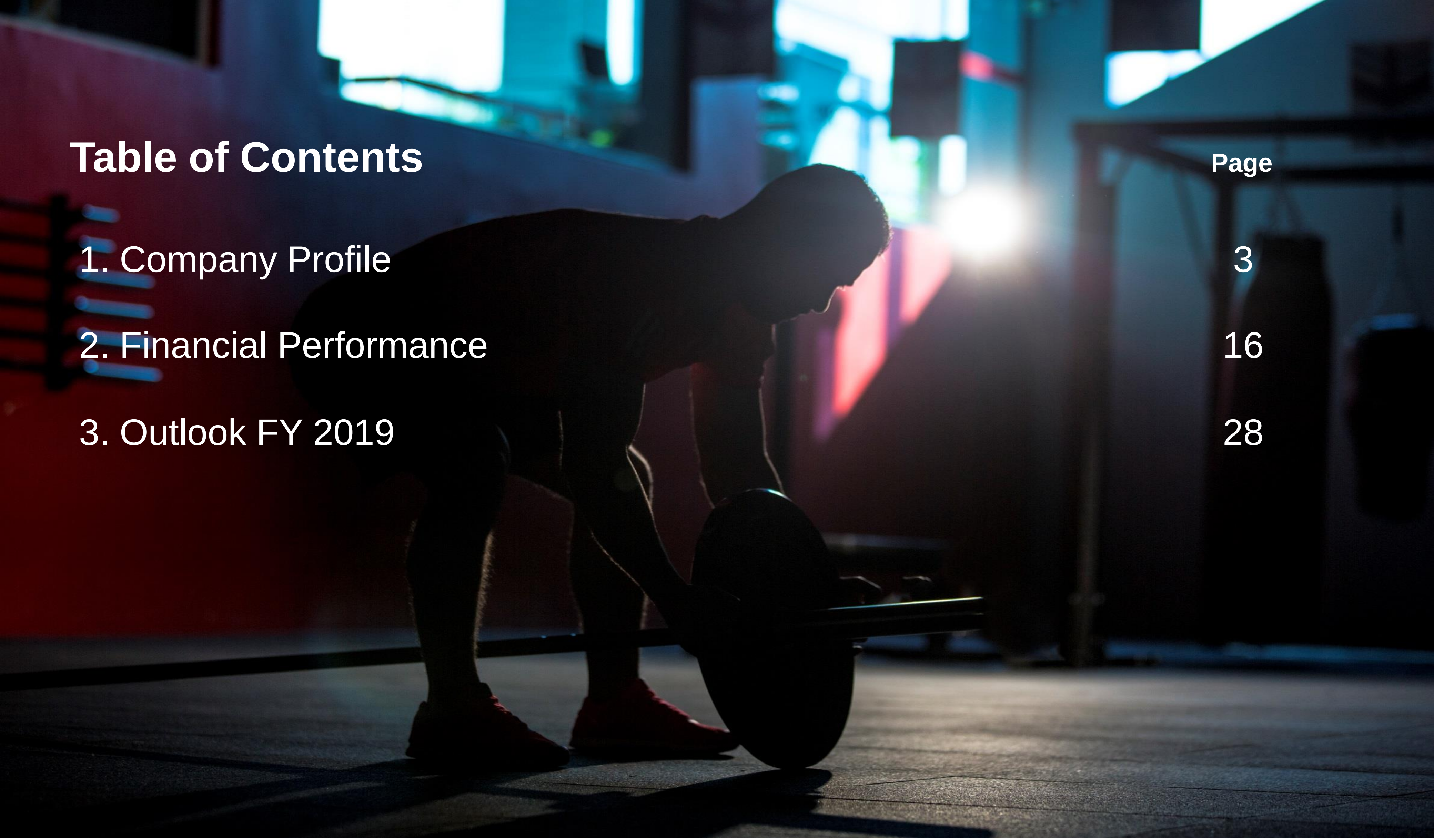
Leejam Sports Company

Investor Presentation

FY 2018 Results



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1. Company Profile

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

126 incl. 26 female

Operational Fitness Centers
(31 December 2018)

217k

Active Members & growing
(31 December 2018)

16%

Female members of total member base
(26 female centers as of December 2018)

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

800M SAR
Revenues
(FY 2018)

733M SAR
Revenues
(FY 2017)

180M SAR
Net Income
(FY 2018)

174M SAR
Net Income
(FY 2017)

313M SAR
EBITDA
(FY 2018)

291M SAR
EBITDA
(FY 2017)

54M SAR
Net Income
(Q4 2018)

49M SAR
Net Income
(Q4 2017)

255+
Corporates as Customers

40k
Corporate Members Approx.

Participated in 13
Fitness Events in KSA &
2,850 Staff Training hours in 2018

Macro KSA Environment

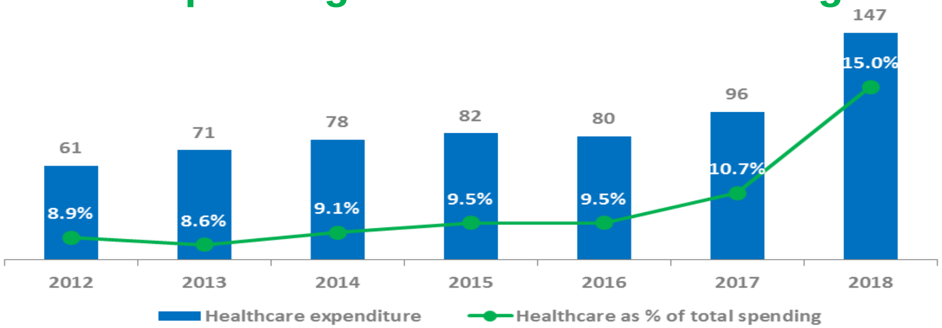
Government initiatives aim at supporting the health and fitness sector

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, Jan 2019

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.

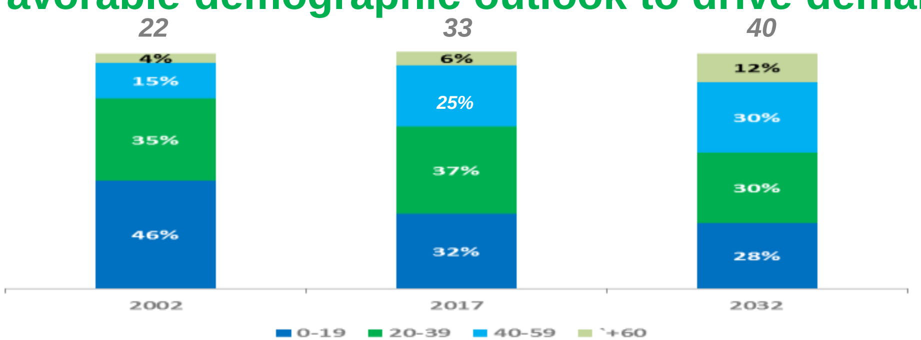
Healthcare spending to drive fitness sector growth



The government's expenditure on healthcare has increased over the past few years at a CAGR of 9.2%.

