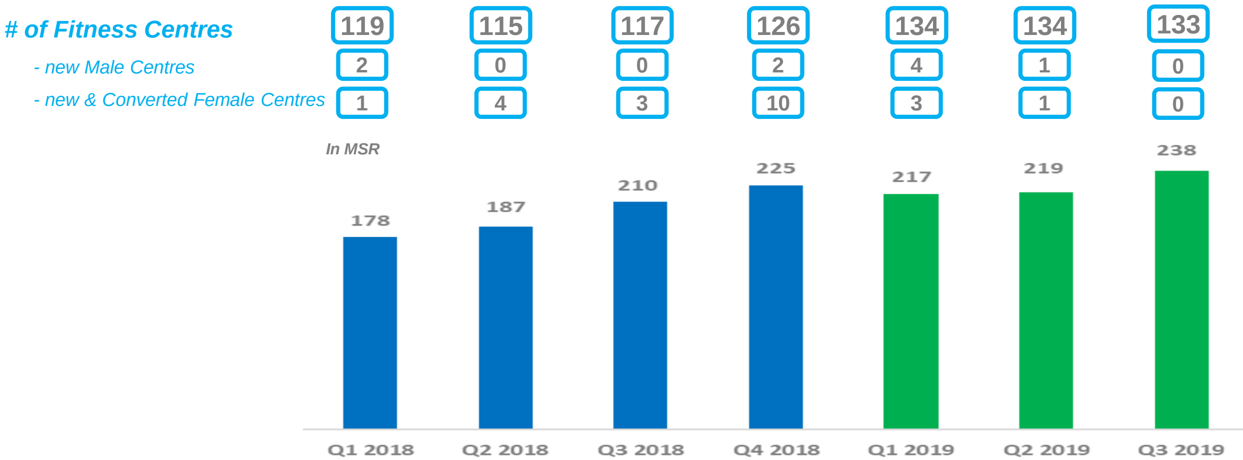


Key Messages:

- ❖ Increase in LFL revenue mainly driven by higher LFL subs. income by 18.5% vs. YTD Sept LY, partly offset by lower conversion ratio and lower opening deferred revenue carried from previous year due to lower LFL Subs. Income of LY.
- ❖ Non- LFL includes 22 centers opened during 2018.
- ❖ Increase in PT revenue mainly due to roll-out of additional PT centers (CY: 95 vs. LY: 71) and improving PT utilization rate.
- ❖ Slight decrease in corporate revenue is mainly due to lower opening deferred revenue from previous periods.

QOQ Growth (Q1 18 – Q3 19 CY & LY)

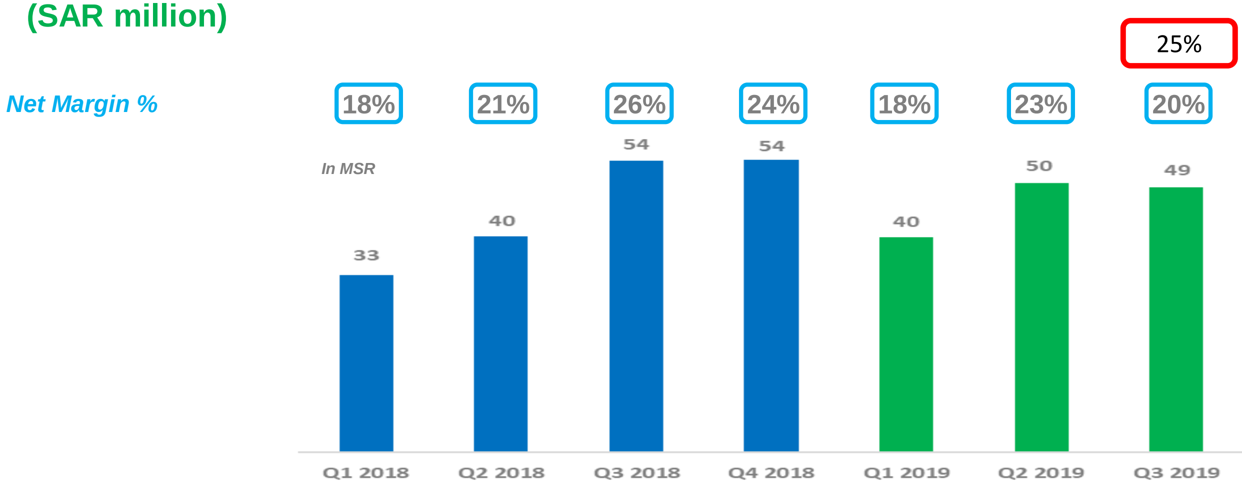
Revenue
(SAR million)



