

Leejam Sports Co. (Leejam) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Accumulate**

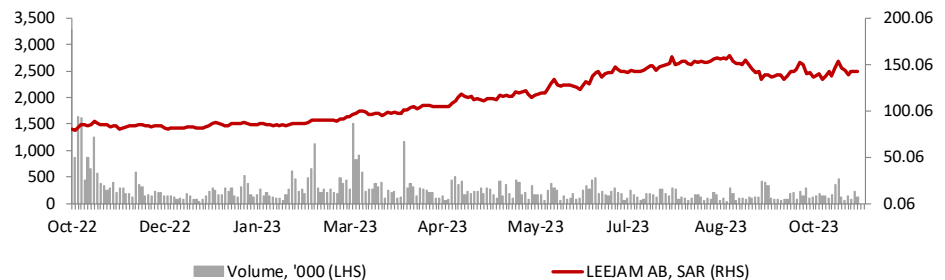
Target Price (SAR): **136.00**

Previous TP & Date: TP: 136 on 31-Jul-2023

Current Upside / (Downside): -4.6%

Date: 10/29/2023

Bloomberg Ticker	LEEJAM AB
Current Market Price (SAR)	142.60
52wk High / Low (SAR)	160/78
12m Average Vol. (000)	262.6
Mkt. Cap. (USD/SAR mn)	2,047/7,679
Shares Outstanding (mn)	52.4
Free Float (%)	48%
3m Avg Daily Turnover (000)	22,605.5
6m Avg Daily Turnover (000)	24,479.9
P/E'23e (x)	25.5
P/Bv'23e (x)	7.1
Dividend Yield '23e (%)	2.2%
Price Perf. (1m/3m) (%)	3.1/-0.9



Leejam's revenue beats our estimate by ~17% as it jumps 31.7% YoY in 3Q 2023

Leejam's revenue jumped 31.7% YoY in 3Q 2023 to SAR 348.2mn, beating our estimate by ~17%. The revenue beat was led by a better-than-expected performance in both the subscriptions & membership revenue (+30% YoY; our estimate: +12.2% YoY), and personal training income (+63% YoY; our estimate: +23.3% YoY). Total members reached a record high of 448 thousand by the end of 3Q 2023, significantly exceeding our estimate of ~353 thousand members.

Strong revenue growth with better cost management boosts operating and net income

Leejam's overall cost of revenue grew 20% YoY, exceeding our expectations of about 11% growth in the same. However, a relatively higher pace of increase in revenue lifted operating profit 48% YoY to SAR 126.5mn (our estimate: SAR 91.7mn). Consequently, net profit expanded 35.5% YoY to SAR 92.2mn, beating our estimate by 37.9%.

Maintain target price

While Leejam's 3Q 2023 financial result has come stronger than expected, we would like to maintain our SAR 136.00 target price, awaiting the detailed financials and earnings call. The company has declared SAR 0.95 per share cash dividend for 3Q 2023, exceeding our estimate of SAR 0.70 per share dividend, and indicating a payout ratio of 53%. At the yesterday's closing price, the TTM dividend yield comes to around 2.4%.

Valuation

At the current market price, the stock trades at 25.5x on our FY 2023e EPS and 13.2x FY 2023e EBITDA, above its 3-year daily average 12-month forward P/E of 20.9x, and its 3-year daily average 12-month forward EV/EBITDA of 11.6x.

Income Statement												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M 2021	9M 2022	YoY (%)
Sales/Revenue	264.5	336.7	277.0	301.8	348.2	298.7	31.7%	15.4%	16.6%	729.1	927.0	27.1%
Gross Profit (Loss)	107.2	165.2	108.7	124.2	159.9	123.5	49.2%	28.8%	29.4%	270.9	392.8	45.0%
Operating Profit (Loss)	85.5	131.2	77.6	91.2	126.5	91.7	48.0%	38.6%	38.0%	196.6	296.2	50.7%
Net Profit (Loss) after Zakat and tax	68.1	107.2	62.7	72.5	92.2	66.9	35.5%	27.2%	37.9%	150.1	227.3	51.4%
Balance Sheet												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	867.1	938.5	943.1	983.5	1,037.2	1,013.9	19.6%	5.5%	2.3%			
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Gross Profit Margin	40.5%	49.1%	39.2%	41.2%	45.9%	41.4%						
Operating Profit Margin	32.3%	39.0%	28.0%	30.2%	36.3%	30.7%						
Net Profit Margin	25.7%	31.8%	22.6%	24.0%	26.5%	22.4%						
Return on Equity (RoE)	31.4%	45.7%	26.6%	29.5%	35.6%	26.4%						
Annualized EPS (SAR)	1.30	2.05	1.20	1.38	7.04	1.28						
BVPS (SAR)					19.80	19.36						
TTM P/E (x)					22.3							
Current P/BV (x)					7.2							

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

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

Recommendation

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

Ubhar Capital SAOC (U Capital)

Website: www.u-capital.net
PO Box 1137
PC 111, Sultanate of Oman
Tel: +968 2494 9000
Fax: +968 2494 9099
Email: research@u-capital.net

Disclaimer: This report has been prepared by Ubhar Capital (U Capital) Research, and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report, and are subject to change without notice. This report may not be reproduced, distributed or published by any recipient for any other purpose.