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



NCBC research report, Jan 2019

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.

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

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

Invest In Our People

Open Door Policy

Enhance Customer Experience

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

Improved Corporate Governance

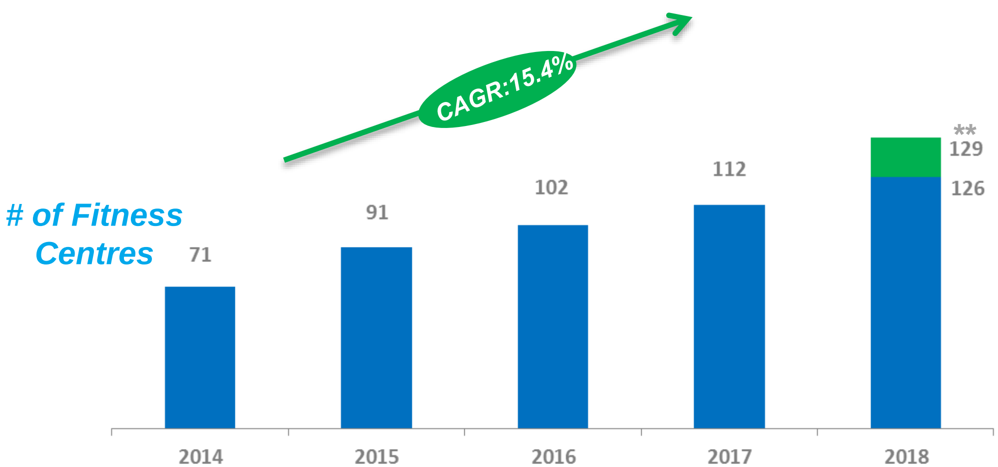
Leverage Technology

Grow and Exceed Shareholders Expectations

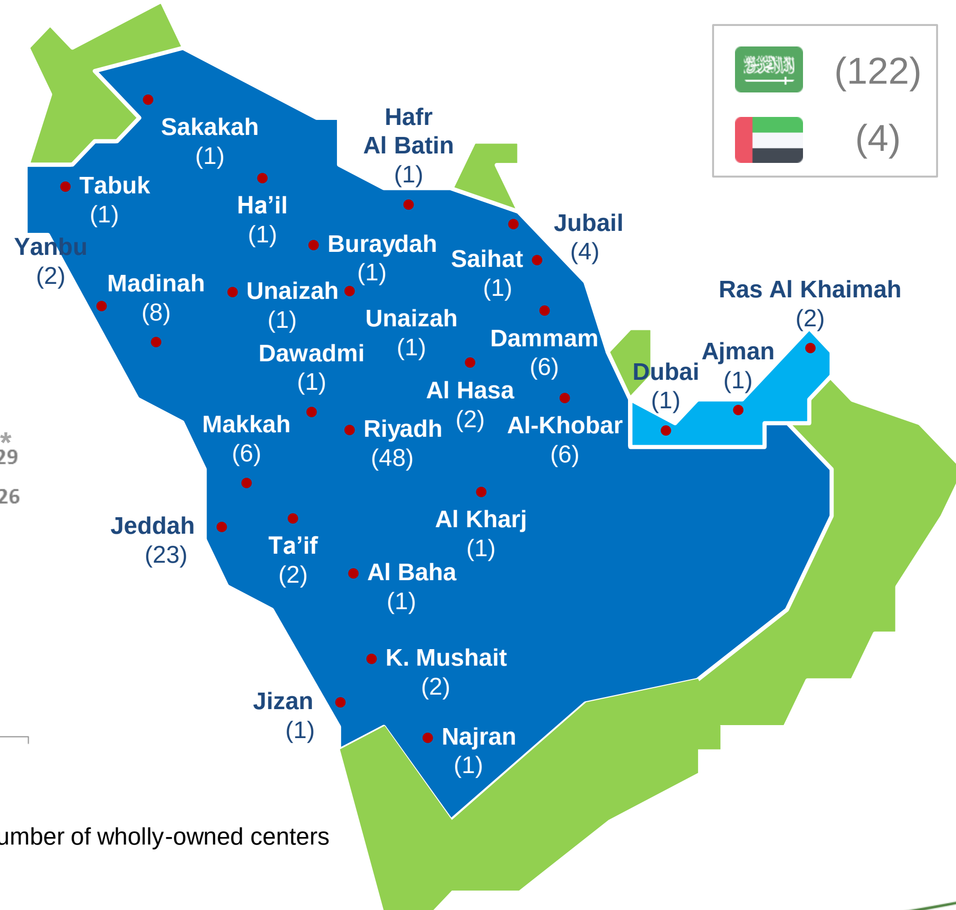
Market Leader with Strong Scale Advantage

Strong geographical footprint with presence in 27 cities

Fitness Centres Evolution



Geographic Footprint
(as of 31 December 2018)



Source: Company

* Based on International Health, Racquet & Sports club Association (IHRSA) in terms of number of wholly-owned centers

** 3 centers are currently closed for conversion to female centers

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	46	39	4	-	20	5
# of Fitness Centres[1] – UAE	-	1	2	0	-	-	1
12-month Price (SAR)[2]	8,925*	4,988*	3,255*	3728*	8,925*[3]	4,988*[3]	3,255*[3]

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 Academy & 1 Kidzenia locations (for kids). Total 126 locations.

[1] As of 31 Dec 2018
[2] Standard prices as of 31 Dec 2018
[3] Female prices are based on “Home Rate” membership
[*] 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.
- >1000 Floor Trainers in the current network

Special Events

- Competitions and tournaments organised on a regular basis for members
- Over 13k participants in 2018 across 10+ sports

Personal Training

- 1-on-1 coaching from a qualified instructor, launched in 2015
- Available in 81 centers, with over 228 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 centres & 35 GX classes / week for Female centres

Industry-Leading Equipment

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

[1] as of 31 of December 2018

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 27cities 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 Service