Key Messages:

- QoQ growth continues with 17% revenue growth vs Q2 LY(LFL growth and ramping up of centers)
- Q2 revenue increased by net SR 1.7M compared to Q1 CY mainly due to;
  - growth in membership revenue by SR 3.5M (ramping up of 8 new center openings of first quarter in current year, non-LFL centers opened last year and growth in the LFL centers)
  - partly offset by
    - seasonal decrease in revenue including Personal Training (PT) revenue by SR 1.8M due to lower conductions during Ramadan & Eid holidays in the current quarter and impact of freezing.

Net Income
(SAR million)



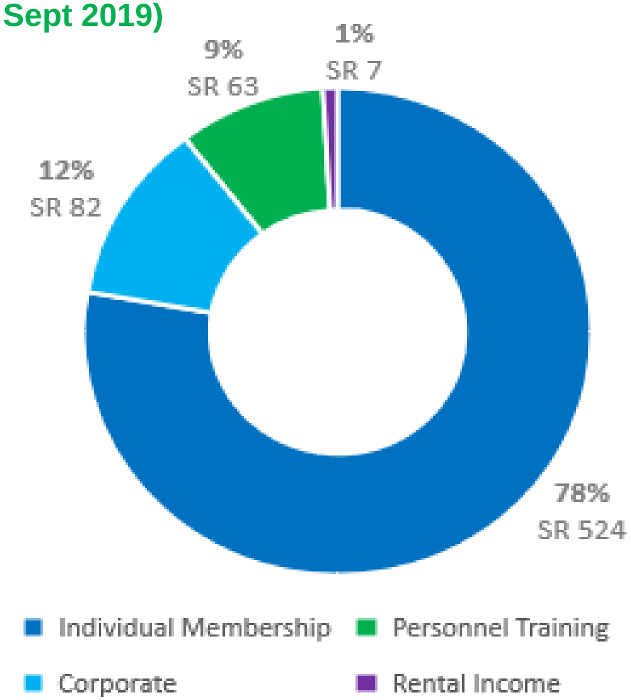
Key Messages:

- decrease in net income by SR 1M vs Q2 CY was mainly driven by;
  - increase in operational costs driven by higher ave. number of centers,
  - increase in general & administrative expenses due to higher provisions
  - One off adjustments of depreciation, repair & maintenance and provision against legal case

Revenue Break-Down

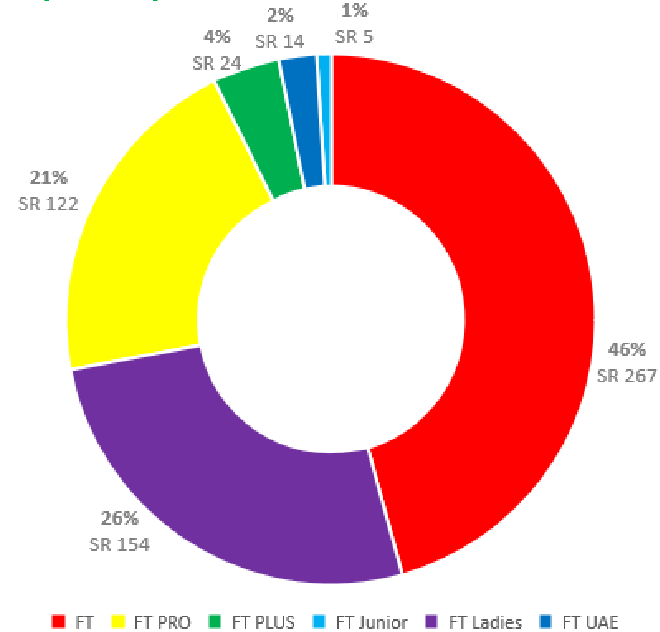
Revenue by Type

(%, YTD Sept 2019)



