



AB Hotel

TSE (JASDAQ) Standard

6565

Industry: Leisure and amusement

Comparison of hotel operators' results – AB Hotel's superiority confirmed

AB Hotel is in the black, but its peers continue to post large losses

AB Hotel (6565) posted an operating profit of 44m yen and a net profit of 10m yen for FY3/21, slightly in the black. It is extremely rare for a hotel operator to be in the black these days. In our view, the company is one of the few hotel operators that can return to a growth trajectory early in the post-COVID-19 period.

On the next page, we have updated the comparison table of the 11 hotel operators (including AB Hotel) in our coverage initiation report dated April 21. While it is difficult to make comparisons because many of the companies have different fiscal year-ends, Amaze (6076) is the only specialized hotel operator other than AB Hotel that posted a positive OP in the most recent fiscal term (but a net loss). Meanwhile, Resortturst (4681), Royal HD (8179), and Kyoritsu Maintenance (9616), which operate multiple businesses including hotels, all had significant losses in their hotel-related business segments.

Some of these companies saw their equity capital decrease significantly due to the losses they posted. Greens (6547) posted a negative equity capital as of the end of 3Q FY6/21. Kyoto Hotel (9723) had equity capital of only 0.7bn yen at the end of FY3/21 (it had raised 0.6bn yen just before the fiscal year-end). Royal Hotel (9713) has seen its equity capital drop by about half from a year ago. Fujita Kanko (9722) sold fixed assets (Taikoen in Osaka Prefecture) to avoid falling into negative equity.

Washington Hotel (4691) announced that it would postpone the announcement of its FY3/21 results to May 31, saying that it was taking time to determine the impairment loss. As of the end of 3Q FY3/21, its equity capital had already declined by over 40% from the end of the previous fiscal year.

Please refer to the report dated April 21, 2021 for the rationale of the rating and target price.

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Update

Rating

Buy

Target price (JPY)	1,400
Stock price (JPY) (May 14)	1,113
Market cap (JPYbn)	15.8

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		3/19	3/20	3/21	3/22E	3/23E
Sales	JPYbn	5.5	6.3	4.7	6.1	7.0
OP	JPYbn	1.4	1.3	0.0	0.7	1.4
RP	JPYbn	1.4	1.3	0.0	0.6	1.3
NP	JPYbn	0.9	0.9	0.0	0.4	0.8
EPS	JPY	62.6	62.9	0.7	28.9	59.3
BPS	JPY	370.8	427.7	422.4	455.6	508.9
DPS	JPY	6.0	6.0	1.0	4.0	6.0
PER	x	32.0	14.4	1,620.1	38.5	18.8
PBR	x	5.4	2.1	2.7	2.4	2.2
Div. yield	%	0.3	0.7	0.1	0.4	0.5
ROA	%	5.6	4.9	0.1	1.9	3.8
ROE	%	18.3	15.7	0.2	6.5	12.3

Source: Company data, Mita Securities

Company profile

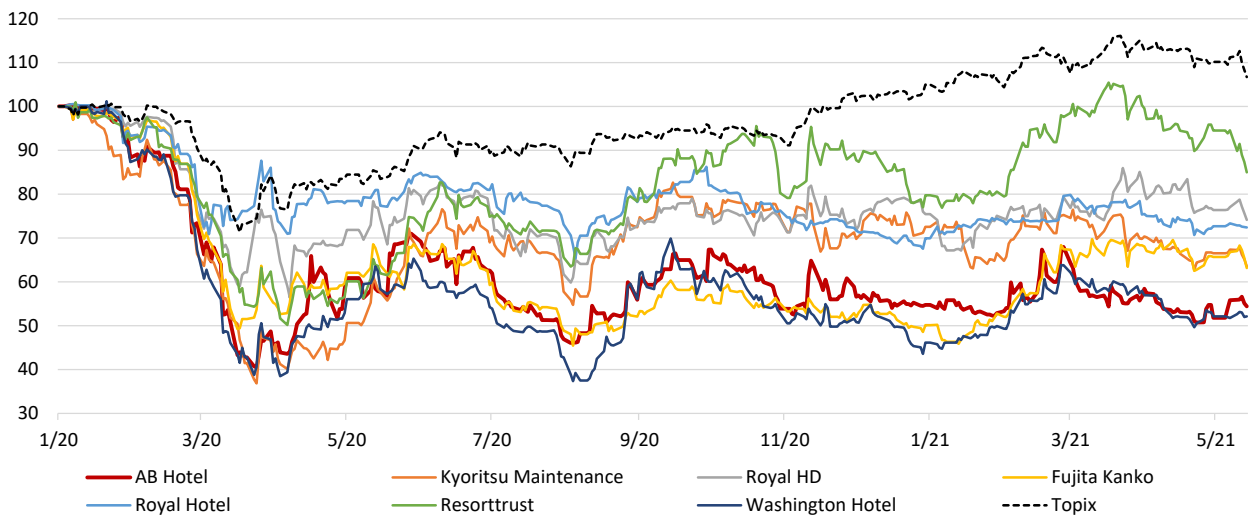
AB Hotel is based in Aichi Prefecture and operates 32 business hotels specializing in lodging under the AB Hotel brand. The company is actively involved in the store design stage to reduce initial investment, and achieves low-cost front desk operations through the outsourcing method. AB Hotel is a consolidated subsidiary of Tocho (8920).