Key Statistics

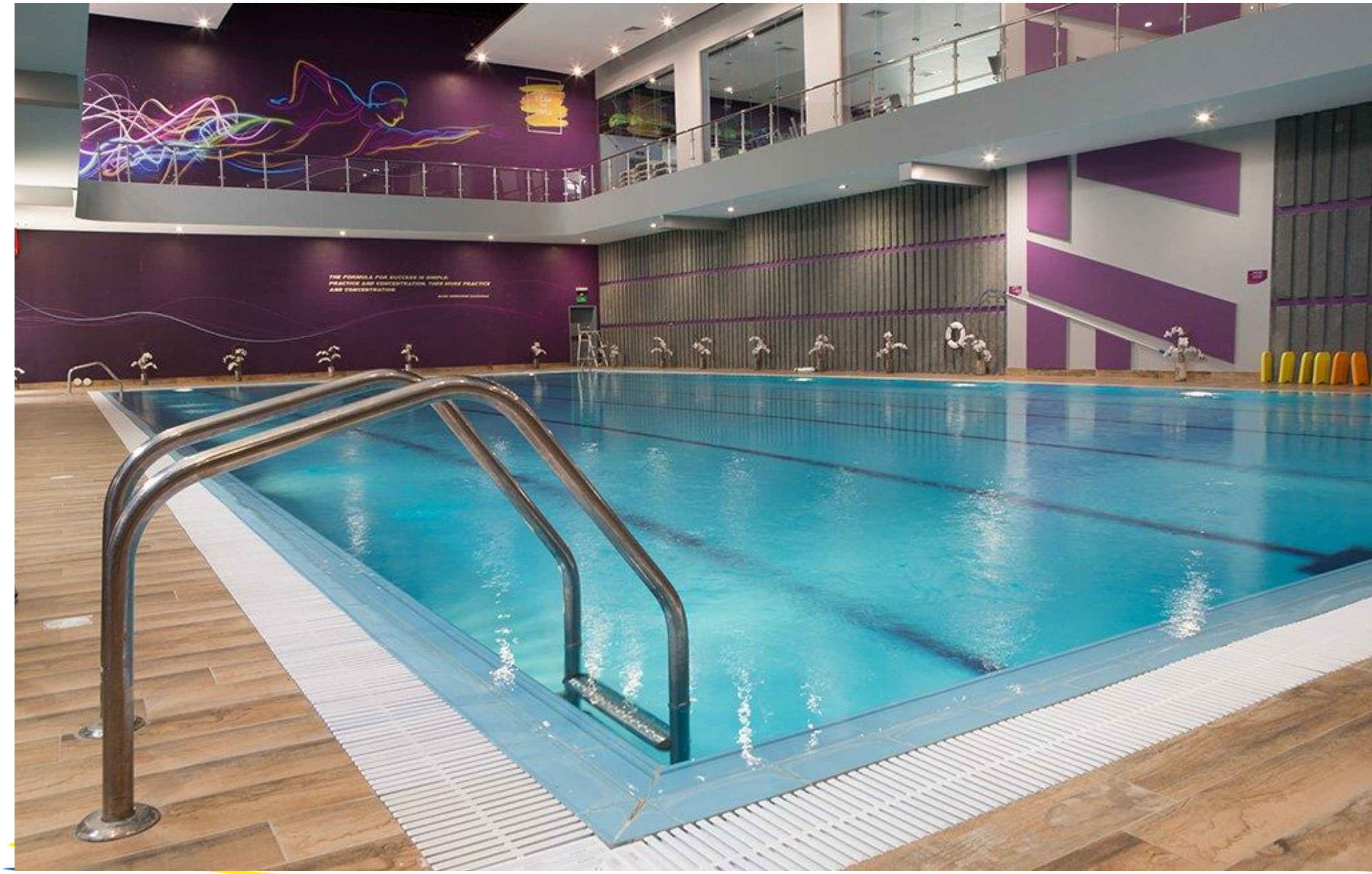
Number of corporates as B2B and B2C clients (December 2018)	Number of corporate members (December 2018)	Corporate Sales
255+	**40,000** Approx.	**SAR 103.1M** (FY 2018, SAR) **SAR 93.0M** (FY 2017, SAR)

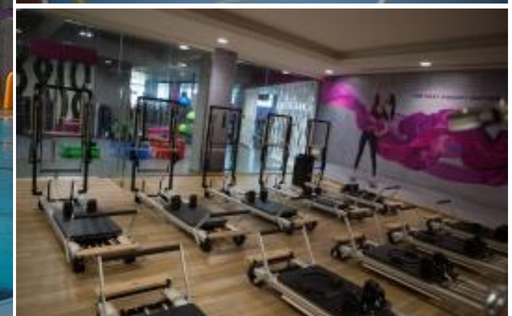
Other Significant Accolades

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)

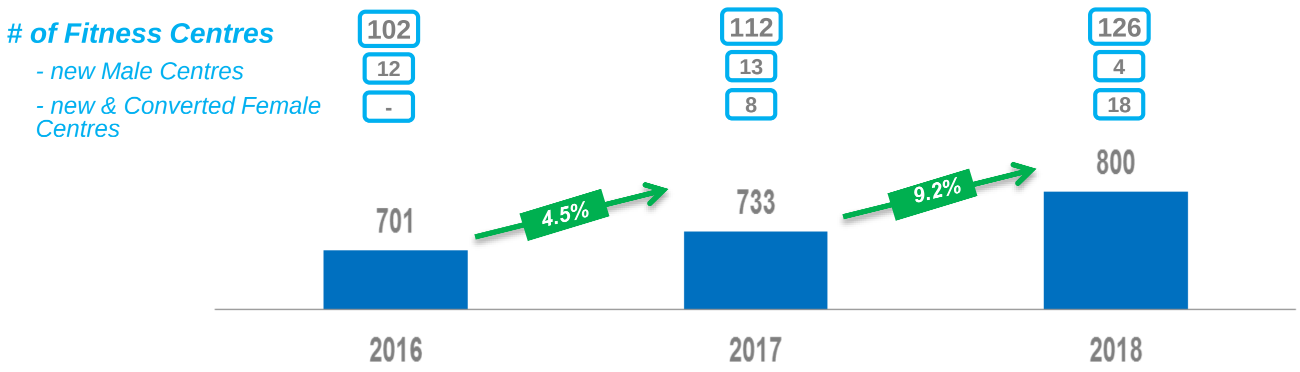




2. Financial Performance

FY Revenue and Net Income

Revenue
(SAR million)

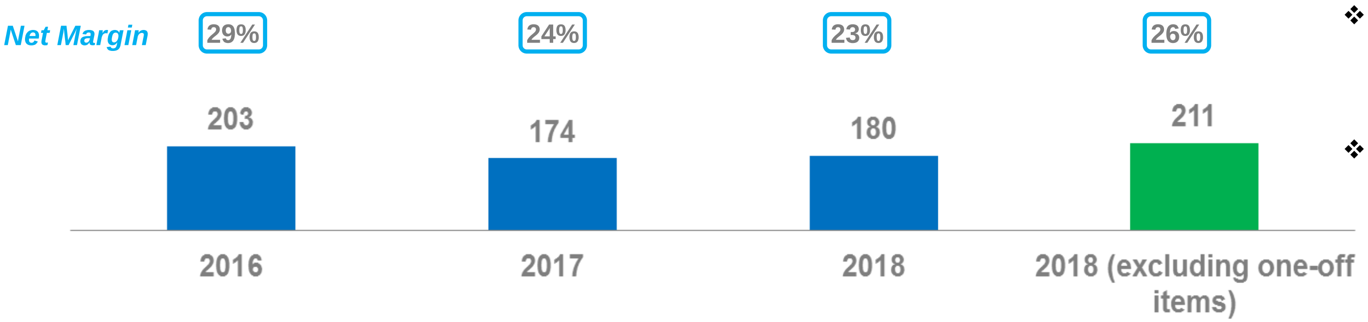


Key Messages:

❖ Revenue was 9% higher vs. LY, mainly due to;

- new centers openings in CY (in particular 18 female center openings including converted centers),
- ramping-up of non-LFL centers opened LY, and
- growth in personnel training revenue (more number of PT centers).