Center Revenue by Brand

(%, YTD Sept 2019)



No. of centers by category	YTD Sept 2019	2018	2017	2016
FT Men	53	49	50	48
PRO Men	43	41	42	40
Plus Men	2	4	4	3
Junior	4	4	8	9
Basic	0	0	0	1
Kidizenia	1	2	0	1
FT Female	24	20	4	0
PRO Female	6	6	4	0
Total	**133**	**126**	**112**	**102**

Source: Company

YTD Sept 2019 P&L

`In MSR

	YTD Sept LY	YTD Sept CY	Δ%
Centers # (EOP)	117	133	14%
Average # Of Centers	117	132	12%
Revenues	574.8	674.7	17%
Costs of revenue	(363.6)	(433.1)	19%
Gross Profit	**211.2**	**241.6**	**14%**
Gross Profits %	**36.7%**	**35.8%**	**(1%)**
Advertising and marketing expenses	(16.4)	(10.3)	(37%)
General and administrative expense	(57.1)	(53.6)	(6%)
Impairment (loss) / gain	(1.0)	(1.7)	64%
Other Income	7.1	8.1	14%
Operating Profit	**143.8**	**184.1**	**28%**
Finance costs	(15.6)	(42.6)	173%
Net Profit before Zakat	**128.2**	**141.6**	**10%**
Zakat	(1.9)	(3.6)	85%
Net Profit for the period	**126.2**	**138.0**	**9%**
Net Profit %	**22.0%**	**20.5%**	**(1.5%)**
EBITDA	**224.6**	**333.9**	**49%**
EBITDA%	**39.1%**	**49.5%**	**10.4%**
EBITDAR%	**49%**	**50%**	**0.5%**

Key Messages:

- YTD Sept Net income was higher by 9% vs. LY due to increase in number of operating centers, resulting in 17% growth of revenue.
- Increase in revenue was mainly due to;
  - higher membership revenue by SR 78.5M attributable to 10 new center openings (6 male centers & 4 female centers) and ramping up of 22 non-LFL (Like-for-like) centers opened LY,
  - growth in LFL centers (18.5% subs. income growth), and
  - Increase in Personal Training (PT) revenue by SR 22.4M (24 additional PT centers).
  - Partly offset by lower rental income (due to expiration of centers real estate contracts)
- Increase in cost of revenue was driven by higher number of operating centers, female staff cost, higher consumable due to increasing no. of members, issuance of gate keys,, maintenance works and rising Government levies (work permit fee etc.).
  - partly offset by rent adjustment under IFRS 16 for leases (YTD Sept net impact SR 5.9M) and cost control limitations..
- Advertising & marketing was lower by SR 6.1M mainly due to lower expenditure (more social media), lower campaigns and completion of FCB agreement in June LY.
- SG&A expenses lower by SR 3.5M mainly due to;
  - decrease in staff cost and assets write-offs on female center conversion LY.
  - partly offset by increase in professional fees (Board committees & more Board members, listing fees etc). and employees work permit cost.
- Finance cost was higher by SR 26.9M mainly due to IFRS 16 impact (finance cost of SR 24.7M recognized on lease liabilities) and higher depreciation charge by SR 45.8M under IFRS 16.

