

# FIT FOR GROWTH



Investor  
Presentation  
9M 2020

الليجم  
LEEJAM



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# 1. Overview

# Vision, Mission, and Values

## Vision

To be the people's favorite and most accessible wellness club

## Mission

To steer society towards a healthy lifestyle and encourage people to exercise daily

## Values





# Leejam Strategic Pillars

## Unrivalled Customer Experience

Achieve recognition for our exceptional member experience and industry leading standards

Provide extensive access to Fitness Time Support

Provide seamless member onboarding experience to ensure customer satisfaction

Be proactive in listening to feedback through frequent customer satisfaction surveys

Foster a customer-focused culture through training, e-learning and regular testing and assessment

## Focusing on our People

Become the 'Employer of Choice' that offers a positive and motivated working culture

Provide clear and effective structures that reward hard work through shared success

Attract the best talent, retain existing talent and grow our own career development strategy

Develop a Leejam Academy for our staff to receive world class training and development

## Class Leading Tech

Deliver a best-in-class consumer app that will build our relationship with members and prospects, and help brand loyalty

Adopt Smart Gym and provide a cashless and streamlined user experience for our members

Automate business processes and systems to enhance efficiency and collaboration

Create an employee app that will engage our staff members, support training and be a information hub

## Growth

Increase the rate of expansion of our clubs through traditional clubs, Corporate Wellness partnerships and Small Gym concepts for men and ladies

Maintain a balance between brand quality, investment and operational excellence during expansion

Develop secondary income lines like spas, cafes and sports nutrition retail

Analyze pricing policy to deliver no loss-making clubs and maximize income opportunities

Increase club membership to 500K members by 2025

Maintain our rigorous approach to property acquisition and ensure sites deliver consistent performance

Focus on sales and member retention

## Quality

Build systems that guarantee a high degree of quality standards throughout the business

Introduce quality control measures audited by third parties, including Mystery shop, NPS; which are linked to our management development and rewards

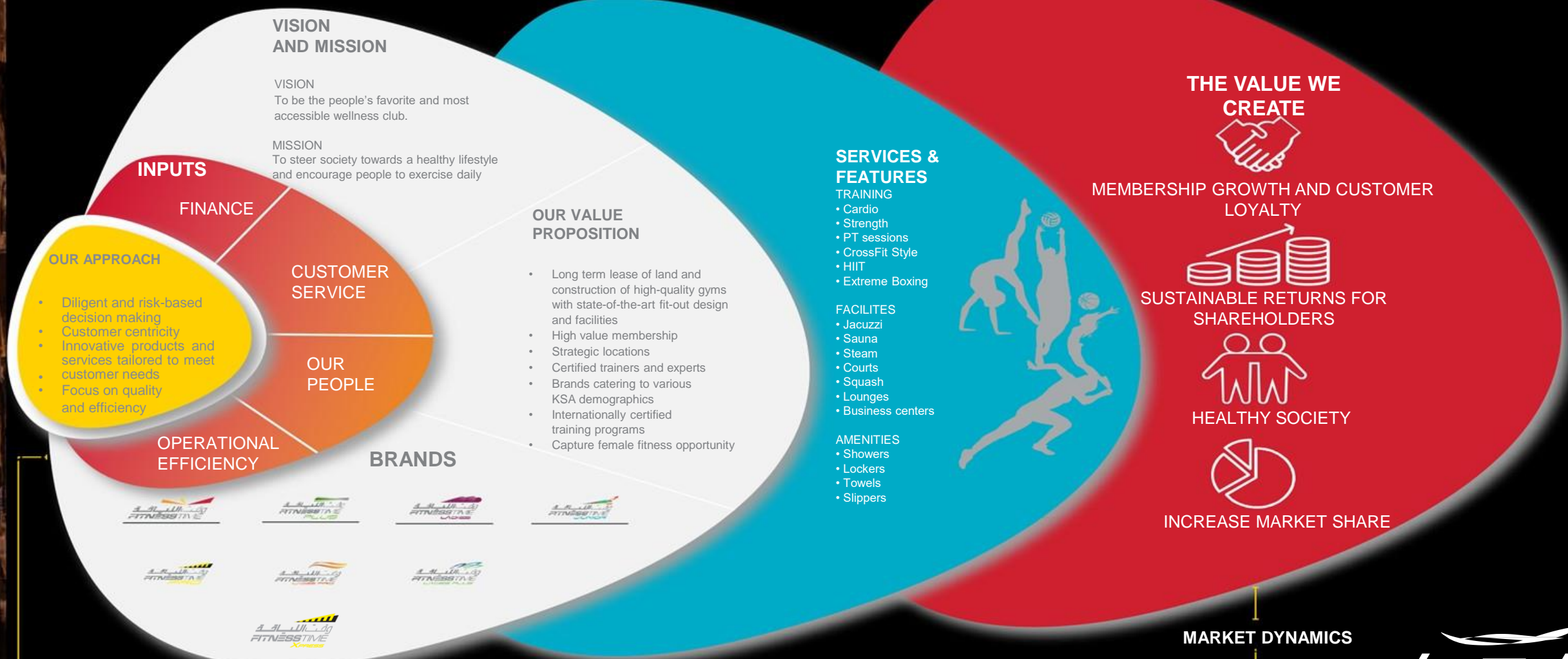
Innovate our Group Exercise, Indoor Cycling, HIIT Studios and Gyms to strengthen our position as market leader

Partner with top brands that add value for our members

Introduce cutting edge data analytics that will benefit members and the business



# Business Model



UNDERPINNED BY OUR DILIGENT RISK MANAGEMENT, BEST PRACTICE GOVERNANCE AND STRONG VALUES



# A Proud Saudi Brand & Largest Fitness center operator in the Region



136

Operational Fitness Centers  
(September 2020)  
Added 6 Centers during 9M 2020



36

Female Centers as of, September 2020  
With



242K

Active Members as of September 2020  
Compared to 292K as of September 2019



Total No. of Employees  
Both Full & Part time

3,568

As of 30 September 2020  
Compared to 3,718 as of 30 September 2019



Corporate

September 2020

160+

Corporate Customers

21K

Corporate Members  
50K as of September 2019

29M

VISITORS  
in 2019



Introducing  
Box12, Class in Q3 2020



Received Best Fitness Brand  
in the UAE by Fit Awards



improved security and  
customer experience

## Financial Highlights



Revenue (IN SAR)	Gross Profit (IN SAR)
429M 9M 2020	50M 9M 2020
675M 9M 2019	242M 9M 2019
EBITDA (IN SAR)	Net Income (IN SAR)
139M 9M 2020	(58)M 9M 2020
334M 9M 2019	138M 9M 2019



# Business Review

## OUR BRANDS



52

Clubs



2

Clubs



40

Clubs



3

Clubs



29

Clubs



6

Clubs



1

Clubs



3

Clubs

136  
locations

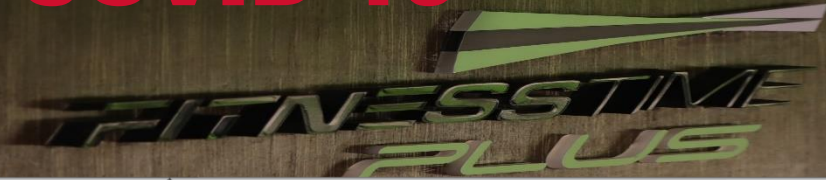
28  
Cities in Saudi Arabia  
& the UAE



## 2. COVID-19



# Post COVID-19

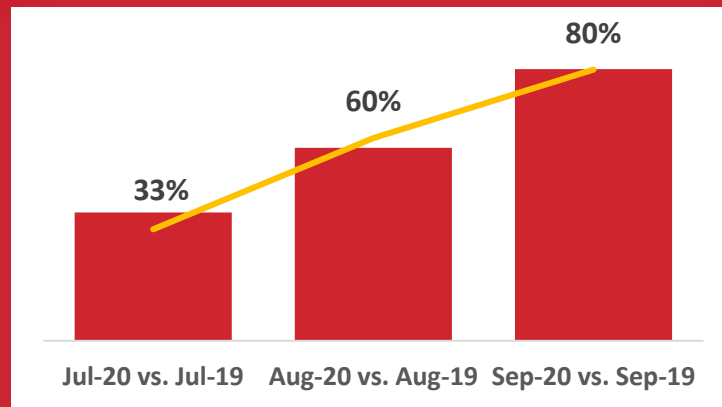


## Market Condition



- Small Player in the market are under pressure after the closures, with a few names reached Leejam for possible M&A.
- Prices are under pressure with heavy discounting after reopening. However; Leejam returned to 2019 discounting rates since August.