Net Income
(SAR million)



Key Messages:

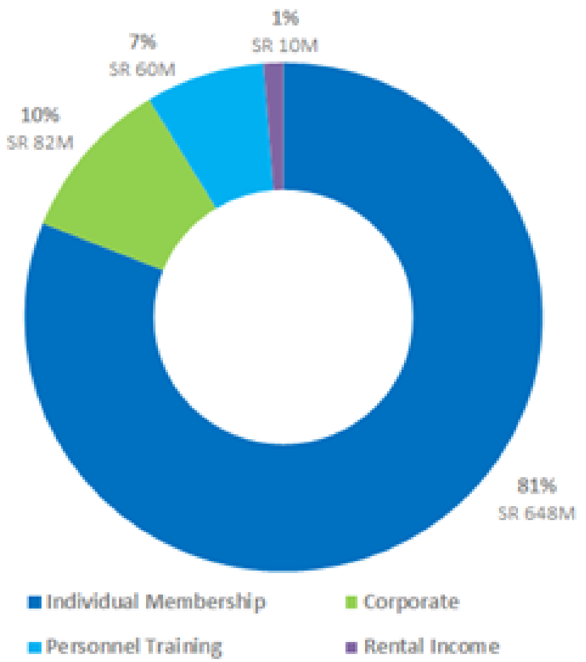
❖ FY 2018 net income growth primarily driven by;

- revenue growth from non-LFL & new female centers, and cost control

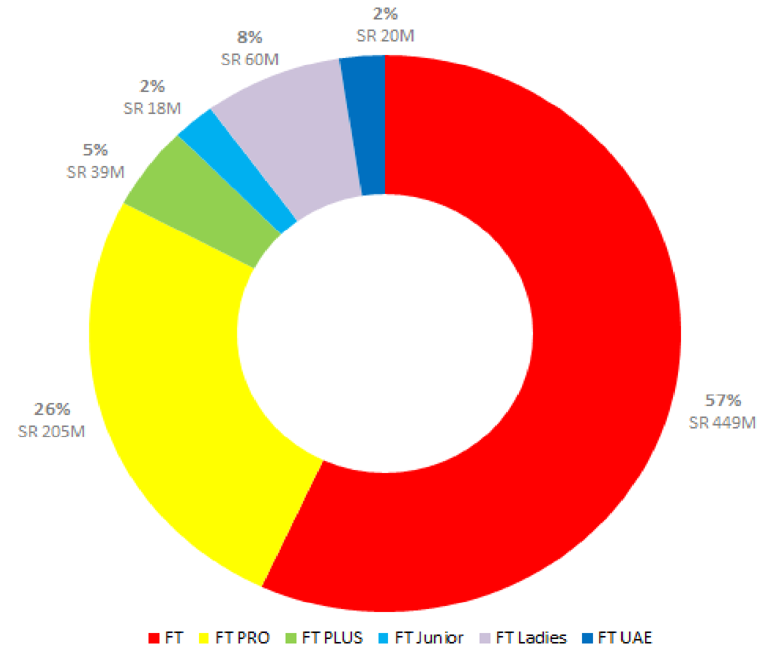
❖ FY 2018 was impacted by one-off items amounting SR 31M (VAT leakage, one-off payment, fixed assets written off upon conversion etc.) [explained in slide 25]

Revenue Break-Down

Revenue by Type
(%, FY 2018)



Revenue by Brand
(%, FY 2018)



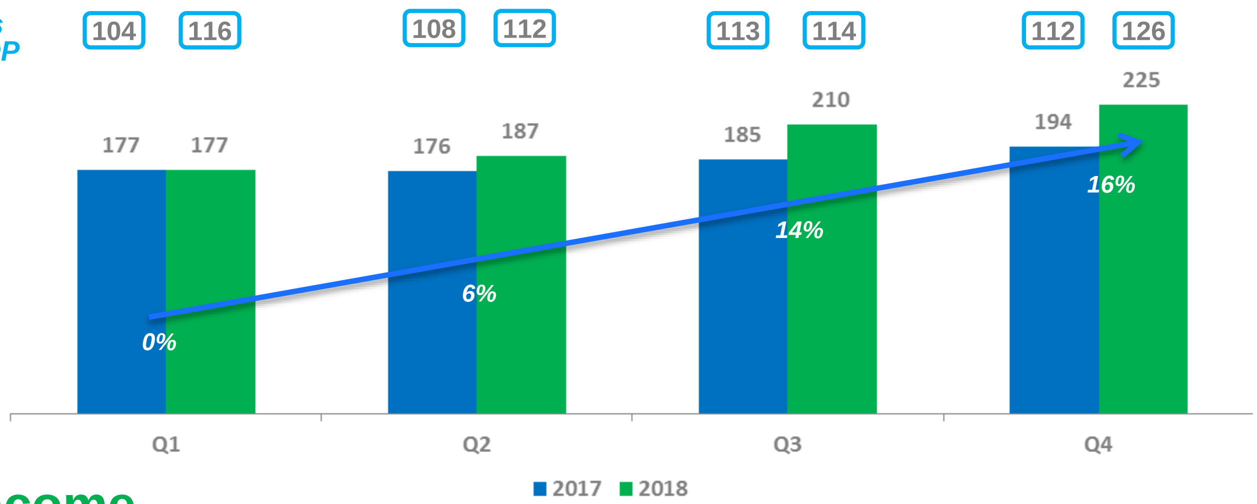
No. of centers by category	2018	2017	2016
FT Men	49	50	48
PRO Men	41	42	40
Plus Men	4	4	3
Junior	4	8	9
Basic	0	0	1
Academy & Kidizinia	2	0	1
FT Female	23	4	0
PRO Female	3	4	0
Total	**126**	**112**	**102**