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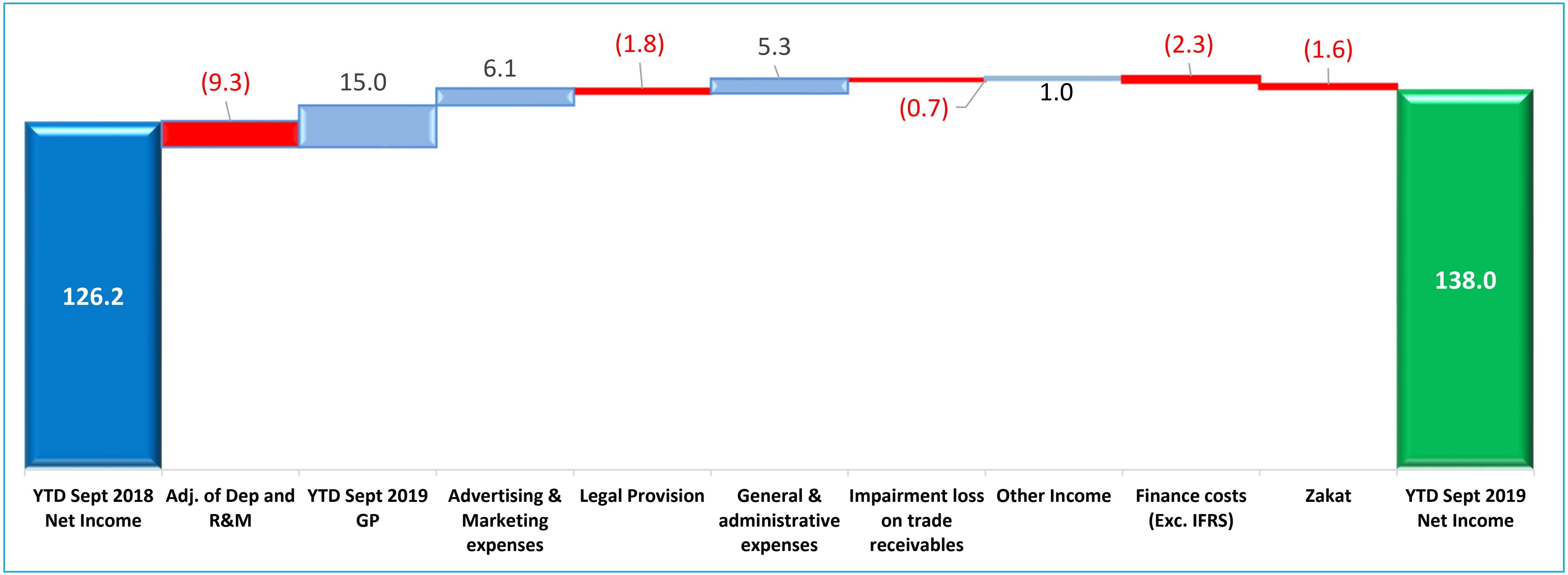
YTD Sept 2019 vs. YTD Sept 2018 Net Income Bridge

Amount in SRM

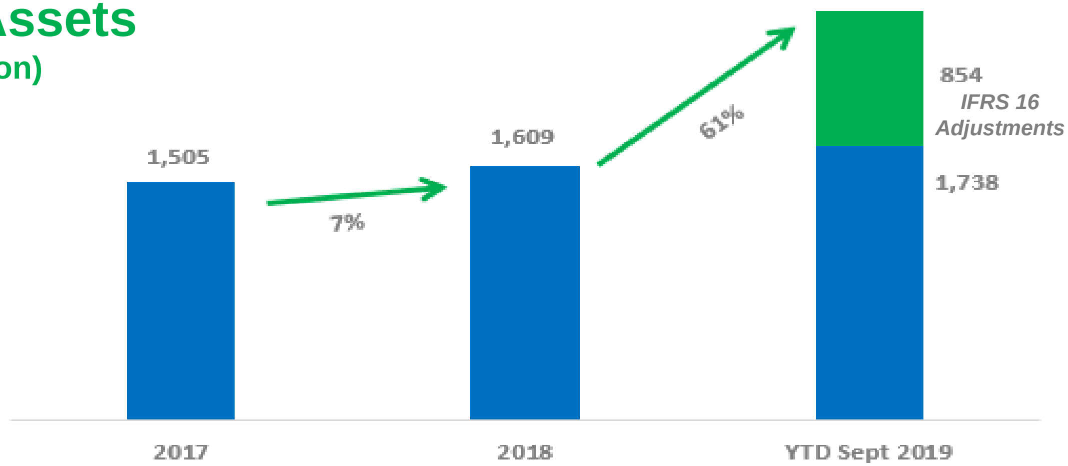


Key Messages:

