

Daily Bulletin

September 24, 2026

Sport Clubs: SAR 34.8 mn, 20-Year Jeddah lease implies rent at 17-19% of guided club revenue

Last Price: SAR 7.9 | YoY Performance: -21.2% | Target Price: SAR 8.1

Sport Clubs Co. (Sport Clubs) signed a lease for a 3,500 sqm plot with Al Arab Al Haditha Real Estate Co. to construct, fit out and operate a new Body Masters club in Jeddah. The 20-year lease term runs from 1 January 2028 to 31 December 2047 and is preceded by a rent-free period of ~15 months for design and construction. The company states that the positive financial impact will begin once the club begins operations after licenses are obtained and construction and fit-out are complete.

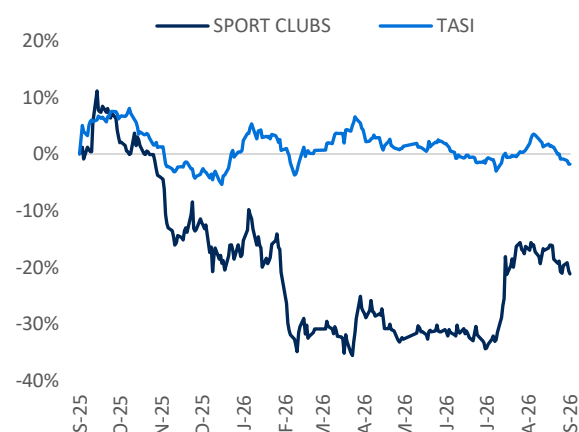
The contract is valued at SAR 34.8 mn, with the lease implying annual rent of SAR 1.74 mn on a straight-line basis, or SAR 497/sqm annually. Additionally, the company announced the signing of a lease in Riyadh a week earlier, on 16th September 2026, under which it signed a SAR 55.7 mn lease contract for a 4,125 sqm plot in Al-Shuhada district over a 20-year term with a 16-month rent-free period. The Riyadh lease implies rent of SAR 675/sqm annually. Taken together, the two leases add SAR 90.5 mn of rent commitments over the lease period.

With this contract, Sport Clubs' under development project pipeline now stands at 17 projects, of which 9 are under construction and 8 are awaiting construction licenses. The management guides average annual revenue of SAR 9-10 mn per new model Body Masters club over 2027-2029. Measured against this guidance, the average annual rent under the Jeddah lease (SAR 1.74 mn) represents ~17-19% of expected revenue, whereas the Riyadh lease (SAR 2.78 mn/year) is ~28-31% of expected revenue.

As of 2Q26, Sport Clubs operated 63 clubs, with total branches expected to reach 96 by 2030f. Sport Clubs reported an average of 164.3k active members in 2Q26, with average members per club increased to 2.6k in 2Q26, from 2.3k a year earlier. During 1H26, company's revenue rose to SAR 192.5 mn, up 15.4% YoY, and net income increased to SAR 18.2 mn, up 77.1% YoY. Gross margins expanded by 5.4 percentage points YoY to 29.0%, while net margins also improved to 9.5%, up 3.3 percentage points YoY in 1H26.

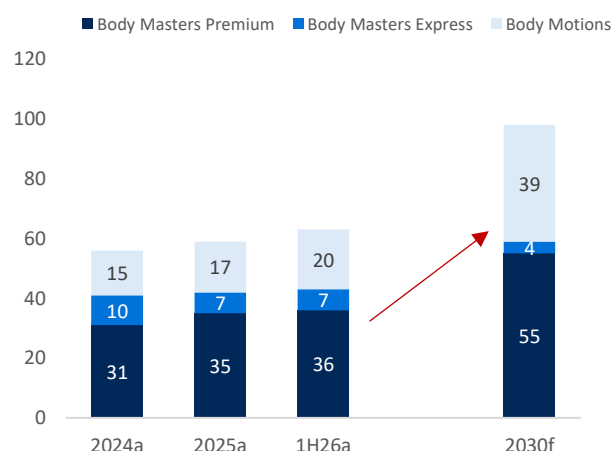
Sport Clubs' stock price has declined 21.2% YoY, underperforming TASI, which declined 1.8% during the same period. The company is currently trading at a 2027f P/E of 13.2x, with a target price of SAR 8.1/share, implying an upside of 2.0% from its last close of SAR 7.9/share.

Relative price chart



Source: Bloomberg, anb research

Total number of clubs



Source: Earnings call, prospectus, anb research

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