Source: Company

Quarterly Revenue & Net Income

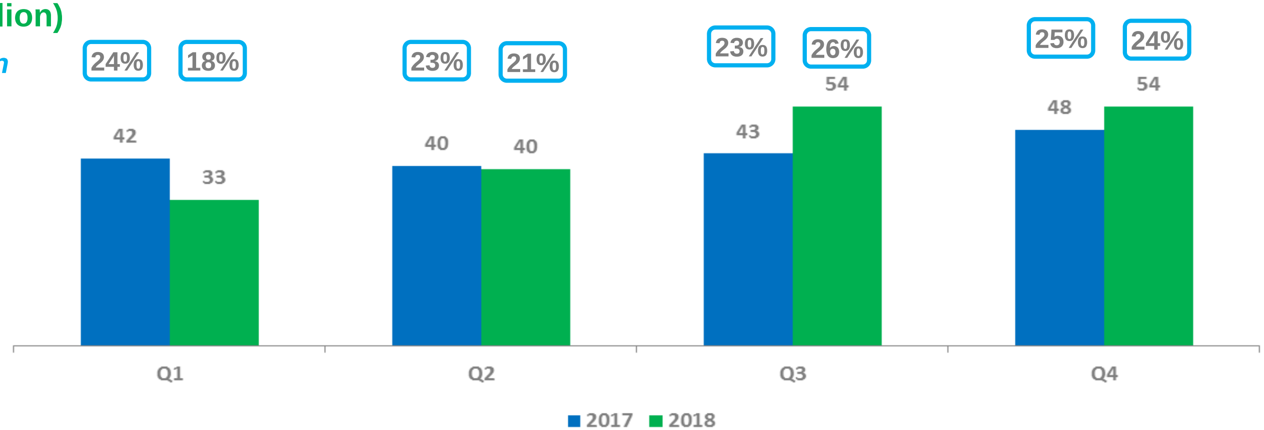
Revenue
(SAR million)

# of Fitness Centres EOP



Net Income
(SAR million)

Net Margin



Key Messages:

- Increase in Q4 revenue & profitability due to:
  - ramping-up impact of 9 new (4 male & 5 female) and 13 converted female centers openings since Q4 LY.
  - 12 center openings in Q4, 2018
  - ramping-up of non-LFL (like for like) centers opened last year.
  - 17% higher collection in September during National Day Campaign.
  - 41% increase in PT revenue, and
  - gradual reduction in promotion/ discount days.
- Partly offset by;
  - one-off items (bonus to ex. Senior management personnel, VAT leakage & FA write offs) amounting to SR 15.4M and rising external costs.
- Excluding one-off items, Q4 net income would have been SR 69 M, being the highest quarterly income in company history.

FY 2018 P&L

EOP center	*126*	*112*
Ave. center	*113*	*109*

`In MSR

Statement of Profit or Loss	FY CY	FY LY	Increase / (Decrease)	%
Revenue	800	733	67	9%
Costs of revenue	495	454	40	9%
Gross Profits	**305**	**278**	**27**	**10%**
Gross Profits %	38%	38%	0%	0%
Advertising and marketing expenses	21	27	(5)	(20%)
General and administrative expense	92	65	27	41%
Imapairment loss/ (reversal) on trade receivable	2	(2)	4	(210%)
Other Income	13	7	6	83%
Operating Profit	**203**	**196**	**7**	**4%**
Finance costs	21	18	3	15%
Net Profit before Zakat	**182**	**178**	**5**	**3%**
Zakat	2	3	(1)	(41%)
Net Profit for the year	**180**	**174**	**6**	**3%**
Net Profit %	23%	24%	(1%)	(1%)
EBITDA	**313**	**291**	**22**	**7%**
EBITDA (pre- one offs)	**343**	**291**	**52**	**18%**
Net Profit (pre- one offs)	**211**	**174**	**37**	**21%**

Key Messages:

- Net income higher by 3% vs. LY due to increase in number of operating centers and cost control measures.
- 2018 results included certain one-off items. These items include;
  - VAT leakage on opening deferred revenue SR 11.3M
  - bonus paid to ex – senior management personnel SR 17.7M, &
  - property & equipment written off SR 4.1M
  - partly offset by compensation money received of SR 3.4M in relation to a closed fitness center in 2015 (road construction).
- Increase in revenue was mainly due to;
  - higher membership revenue by SR 54.2M attributable to 22 new center openings including conversions (in particular 18 female centers) and ramping up of non-LFL (Like-for-like) centers of LY, and
  - Increase in Personal Training (PT) revenue by SR 13.9M
- Increase in cost of revenue is driven by higher number of operating centers, and rising government levies (work permit etc.)
  - partly offset by lower repair & maintenance cost and lower number of centers using generators
- Advertising & marketing was lower due to lower expenditure (higher focus on social media), lower campaigns & completion of FCB agreement in June 2018.
- SG&A expenses were higher due to;
  - Bonus & EOS to ex - senior management personnel (SR 17.7M),
  - increase in employee's work permit costs (SR 3.4M), &
  - assets written off upon center conversion to female centers (SR 4.1M)
- Additional impairment of SR 2.2M for doubtful debts as per IFRS 9.

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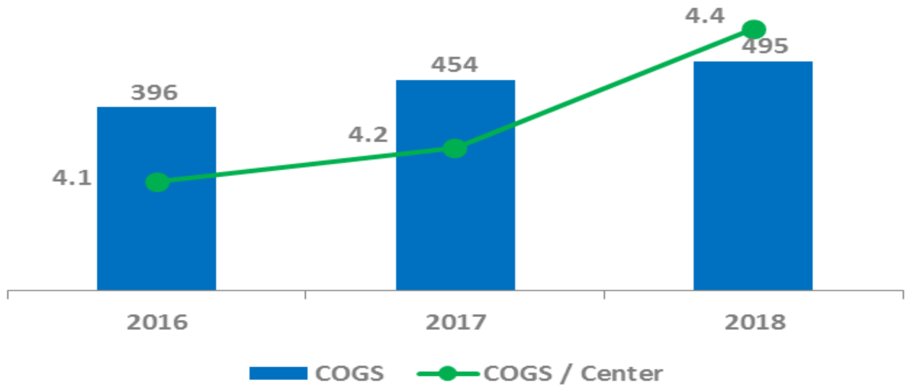
YoY COGS & SG&A

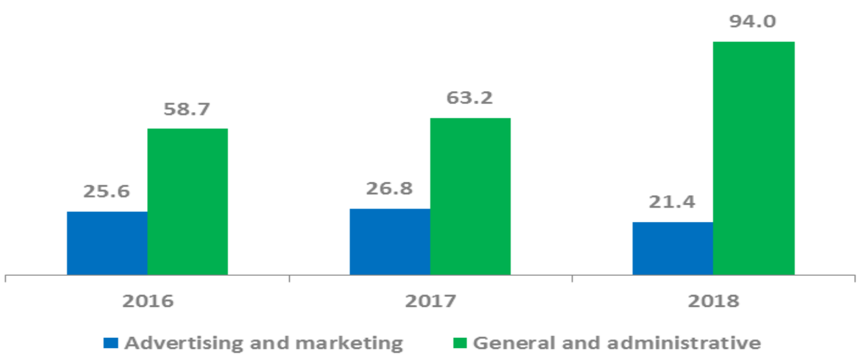
COGS
(SAR million)



Key Messages:

- ❖ 5% increase in average COGS / center is mainly due to higher operational cost of female centers (15-20% higher female salaries vs. male counterpart), rising government levies and cost of outsourced cleaners & security guards (legal requirement for female centers),
  - ➢ Partly offset by;
    - ▪ lower R&M (insourcing of centers maintenance works), utilities and other expenses (due to cost control).