- One off Depreciation adjustment of SR 7.3M and R&M of SR2.3M in Operational cost and SR1.8M of provision against legal cases.
- Higher GP from Non- LFL centers is mainly driven by revenue ramping up with opening deferred revenue from previous periods and launching of PT with higher utilization. 10 New centers opened during 2019 (6 male & 4 female) under the ramp-up.
- Decrease in advertising & marketing expenses is mainly due to lower spend on campaigns with shorter duration and concentrating on social media.
- Lower general & administrative expenses is mainly driven du to lower FA assets written off due to delay in conversion.
- Increase in finance cost is driven by higher loan balance to support expansion plan.
- Higher zakat is due to higher net income

Balance Sheet

Total Assets
(SAR million)

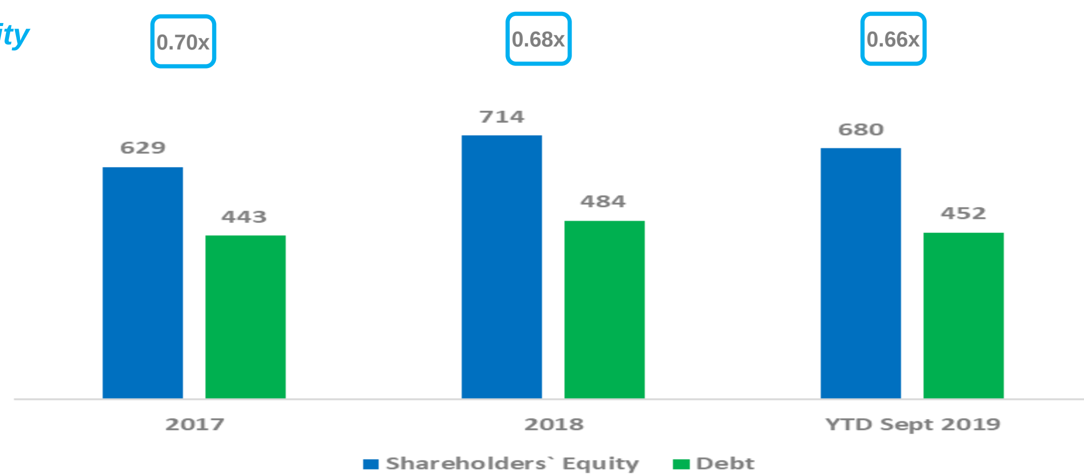


Key Messages:

- ❖ Increase in total assets by 61% is due to transition to IFRS 16, where the Company recognizes right-of-use assets of SR 853.9M and corresponding lease liability of SR 962.4M (net).
- ❖ Adjustment to opening retained earnings was SR 94M under modified retrospective approach of IFRS 16.

Shareholders' Equity and Debt
(SAR million)

Debt-to-Equity



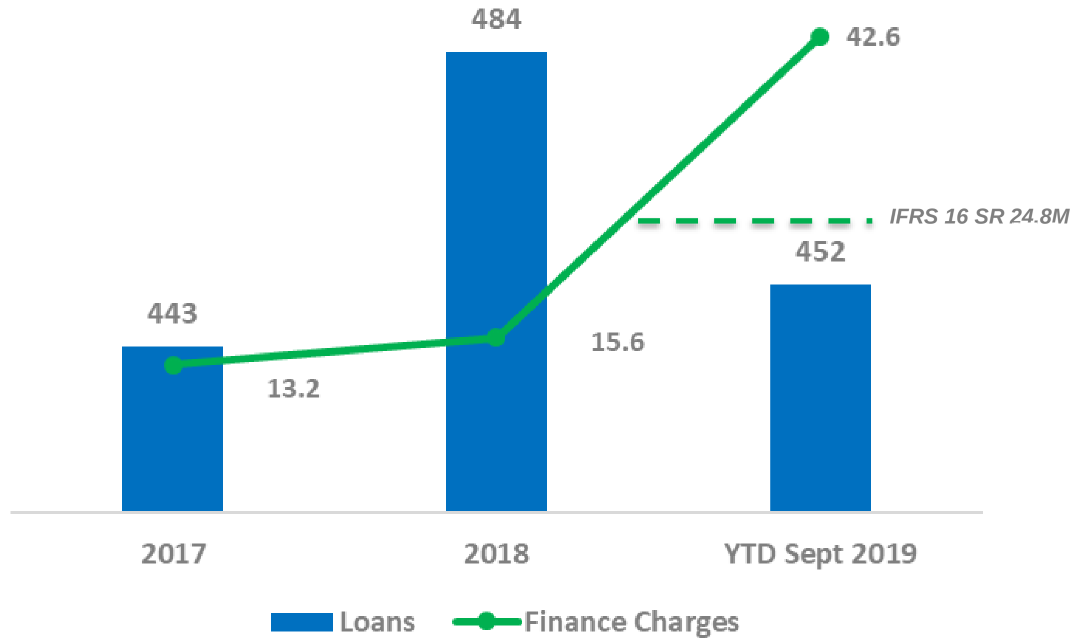
Key Ratios with IFRS 16	YTD Sept CY	Q2 CY	YTD Sept LY
ROA	7%	8%	11%
ROCE	9%	10%	12%
ROE	28%	30%	25%