## Footfall Post COVID-19



- Total Member attendance increased from 33% in July 2020 compared to 2019 to 80% in September 2020 compared to 2019.

## Additional Cost & Cost Saving



- Rental waive and discounting requests submitted by Leejam to all Landlords resulted in SR 3.6M in Q3, and expected SR 6M in coming Quarters
- Government Initiative for Saudi Employees SANED Registration has been extended till Dec 2020 with Salary coverage reduced to 50%. The number of Leejam's employees registered on SANED is about 300, as of 30 Sep 2020.
- Additional Hygiene cost of about SR 2M/month is incurred, offset by the saving from laundry cost

## Financial Health



- Holding to adequate cash of SR 289M at end of September 2020
- Available Bank facilities to be utilized to ensure continuity of business which includes SR 45M of working capital and SR 267M to support expansion plan



## 3. Executive Summary



# Key Metrics

## Revenue

SAR  
**210 M**  
Q3 2020  
(12%)

**238 M**  
Q3 2019

## Gross Income

**63 M**  
Q3 2020  
(26%)

**85 M**  
Q3 2019

## EBITDA

**92 M**  
Q3 2020  
(24%)

**121 M**  
Q3 2019

## Net Income

**27 M**  
Q3 2020  
(46%)

**49 M**  
Q3 2019

## Members Count

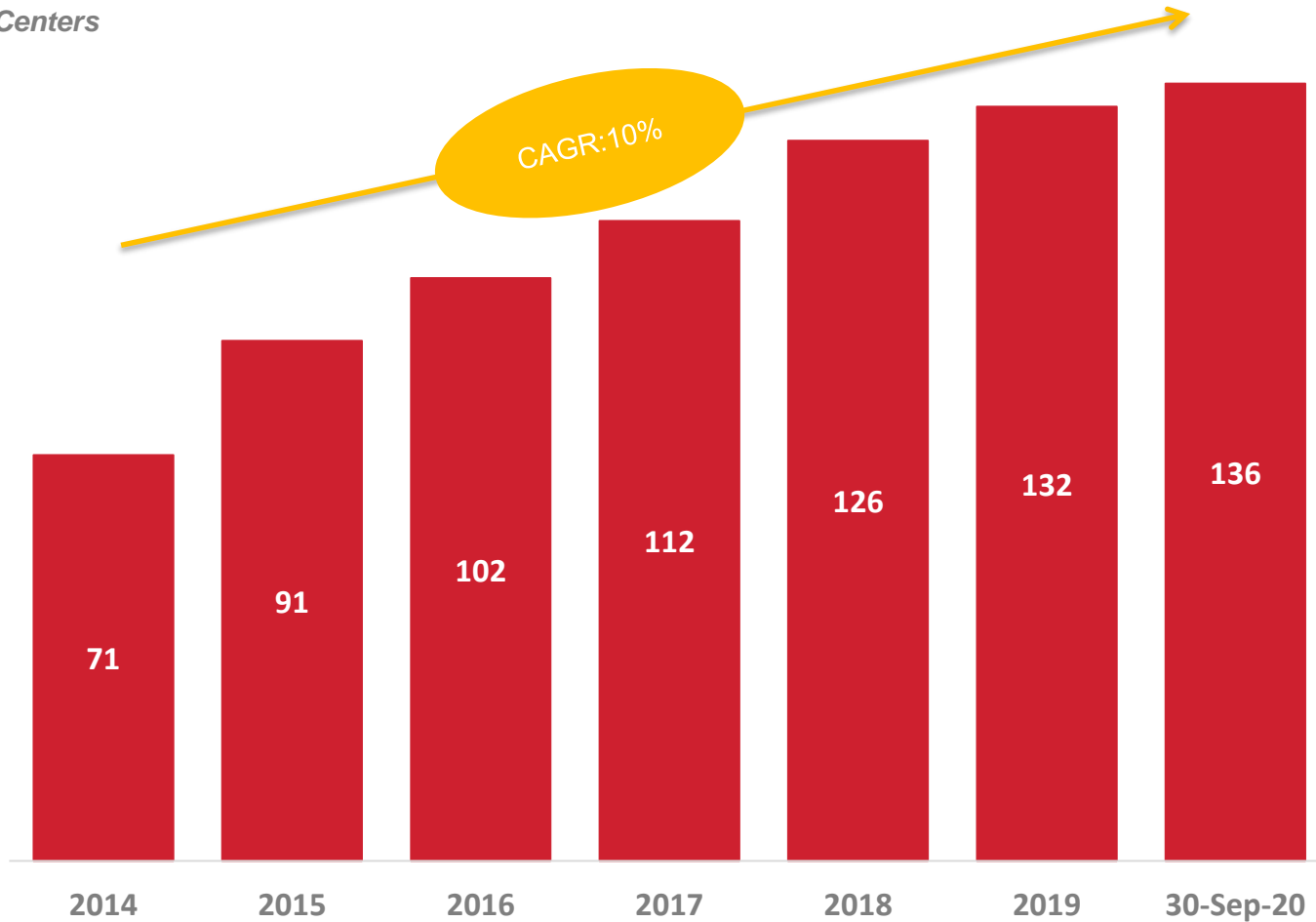
**242K**  
Active Member  
September 2020  
(17%)

**292K**  
Active Member  
September 2019

# Market Leader with Strong Scale Advantage,

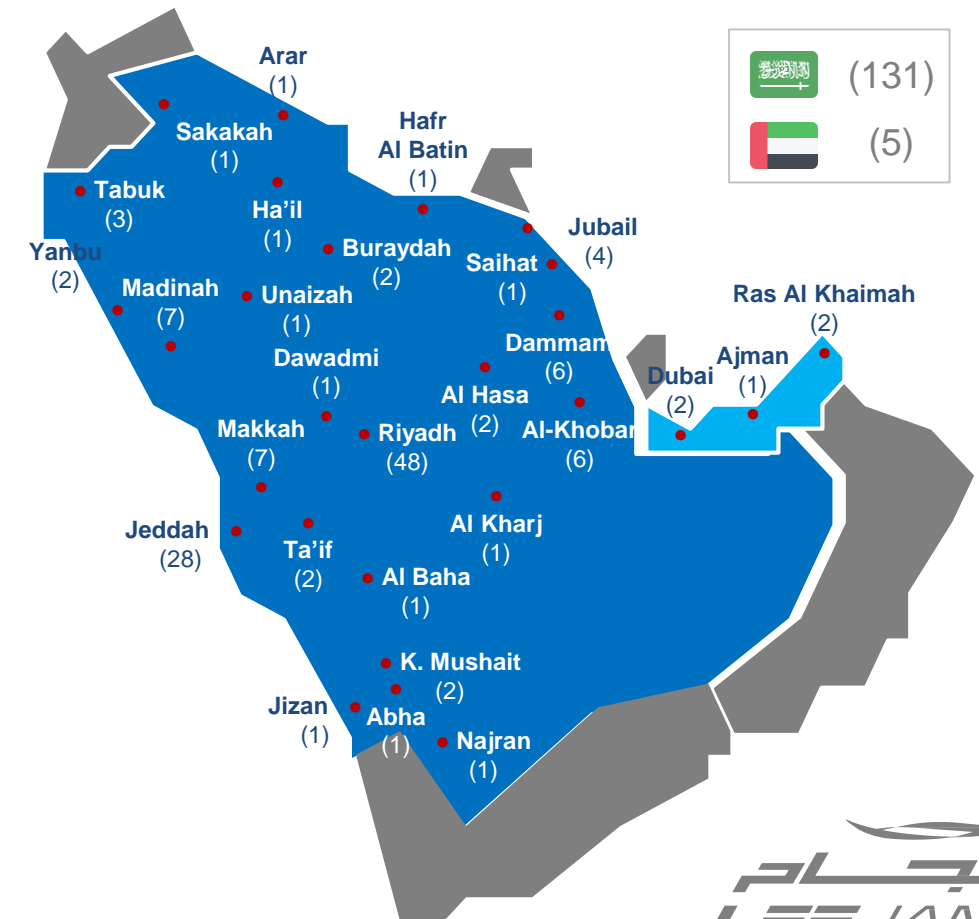
## Fitness Centres Evolution

# of Fitness Centers



## Strong geographical footprint with presence in 28 cities

Geographic Footprint (as of 30 September 2020)