Figure: Comparison of results for hotel companies (JPYm)

Company name	Ticker	FY	Consolidated/parent				Shareholders		Hotel-related business segment				Market Cap 05/14/21	PBR (x)
			Sales	YoY (%)	OP	OPM (%)	equity	Sales	YoY (%)	OP	OPM (%)	Segment name		
Resorttrust	4681	FY3/22 CoE	158,200	-5.6	7,000	4.4		79,880	32.4	100	0.1	Hotel & restaurants	176,454	1.5
		FY3/21	167,538	5.3	14,707	8.8	115,579	60,322	-25.2	-6,165	-10.2			
		FY3/20	159,145	-11.4	11,652	7.3	127,798	80,659	0.3	92	0.1			
Washington Hotel	4691	FY3/21 CoE										8,640	1.0	
		1-3QFY3/21	3,686	-77.8	-5,358	-145.4	8,553							
		FY3/20	19,786	-7.6	1,269	6.4	14,445							
Amaze	6076	FY11/21 CoE	13,500	19.0	1,000	7.4						12,923	1.1	
		1QFY11/21	2,730	-21.9	60	2.2	11,258							
		FY11/20	11,343	-23.5	1,525	13.4	11,604							
Greens	6547	FY6/21 CoE										6,649	NA	
		1-3QFY6/21	11,933	-43.2	-6,353	-53.2	-613							
		FY6/20	22,909	-25.9	-3,456	-15.1	6,003							
AB Hotel	6565	FY3/22 CoE	6,400	35.0	900	14.1						15,777	2.6	
		FY3/21	4,739	-24.7	44	0.9	5,987							
		FY3/20	6,295	14.2	1,333	21.2	6,062							
Royal HD	8179	FY12/21 CoE										85,123	2.5	
		1QFY12/21	19,196	-31.2	-3,251	-16.9	34,396	3,495	-31.1	-1,254	-35.9			
		FY12/20	84,304	-40.0	-19,269	-22.9	20,896	13,906	-53.9	-6,996	-50.3			
Kyoritsu Maintenance	9616	FY3/22 CoE	174,500	43.9	4,000	2.3						133,347	1.9	
		FY3/21	121,281	-28.6	-9,057	-7.5	70,784	46,159	-41.4	-13,130	-28.4			
		FY3/20	169,770	4.3	11,205	6.6	83,954	78,831	0.8	4,853	6.2			
Imperial Hotel	9708	FY3/22 CoE										113,275	2.5	
		FY3/21	22,051	-59.6	-11,710	-53.1	46,073							
		FY3/20	54,558	-6.6	3,160	5.8	60,627							
Royal Hotel	9713	FY3/22 CoE										12,130	1.1	
		FY3/21	15,638	-58.4	-9,794	-62.6	10,896							
		FY3/20	37,601	-8.0	-257	-0.7	20,132							
Fujita Kanko	9722	FY12/21 CoE										23,023	0.9	
		1QFY12/21	5,132	-51.7	-5,794	-112.9	24,468							
		FY12/20	26,648	-61.4	-20,611	-77.3	1,182							
Kyoto Hotel	9723	FY3/22 CoE										7,299	10.4	
		FY3/21	3,847	-60.0	-2,567	-66.7	704							
		FY3/20	9,625	-9.0	89	0.9	2,106							

Source: Companies data, Mita Securities

Figure: Comparison of stock prices for hotel companies (indexed to 100 at the end of 2019)



Source: Bloomberg Finance LP data, Mita Securities

APPENDIX

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