Key Ratios without IFRS	YTD Sept CY	Q2 CY	YTD Sept LY
ROA	11%	8%	11%
ROCE	14%	10%	12%
ROE	25%	30%	25%

Loans & Finance Charges

Loans and Finance Charges

(SAR million)



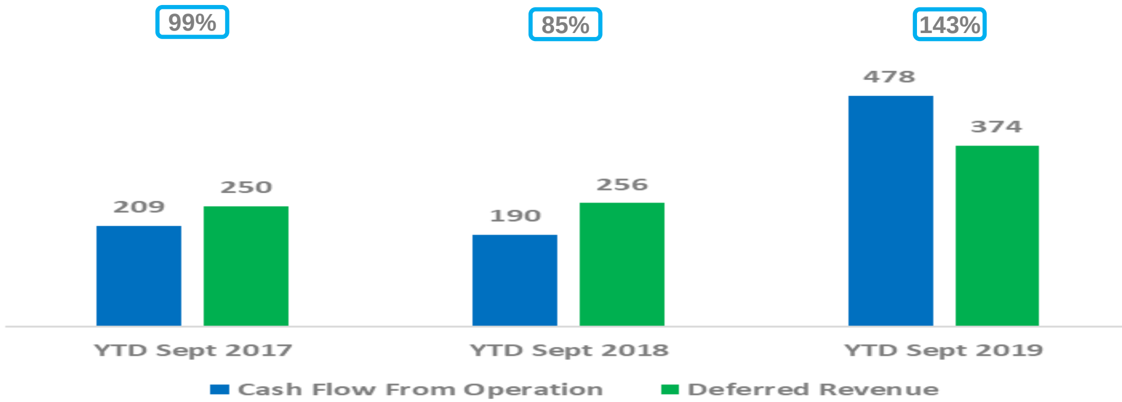
Key Messages:

- ❖ YOY decrease in loans of SR32M mainly due to repayment as per plan and delay in opening of centers.
- ❖ Weighted average cost of borrowings approximate 4.08%.
- ❖ Increase in YTD Sept 2019 Finance charges mainly due to recording of interest expense of SR 24.8M on lease liabilities as per IFRS 16.

Cash Generation & Returns

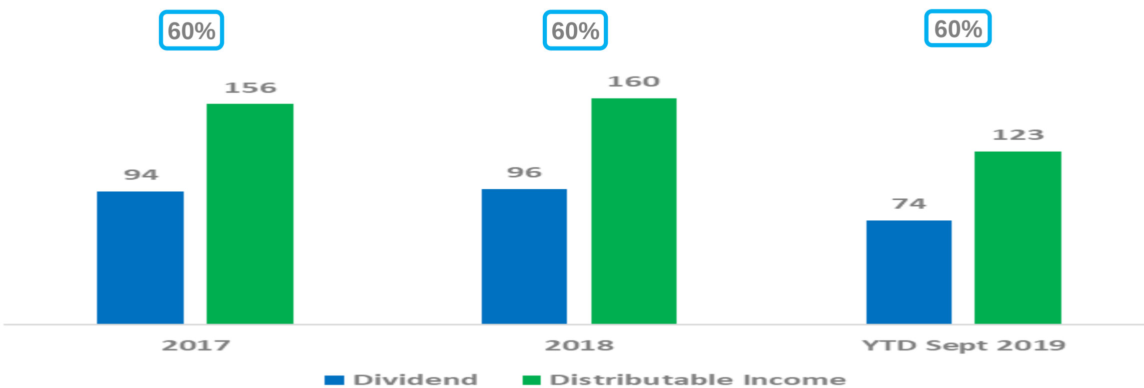
Cash Flow From Operations
(SAR million)