Source: Company  
 • 6 Centers opened during 9M 2020





## 4. Financial Performance

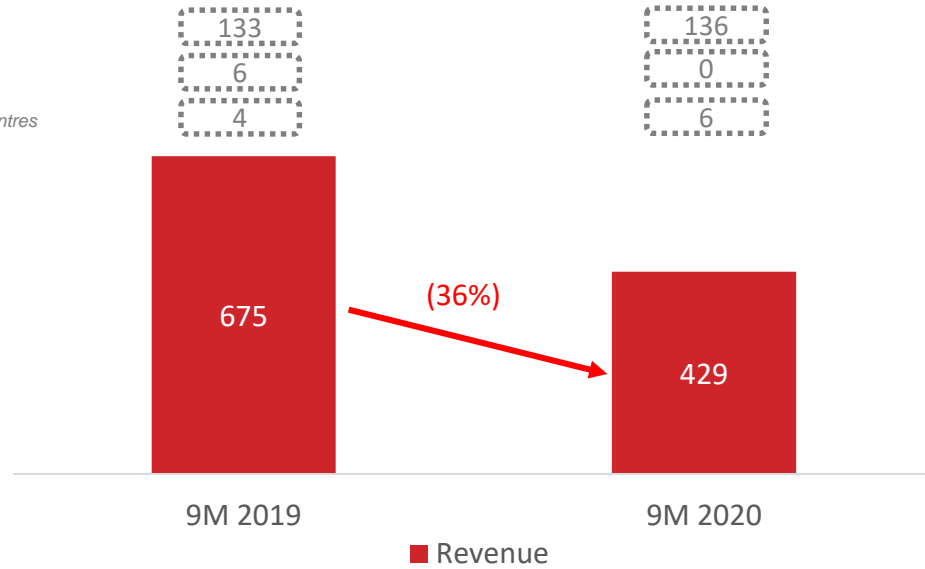
# Revenue and Net Income – 9M 2020

## Revenue

# of Fitness Centres

- new Male Centres

- new & Converted Female Centres



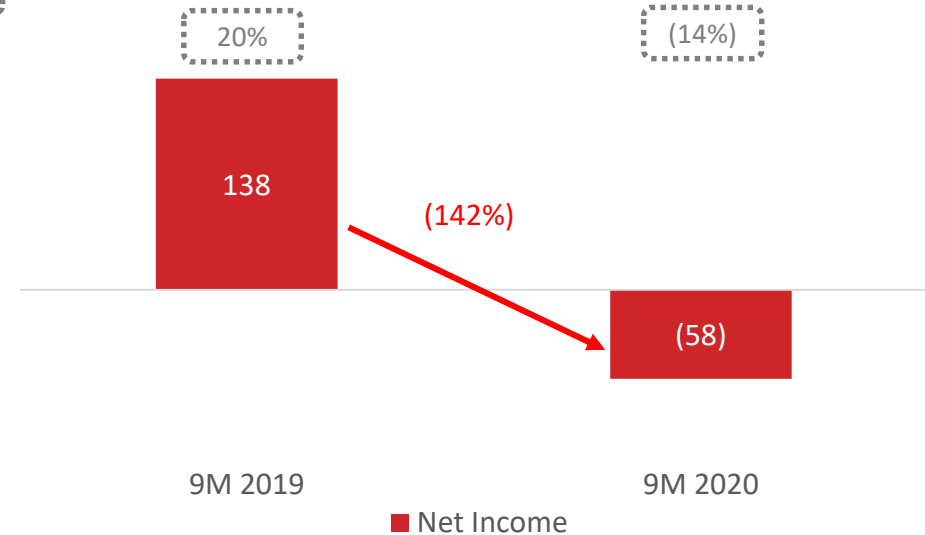
### Key Messages:

- ❖ CY Revenue was 36% lower vs. LY, mainly due to:
  - Impact of Covid-19 pandemic approx. SR 257M.
  - Excluding the impact of Covid-19 revenue of 9 Months 2020 would have been SR 686M with a growth of 2% mainly driven by:
    - Ramp-up of non-LFL centers (10 centers were opened during 2019) and contribution of new centers.

## Net Income

Net Margin %

In MSR



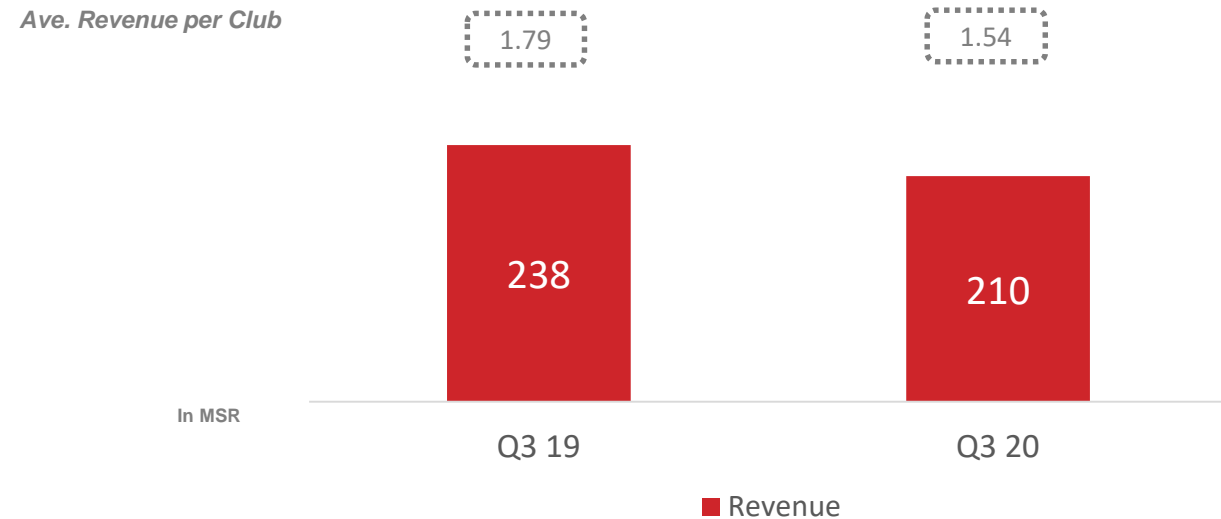
### Key Messages:

- ❖ 142% decline of the 9M 2020 net income primarily driven by:
  - Impact of Covid-19 pandemic approx. SR 177M
  - Not recognizing revenue during lockdown period, however cost were there.
 Excluding the impact of Covid-19, net income of 9M 2020 would have been SR 119M with a growth 28%.