SG&A
(SAR million)

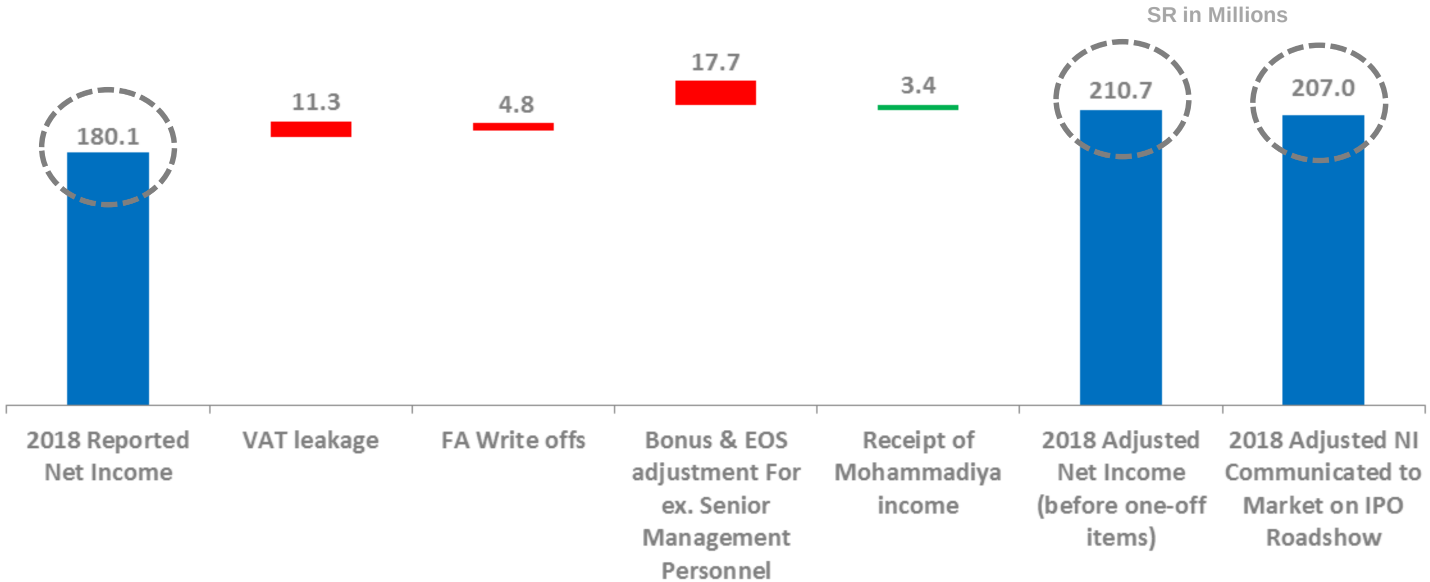


Key Messages:

- ❖ Decrease in advertising & marketing cost (20% lower vs. LY) mainly due to lower expenditures with higher focus on social media.

- ❖ General and administrative expenses are higher due to:
  - ➢ impact of one-off items (explained earlier), and
  - ➢ rising government levies.

Net Income Bridge FY 2018

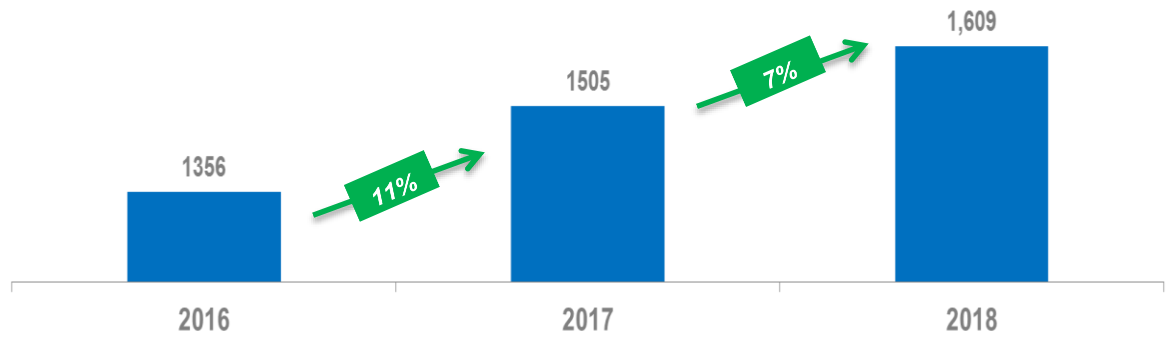


Key Messages:

- Excluding the impact of one – off items, adjusted Net Income would have been SR 210.7M.
- Growth was driven by company's improved performance in the last 4 months of 2018.
- Excluding one-off items, Q4 net income would have been SR 69 M, being the highest quarterly income in company's history.

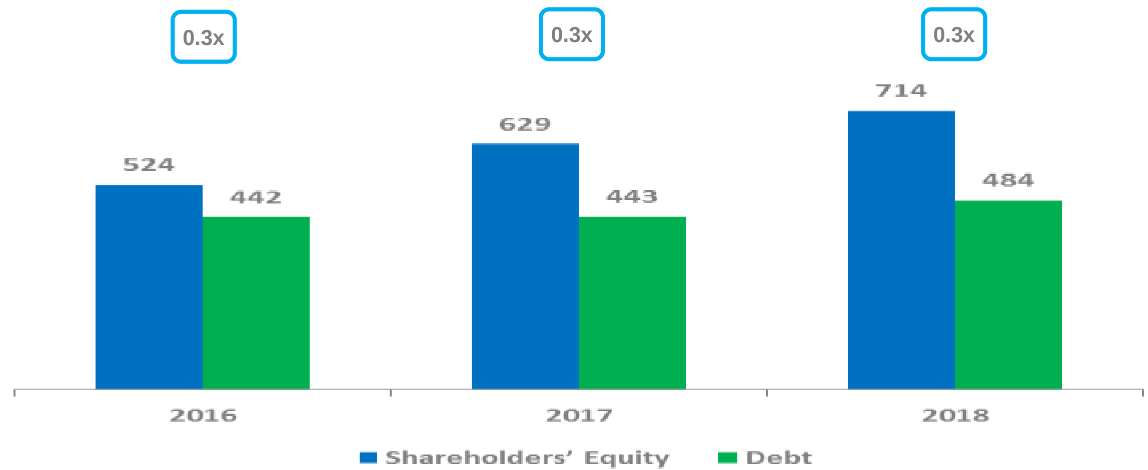
Balance Sheet

Total Assets
(SAR million)