Cash flow / EBITDA



Dividend Declared and Pay-out
(SAR million)

Dividend Ratio

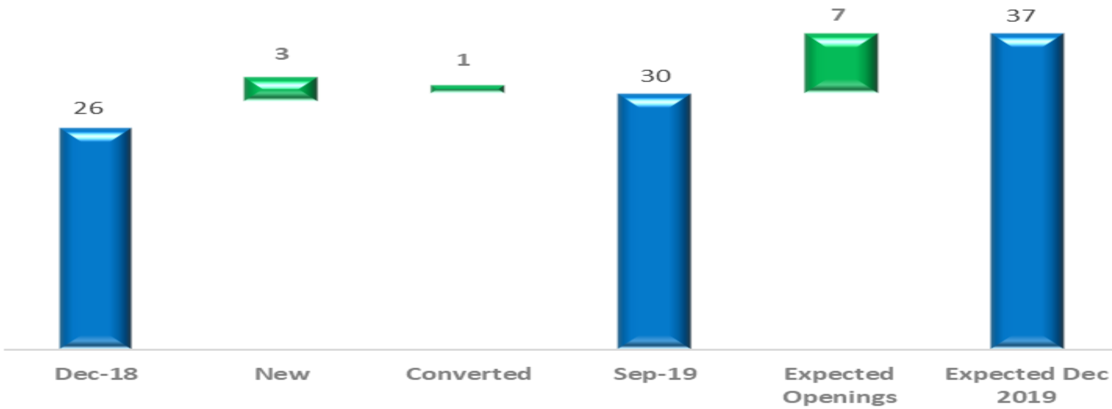


- Company continues to pay 60% dividend of distributable income (54% of net income).
- Q3 2019 dividend not announced yet due to Board meeting scheduled end of the month.

YTD Sept 2019 Male & Female Segments

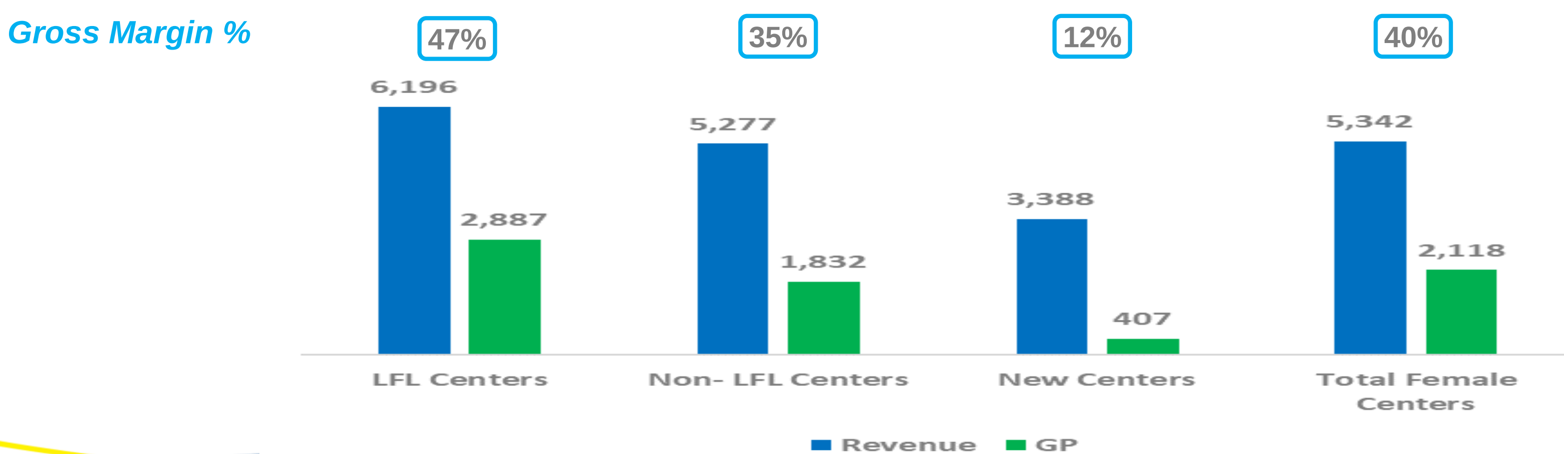
Female Centers continue to make Material Contribution in YTD Sept 2019