# Revenue and Net Income – Q3 2020

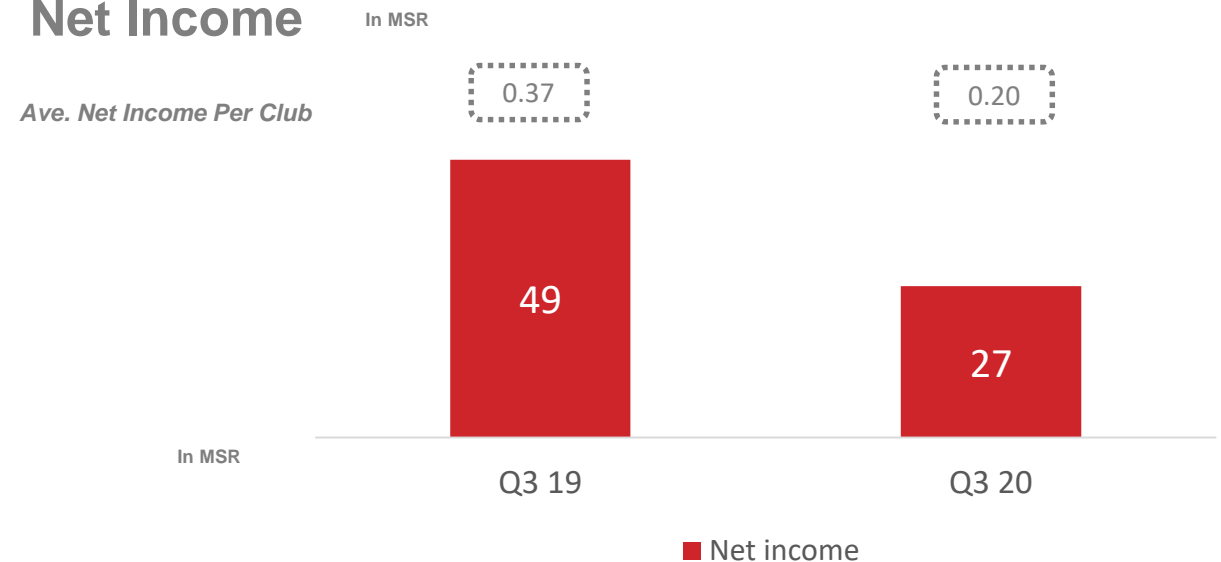
## Revenue



### Key Messages:

- ❖ CY Q3 Revenue was 12% lower vs. LY Q3, mainly due to:
  - Decline in subs. Income and impact of post covid-19 market conditions.
  - Provided that subs. Income and active members are declining compared to LY, PT revenue is slightly increasing driven by more conduction during Q3.

## Net Income



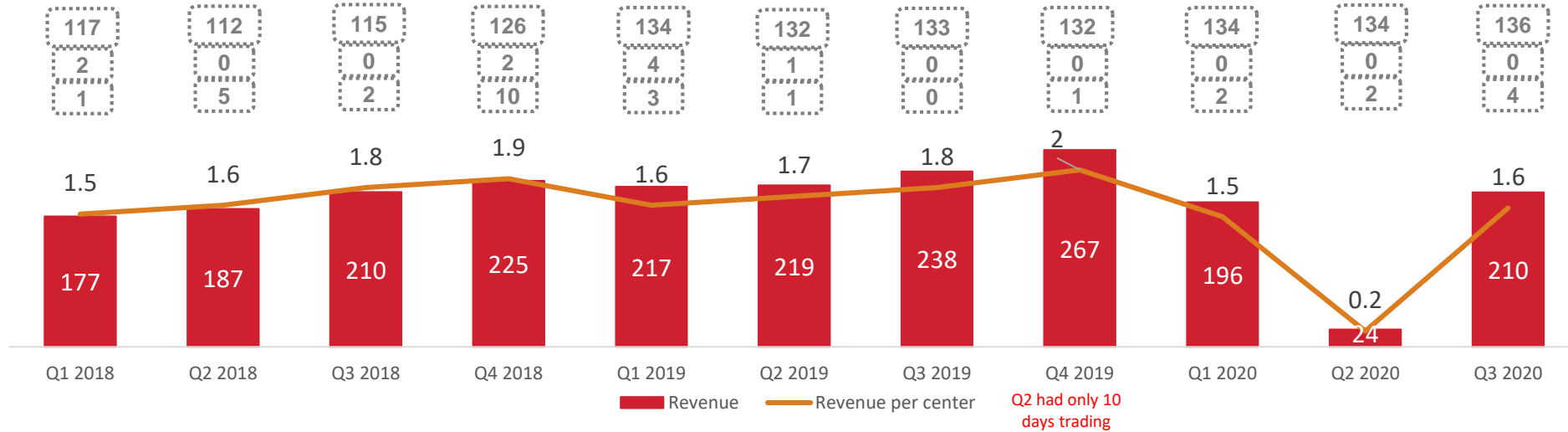
### Key Messages:

- ❖ CY Q3 Net income was impacted by post covid-19 market conditions as subscription income was low comparing last year same quarter.
- ❖ Partly offset by
  - Lower COGS to LY, mainly due to lower salaries, depreciation and maintenance cost.
  - Other Income decrease by SR 4.2M mainly due to Impairment taken by planned closure of Club

# QoQ Growth (SAR million)

## Revenue

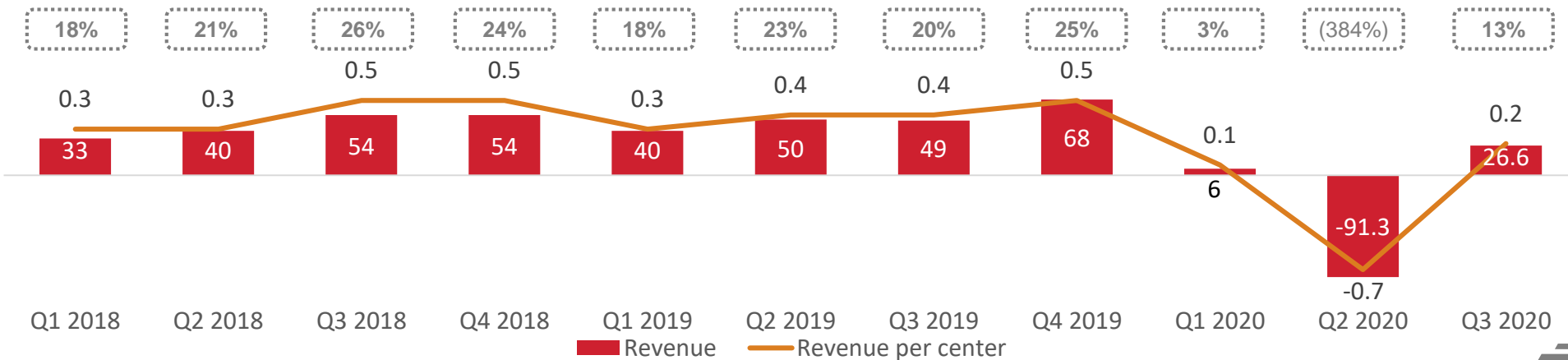
# of Fitness Centres  
 - new Male Centres  
 - new & Converted Female Centres



In MSR

## Net Income

Net Margin %

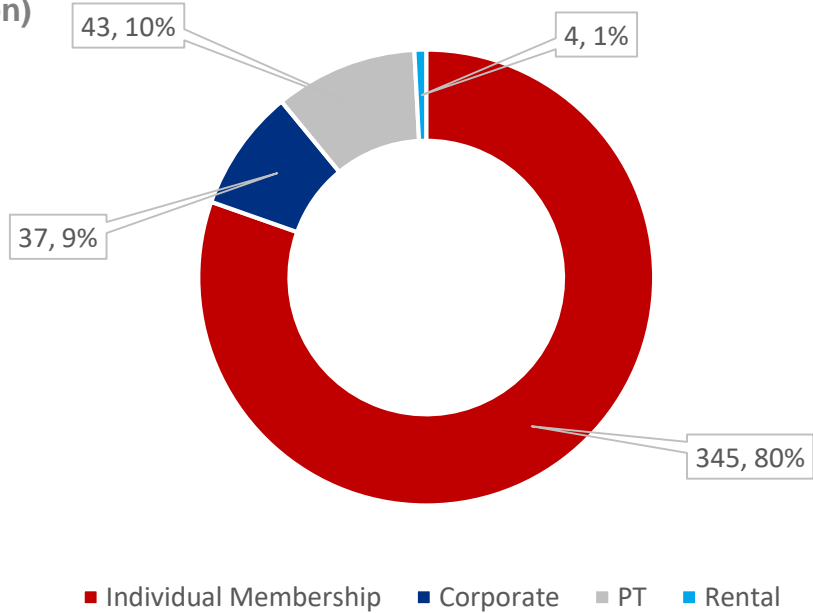




# Revenue Break-Down

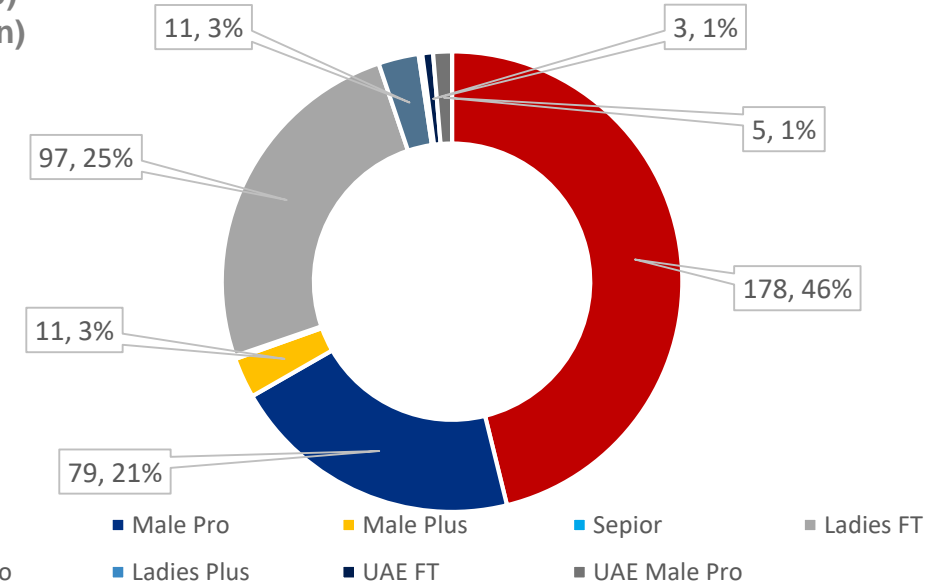
## Revenue by Type

(%, 9M 2020)  
(SAR million)