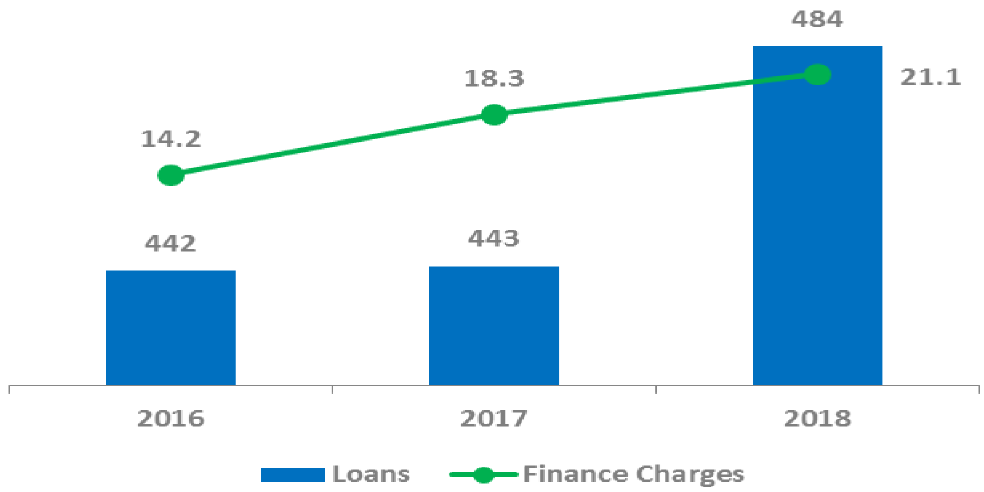
Shareholders' Equity and Debt
(SAR million)

Debt-to-Assets



YoY 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 4.5%.
    - ➢ With rising SIBOR, this will continue to increase proportionately.

Impact of New Accounting Standards in 2019

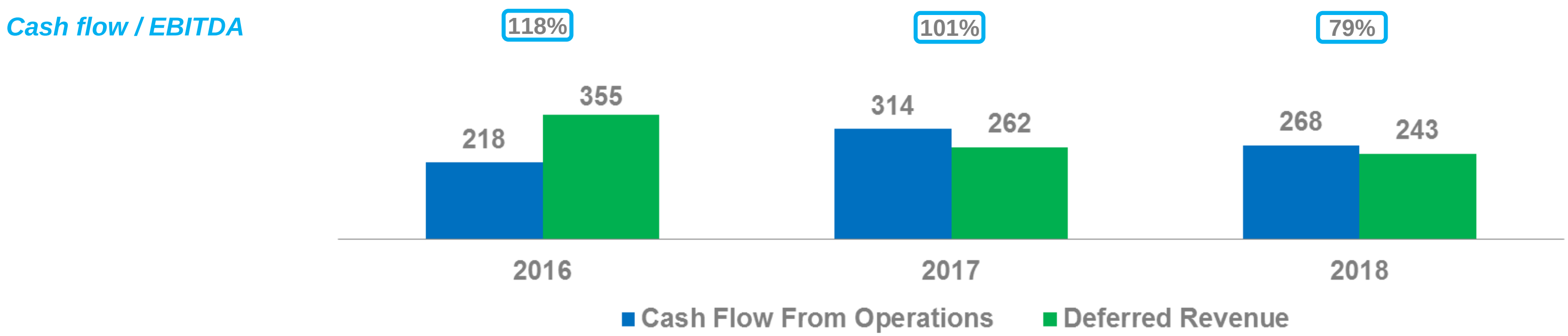
- IFRS 16 – Leases is effective from January 1, 2019,
- The new IFRS changes the accounting for Lease contracts and recognize Right of Use assets and corresponding Liability on the balance sheet.
- Impact on the statement of Financial position as of the application date is as follows:

	SAR
Assets	
Right of use asset	879,913,021
Prepayments and other assets	(67,941,747)
Total impact on assets	811,971,274
Liabilities	
Lease liability	974,263,057
Deferred rent liability	(64,591,342)
Total impact on liabilities	909,671,715
Equity	(97,700,441)
Total impact on equity (Approx.)	(97,700,441)

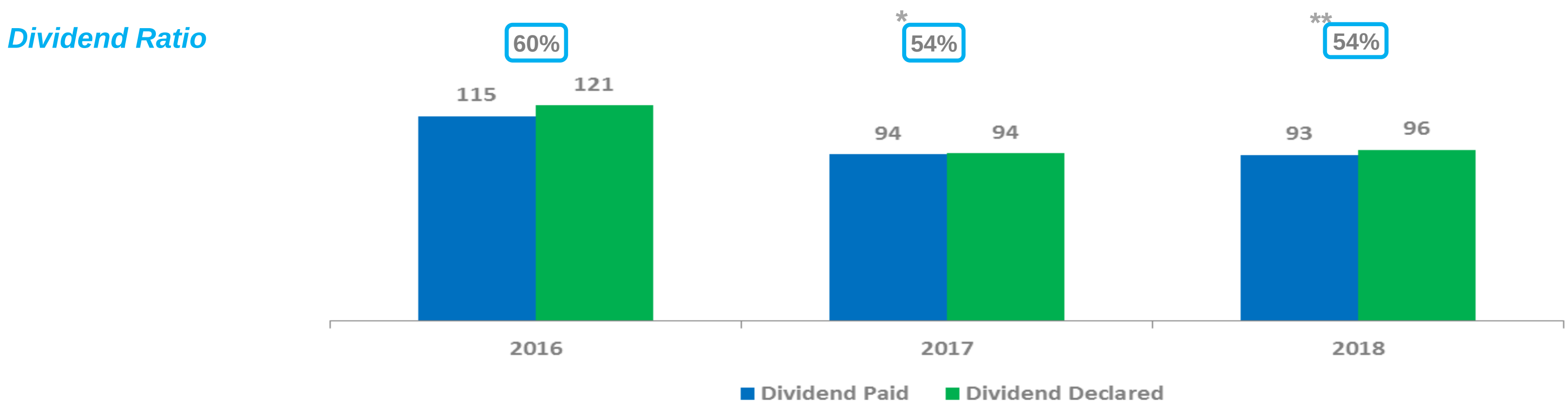
- On January 1, 2019, the opening retained earnings is to be adjusted by SR 97.7M (approx.)