Female Centers Openings



YTD Sept CY Female centers Ramp-up Evolution

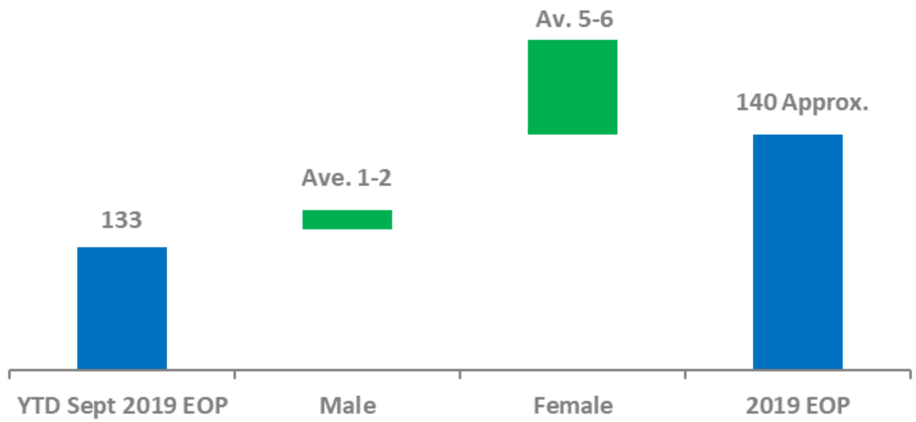
Revenue and Gross Profit per centre (SAR 000)



3. Outlook

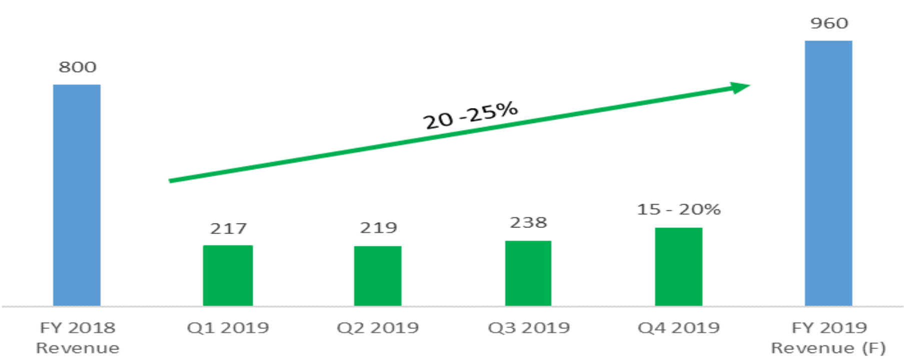
Outlook FY 2019

No. of centres Growth



Revenue Growth

SR in Millions



Tentative Guidance:

- YTD Sept revenue & net income witnessed 17% & 9.3% growth vs. LY, despite ramping-up of 21 centers opened in last 9 months. The momentum is expected to continue during Q4 2019, with revenue growth of 10-15% driven by:
  - further opening of 6-8 fitness centers (mainly female centers)
  - expected better performance with seasonal strong Q4.
  - Continuing LFL growth and ramp up of 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.
  - cost control, and improving customer experience, member retention & services through:
    - successful launch of Fitness Time mobile application (April 29^{th})
    - 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 (e.g HIIT, My Zone etc).
- Despite rising external costs, with opening of new centers, we expect QoQ growth in 2019.

Outlook FY 2020

- ❖15 New Centers in Y 2020 (7 Male & 8 Female)
- ❖Corporate Wellness
- ❖Trial Small Box Model
- ❖Secondary Spend Initiatives
- ❖Cost saving Initiatives
- ❖New Tech.
- ❖Enhanced Customer Experience

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Q&A