## Center Revenue by Brand

(%, 9M 2020)  
(SAR million)



Revenue Breakdown	CY	LY	Δ	Δ%
Individual Membership	345	509	(164)	(32.2%)
Corporate	37	96	(59)	(61.4%)
Personal training income	43	63	(19)	(30.9%)
Rental income	4	7	(3)	(46.7%)
<b>Total</b>	<b>429</b>	<b>675</b>	<b>(245)</b>	<b>(36.4%)</b>

## No. of centers by category

Category	Q3 2020	2019	2018	2017
FT Men	55	53	49	50
PRO Men	40	42	41	42
Plus Men	2	2	4	4
Junior	3	4	6	8
FT Female	29	24	20	4
PRO Female	6	6	6	4
Plus Female	1	1	0	0
<b>Total</b>	<b>136</b>	<b>132</b>	<b>126</b>	<b>112</b>

# Q3 Marketing Campaigns

2020 Vs 2019 Campaigns		Offer Days	3mo	6mo	12mo
2019	July Campaign	10	Buckets as per the Clubs 35 - 50%		
2020	July Campaign	31	40%	40%	40%
2019	August Campaign	27	Buckets as per the Clubs 20% - 45%		
2020	August Campaign	25	30%	30% + 1 month Free	30% + 1 month Free
2019	September – Saudi National Day Campaign	23	35%	35%	35%
	September – Saudi National Day Campaign Free Days	7	35% + 29 Days	35% + 39 Days	35% + 89 Days
2020	September – Saudi National Day Campaign	26	30% + 1 month Free	30% + 2 months Free	30% + 3 months Free



# 9M 2020 P&L

SR M	9M 19	9M 20	Δ	Δ%
Revenue	674.7	429.4	(245.3)	(36.36%)
Cost of revenue	433.1	379.1	(54.0)	(12.46%)
<b>Gross profit</b>	<b>241.6</b>	<b>50.3</b>	<b>(191.3)</b>	<b>(79.18%)</b>
<b>Gross profit Margin</b>	<b>35.81%</b>	<b>11.72%</b>	<b>(24.09%)</b>	<b>(24.09%)</b>
Advertising and marketing expenses	(10.3)	(13.4)	(3.1)	30.06%
General and administrative expenses	(53.6)	(51.4)	2.2	(4.14%)
Impairment (loss) / reversal on financial assets	(1.7)	(1.7)	(0.0)	0.06%
Other income	8.1	1.4	(6.7)	(83.08%)
<b>Operating income</b>	<b>184.1</b>	<b>(14.8)</b>	<b>(198.9)</b>	<b>(108.01%)</b>
<b>Operating income Margin</b>	<b>27.29%</b>	<b>(3.43%)</b>	<b>(30.73%)</b>	<b>(30.73%)</b>
Finance charges	42.6	43.5	0.9	2.10%
<b>Net income before Zakat</b>	<b>141.6</b>	<b>(58.2)</b>	<b>(199.8)</b>	<b>(141.11%)</b>
Zakat	3.6	0.0	(3.6)	(100.00%)
<b>Net income</b>	<b>138.0</b>	<b>(58.2)</b>	<b>(196.2)</b>	<b>(142.18%)</b>
<b>Net income Margin</b>	<b>20.45%</b>	<b>(13.56%)</b>	<b>(34.01%)</b>	<b>(34.01%)</b>
Basic earnings per shares	2.63	(1.11)	(3.7)	(142.21%)
<b>EBITDA</b>	<b>333.9</b>	<b>138.7</b>	<b>(195.2)</b>	<b>(58.46%)</b>
<b>EBITDA Margin</b>	<b>49.5%</b>	<b>32.31%</b>	<b>(17.19%)</b>	<b>(17.19%)</b>

## Key Messages:

- ❖ Revenue decline of SR 245M (36%) mainly due to closure of all clubs since 16<sup>th</sup> Mar until Jun 21<sup>st</sup>, 2020 due to covid-19 pandemic.
- ❖ Cost of revenue decreased by SR 54M (12%) mainly due to decrease in salaries, utilities, cleaning, consumables and security and partly offset by increase in government expenses (high iqama, work permit and licenses fees).
- ❖ Higher Advertising expenses of by SR 3.1M (30%) driven by increasing marketing activities mainly higher social media presence.
- ❖ G&A expenses is almost same LY, mainly due to lower salaries and government expenses, offset by increase professional fees, FA provision and other costs.
- ❖ Other Income decreased by SR 6.7M mainly due to impairment of KAA Club.
- ❖ Finance cost higher by SR 0.9 M mainly driven by higher loans balance to support expansion plan.

# Q3 2020 P&L

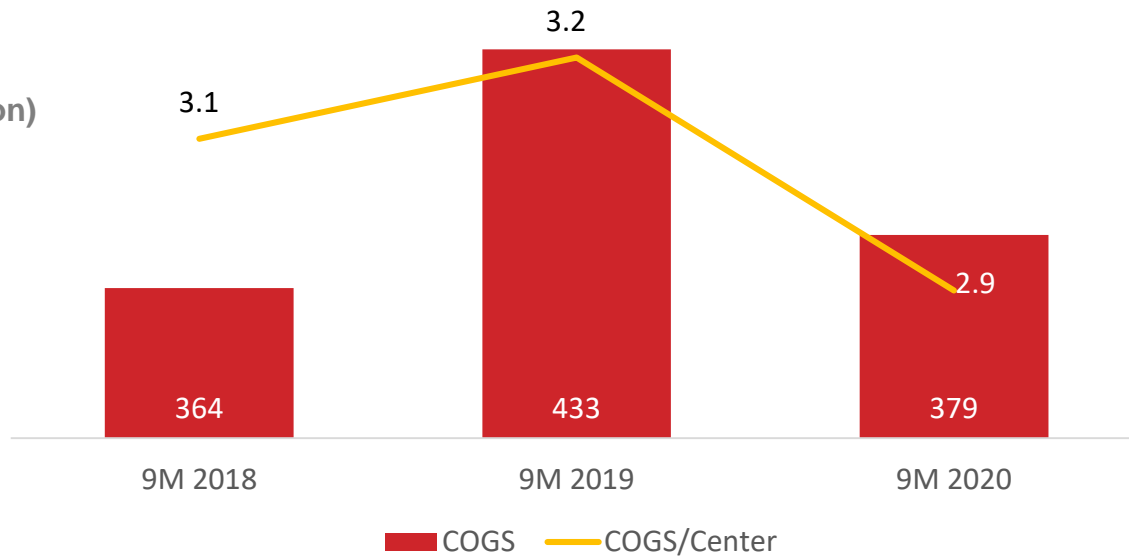
SR M	Q3 19	Q3 20	Δ	Δ%
Revenue	238.4	209.5	(28.8)	(12.10%)
Cost of revenue	153.3	146.4	(6.9)	(4.52%)
<b>Gross profit</b>	<b>85.0</b>	<b>63.1</b>	<b>(21.9)</b>	<b>(25.76%)</b>
<b>Gross profit Margin</b>	<b>35.67%</b>	<b>30.12%</b>	<b>(5.55%)</b>	<b>(5.55%)</b>
Advertising and marketing expenses	(3.2)	(3.7)	(0.5)	15.40%
General and administrative expenses	(19.1)	(17.4)	1.7	(9.09%)
Impairment (loss) / reversal on financial assets	(0.7)	(0.5)	0.2	(25.57%)
Other income	3.1	(1.2)	(4.2)	(138.18%)
<b>Operating income</b>	<b>65.1</b>	<b>40.3</b>	<b>(24.7)</b>	<b>(37.98%)</b>
<b>Operating income Margin</b>	<b>27.29%</b>	<b>19.26%</b>	<b>(8.03%)</b>	<b>(8.03%)</b>
Finance charges	15.0	13.8	(1.2)	(7.94%)
<b>Net income before Zakat</b>	<b>50.1</b>	<b>26.6</b>	<b>(23.5)</b>	<b>(46.95%)</b>
Zakat	1.3	0.0	(1.3)	(100.00%)
<b>Net income</b>	<b>48.8</b>	<b>26.6</b>	<b>(22.2)</b>	<b>(45.57%)</b>
<b>Net income Margin</b>	<b>20.48%</b>	<b>12.68%</b>	<b>(7.80%)</b>	<b>(7.80%)</b>
Basic earnings per shares	0.93	0.51	(0.4)	(45.16%)
<b>EBITDA</b>	<b>120.9</b>	<b>91.5</b>	<b>(29.4)</b>	<b>(24.32%)</b>
<b>EBITDA Margin</b>	<b>50.7%</b>	<b>43.67%</b>	<b>(7.05%)</b>	<b>(7.05%)</b>