Cash Generation & Returns

Cash Flow From Operations
(SAR million)



Dividend Declared and Pay-out
(SAR million)

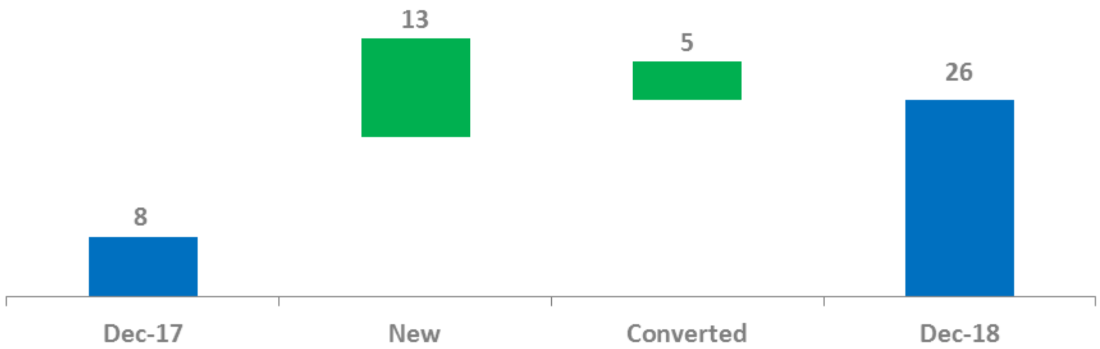


* Last quarter dividend is paid in subsequent quarters when approved by the Board of Directors.
** Company continues to pay 60% dividend of distributable income.

FY 2018 Male & Female Segments

Female Centres made Material Contribution in 2018

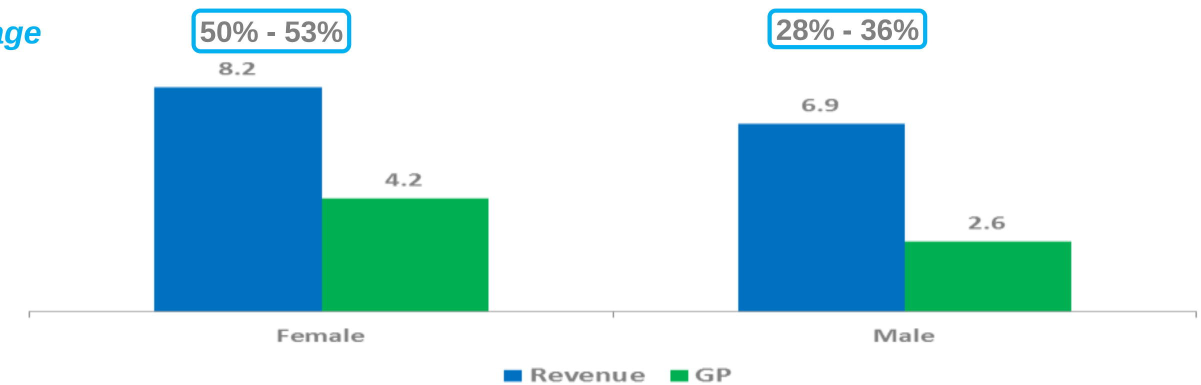
Female Centres Openings



Ave. Female Centres Performance

Revenue and Gross Profit per centre (SAR million)

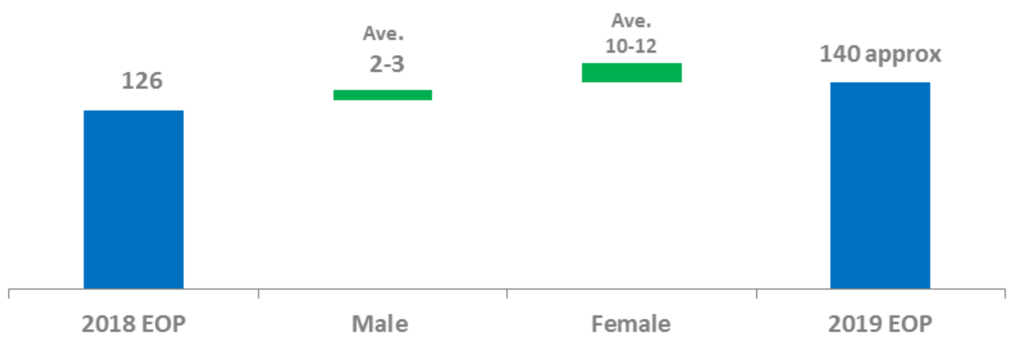
Gross Margin, average



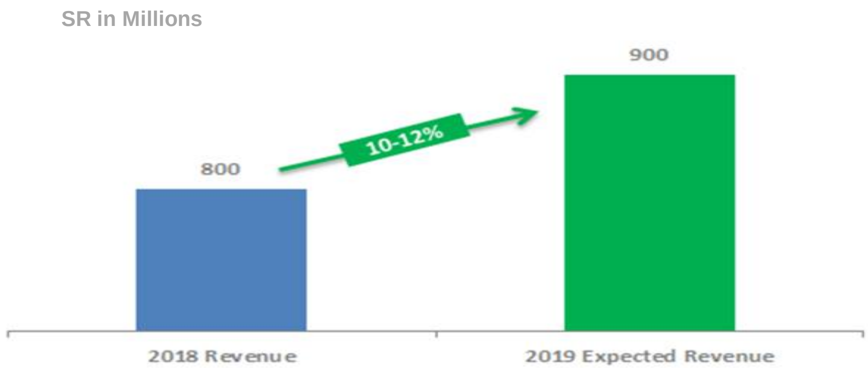
3. Outlook FY 2019

Outlook FY 2019

No. of centres Growth



Revenue & Net Income Growth



Tentative Guidance:

- Leejam 3.0 in full swing.
- 10-15% growth in revenues expected in 2019 on the back of:
  - opening of 13-15 fitness centers (mainly female centers)
    - 3 Conversions delayed from 2018 to be opened in Q1 of 2019.
  - Ramp up growth from non-LFL centers opened in 2018
  - expanding corporate & PT business
  - gradual improvement of realized prices and LFL performance
  - Major focus on bringing back members who left Fitness Time
    - Expected to bring back 6-7K members back/ month to the network in 2019.
  - improving customer experience, member retention & services by investing in:
    - maintenance capex & refurbishment (SR 40M)
    - Successful launch of GEMs program to compensate center staff with KPI based bonus and commission structure, significant investment in staff training and employee retention
    - Launching of new concepts & improving existing programs
- Despite rising external costs, with opening of new centers, we expect net income to grow in FY 2019.

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