

Leejam Sports Co. (Leejam) - 1Q22 Result Review

Analyst: Ayisha Zia

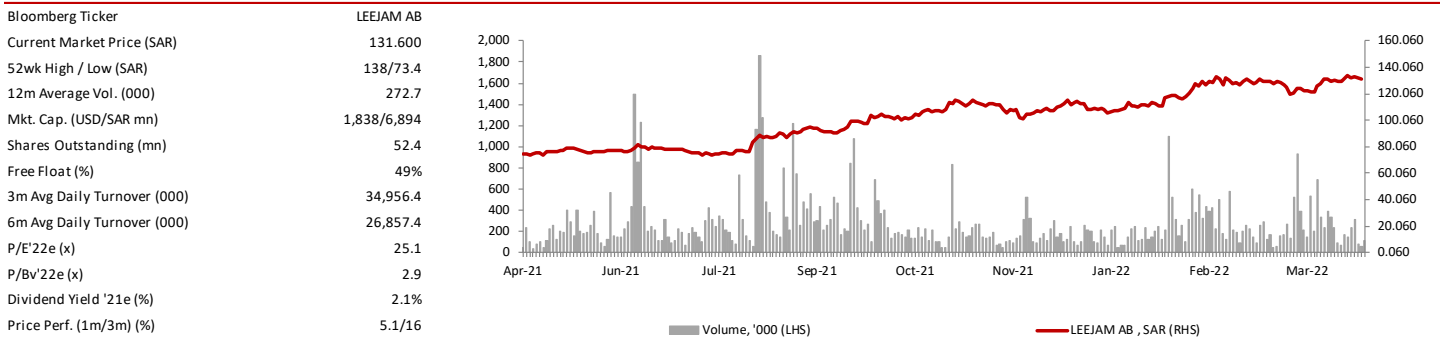
Previous Recommendation: **Accumulate**

Target Price (SAR): **149.000**

Previous Reco. & Date: TP: SAR 149 per share; Buy on 31-Mar-2022

Current Upside / (Downside): 13%

Date: 20-04-22



Revenue rises 56% YoY on the back of new centers, more operating days; in-line

Leejam Sports' revenue in 1Q22 rose 56% YoY to SAR 231.6mn, in-line with our estimate. Opening of new centers and more operating days this year (gyms and fitness centers were closed for nearly a month in 1Q21 to contain the outbreak of COVID-19) primarily drove the revenue higher. On QoQ basis, revenue fell 11% due to the seasonality effect (1Q being generally the lowest).

Operating profit surges by over 10x; matches our estimate

Despite the company registering an increase in overall operating costs, operating profit surged by more than 10x YoY to SAR 58.7mn, backed by an increase in the top-line, thus matching our estimate (-5% variance). The solid growth rate achieved is on a low base of 1Q21 when the operating profit got hit by the COVID-19 pandemic.

Net profit miss our estimate slightly

As a result of the healthy operating performance, the company registered SAR 46.0mn net profit vs. a net loss of SAR 7.0mn in 1Q21. The net profit came-in slightly lower than our estimate of SAR 49.3mn.

Maintain target price

Considering the overall in-line 1Q22 earnings, we maintain our target price on the stock. Separately, shareholders have ratified SAR 2.1 per share dividend proposed for FY21 at the General Assembly Meeting held yesterday.

Income Statement												
(SAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)	Var (%)	2020	2021	YoY (%)
Sales/Revenue	148.5	221.9	253.8	261.0	231.6	220.1	56%	-11%	5%	662.6	885.3	33.6%
Gross Profit (Loss)	27.4	85.7	128.5	130.8	85.7	87.5	213%	-34%	-2%	139.9	372.3	166.2%
Operating Profit (Loss)	4.6	64.1	89.7	98.3	58.7	61.5	1183%	-40%	-5%	(6.1)	258.3	NM
Net Profit (Loss) after Zakat and tax	(7.0)	50.9	76.2	84.2	46.0	49.3	NM	-45%	-7%	(58.7)	206.0	NM
Balance Sheet												
(SAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	657.5	708.4	761.0	804.6	805.0	829.2	22%	0%	-3%			
Key Ratios												
	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e						
Gross Profit Margin	18.4%	38.6%	50.6%	50.1%	37.0%	39.8%						
Operating Profit Margin	3.1%	28.9%	35.3%	37.6%	25.3%	28.0%						
Net Profit Margin	-4.7%	22.9%	30.0%	32.3%	19.9%	22.4%						
Return on Equity (RoE)	-4.2%	28.7%	40.0%	41.9%	22.9%	23.8%						
Annualized EPS (SAR)	0.54	0.83	0.61	0.12	3.513	0.83						
BVPS (SAR)					15.368	15.830						
TTM P/E (x)					26.8							
Current P/BV (x)					8.6							

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

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