## Key Messages:

- ❖ Revenue decline of SR 29 (12%) mainly due to adverse market conditions post covid-19 pandemic.
- ❖ Cost of revenue decreased by SR 7M (5%) mainly due lower salaries ad benefit cost and decrease in R&M at Clubs and higher depreciation taken for converted clubs in last year quarter, partly offset by increase in utility.
- ❖ Advertising expenses increased by SR 0.5M (15%) driven by increasing marketing activities mainly higher social media presence.
- ❖ Decrease in G&A expenses is mainly due to lower salaries (lower allowances and commissions) partly offset by increase in professional fees and government expenses.
- ❖ Finance cost lower by SR 1.2M mainly due to decrease in SIBOR Rate and lower bank commission due to less Subscription income.

# COGS & SG&A

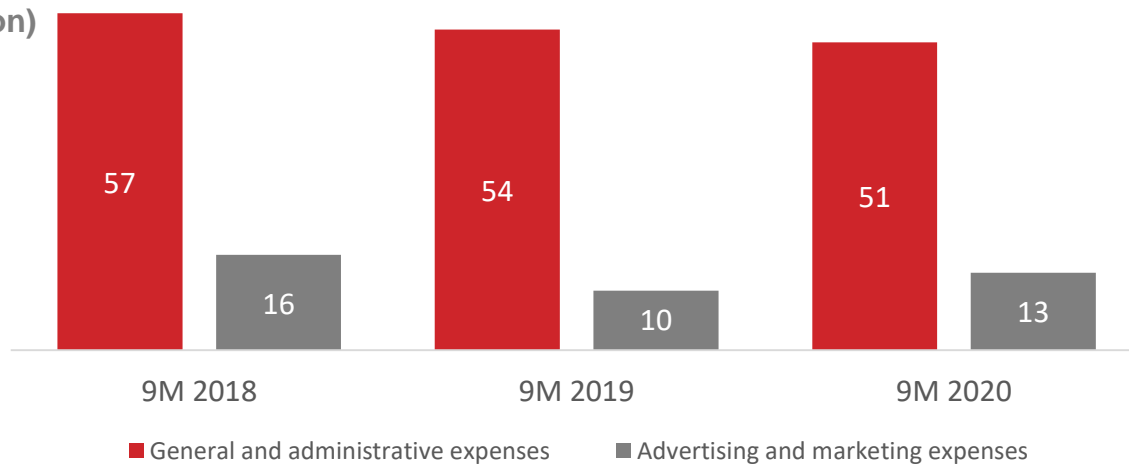
## COGS (SAR million)



### Key Messages:

- ❖ 9% decrease in average COGS / center is mainly driven by:
  - Lower salaries and benefits (lower allowances and commissions), decrease in utilities, cleaning expenses, consumables and security, partly offset by increase in government expenses (higher iqama, work permit and licenses fees).

## SG&A (SAR million)



### Key Messages:

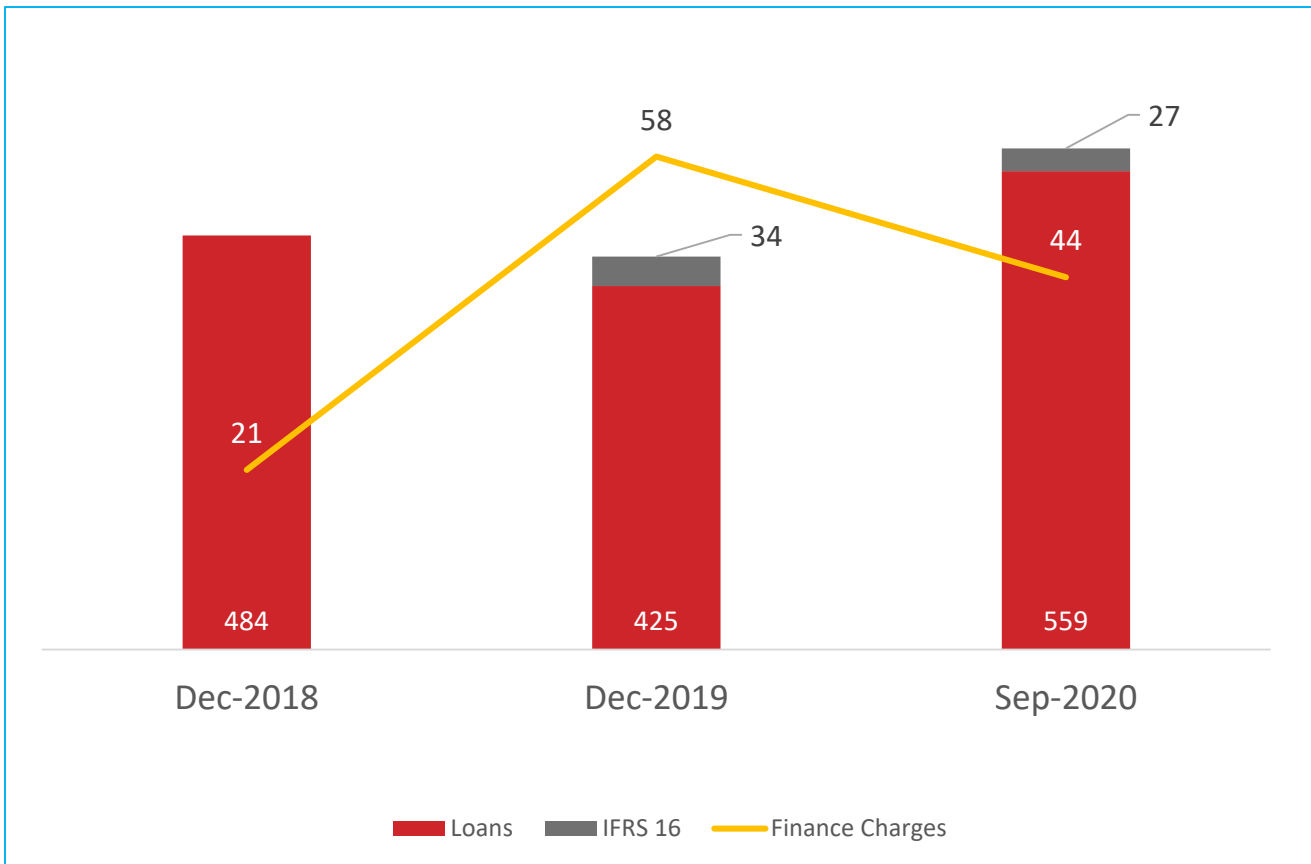
- ❖ Increase in advertising & marketing cost mainly due to higher campaigns & longer durations, higher media spend and more activities to enhance customers awareness that will lead to improvements in realized price.
- ❖ General and administrative expenses were lower by 4% due decrease in staff cost and others



# Loans & Finance Charges

## Loans and Finance Charges

(SAR million)

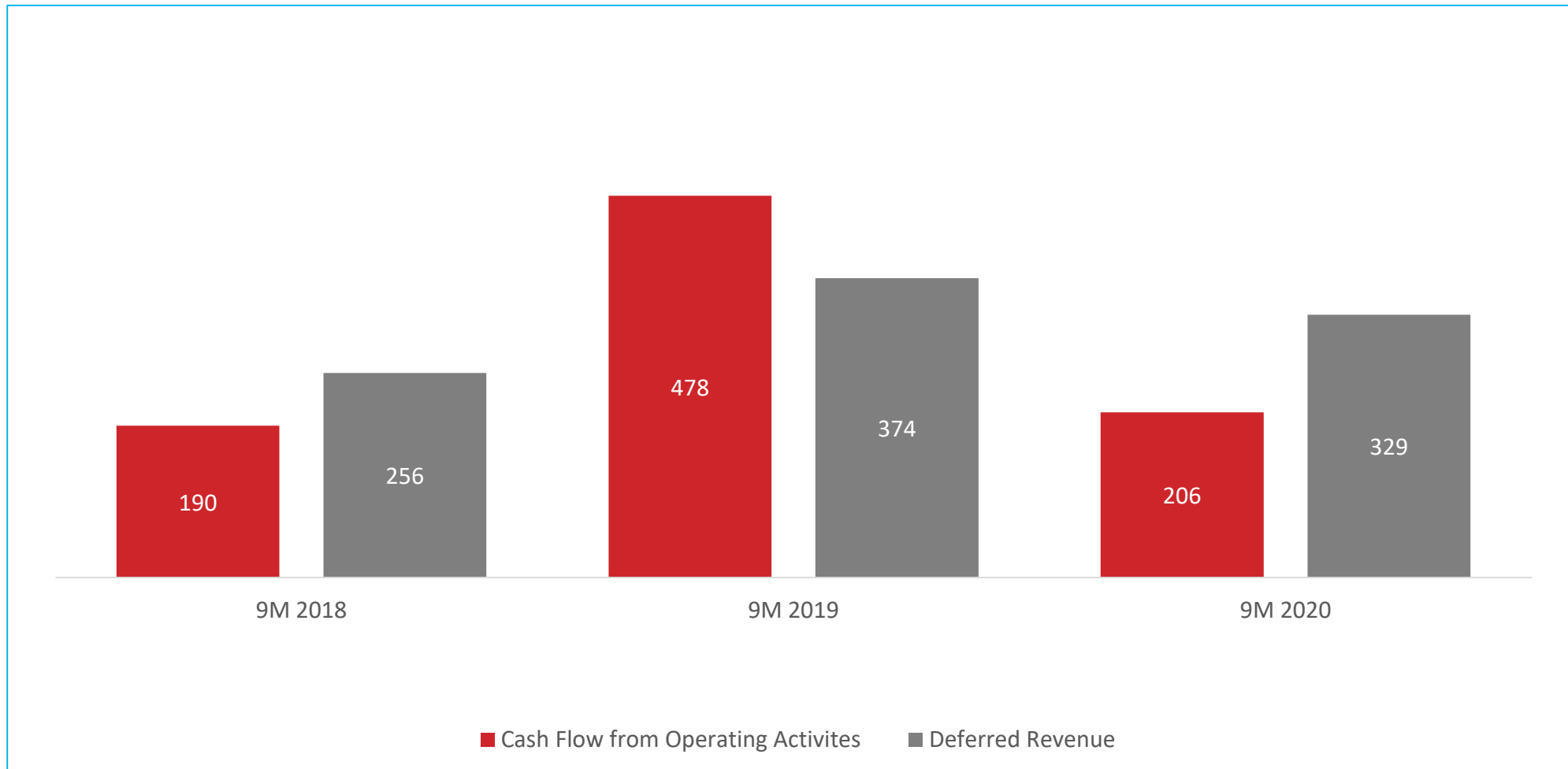


### Key Messages:

- ❖ YOY Increase in loans to support center expansion.
- ❖ Overall bank loan increased by SR 134M, however Cash increased by SR 221M
- ❖ Approximate 50-60% split by managing the portfolio between floating & fixed rated borrowings.
- ❖ Weighted average cost of borrowings approximate 2.8%.

# Cash Generation

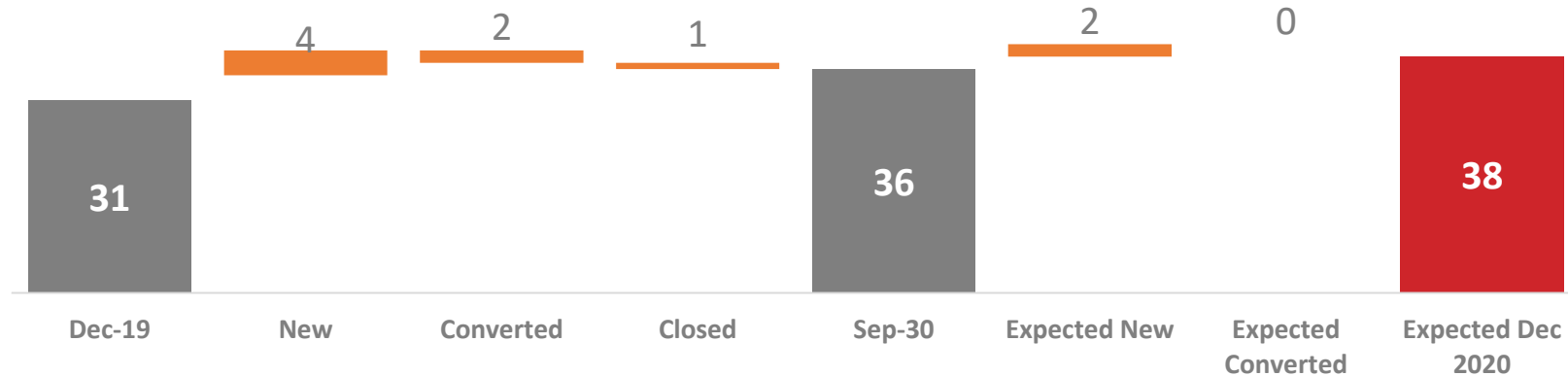
## Cash Flow From Operations & Deferred Revenue (SAR million)



# 9M 2020 Male & Female Segments

## Female Centers continue to make Material Contribution in 9M 2020

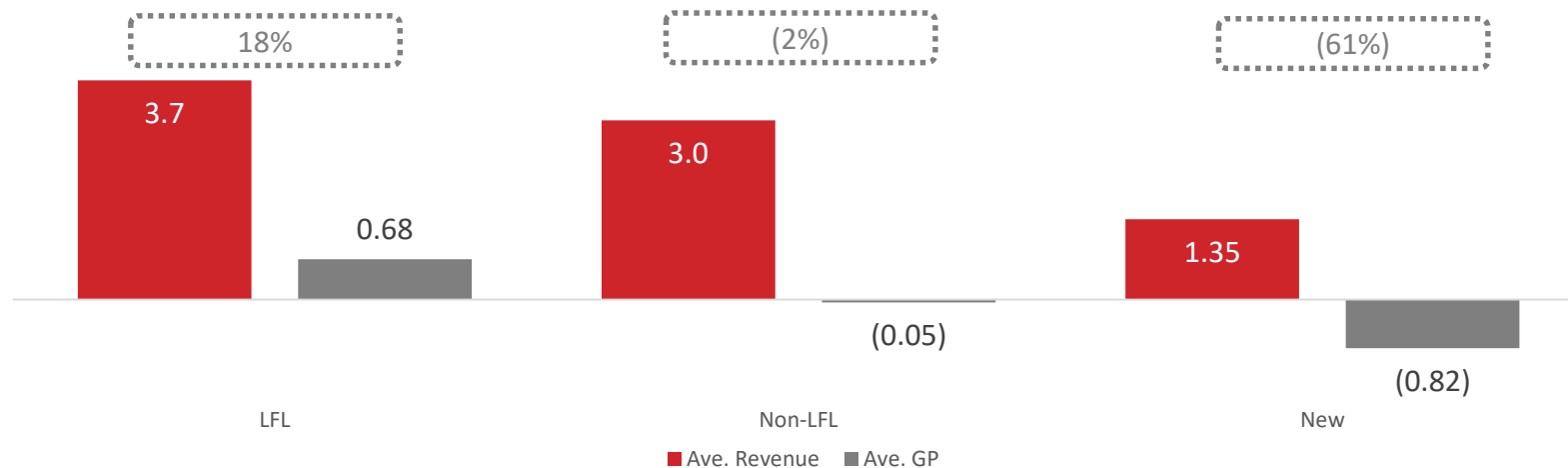
### Female Centers Openings



## CY Female centers Ramp-up Evolution

### Revenue and Gross Profit per centre (SAR million)

Gross Margin, Ave.

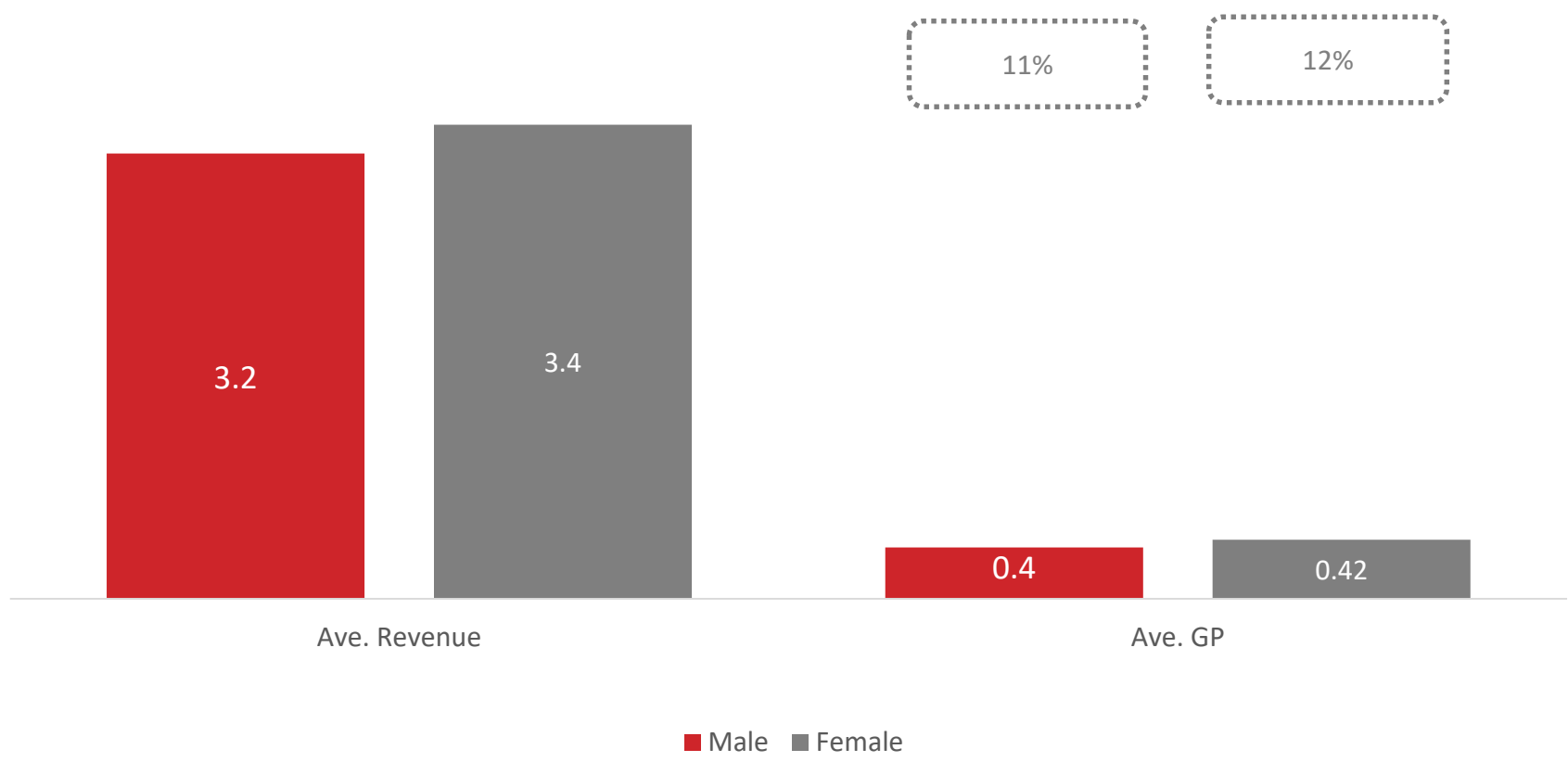




# Male vs. Female Centres Performance

Based on Q3 2020 performance  
Revenue and Gross Profit per centre (SAR million)

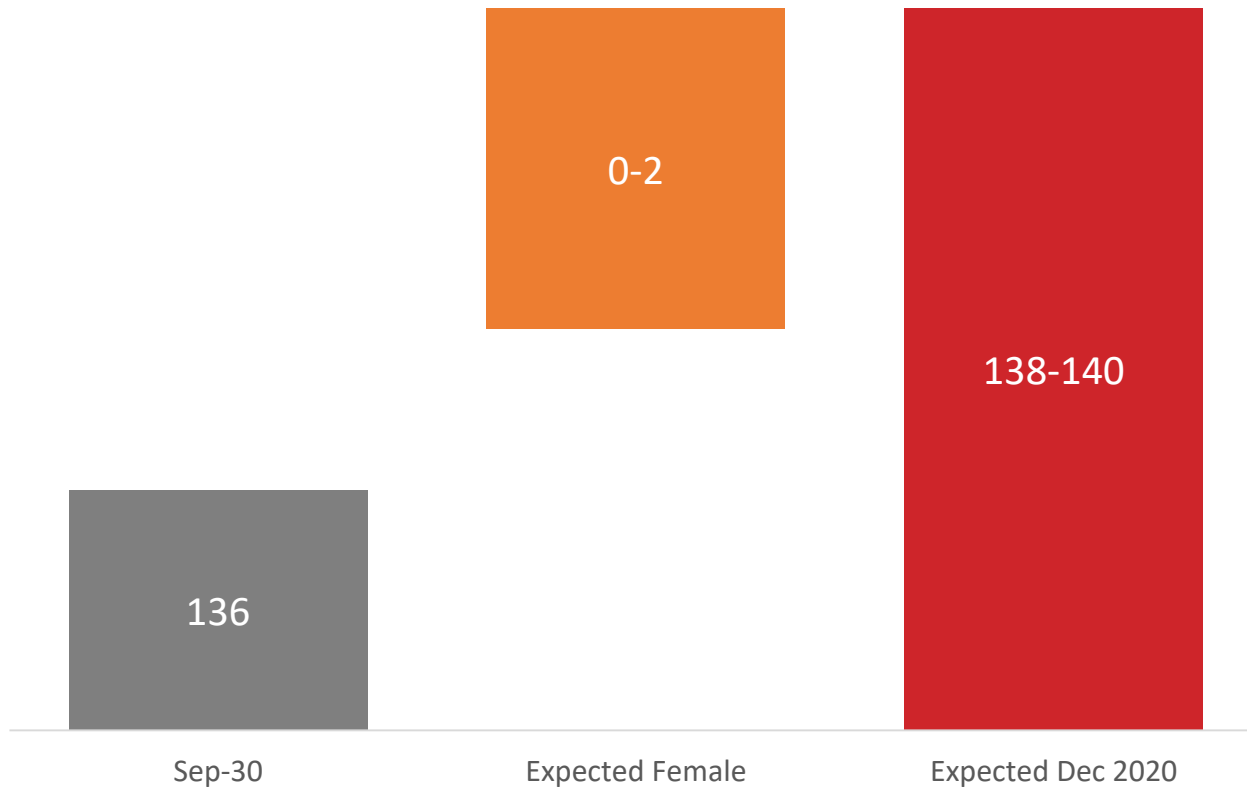
*% Gross Margin, average*





## 5. Outlook FY 2020

## No. of centres Growth



### Tentative Guidance:

- ❖ 2020 growth will be driven by:
  - Further opening of 0-2 female centers
  - 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
  - Cost control, and improving customer experience, member retention & services.
- ❖ Despite the impact of covid-19, we expect profitability to continue as achieved in Q3.





**Thank you**

**6. Q&A**

