



# Zenkoku Hoshu

TSE 1st Section 7164 Industry: Other financials

## FY3/21 results above consensus. Positive impression

### FY3/21 OP of 38.2bn yen exceeds consensus. Positive impression

FY3/21 OP came in at 38.233bn yen (+8.1% YoY), beating the company's guidance of 36.350bn yen, Mita Securities' (our) forecast of 37.451bn yen, and the QUICK consensus of 37.41bn yen. Compared to our forecast, operating revenue was higher and credit-related expenses were lower. The company raised its annual dividend forecast from 111 yen to 117 yen (vs. our forecast of 111 yen). The dividend payout ratio rose to 29.8% (+3.1ppt YoY). The results are positive, in our view.

The guarantee exposure at the end of the fiscal year was 14,629.7bn yen (+6.7% YoY), operating revenue was 47.834bn yen (+5.8% YoY; our forecast is 47.186bn yen), credit-related expenses were 2.849bn yen (vs. 2.733bn yen in the previous fiscal year, our forecast 2.936bn yen). OP was 38.233bn yen (+8.1% YoY; vs. our forecast of 37.451bn yen).

The number of new guarantees executed was 57,113 for the full year (-14.8% YoY, vs. our forecast of 58,963) and 15,084 for 4Q (-2.7% YoY), but the number of new applications, a leading indicator, is recovering steadily, and the company expects a recovery in the number of new guarantees executed going forward.

The amount of subrogation payments (default amount) of 10.4bn yen (vs. 12.0bn yen in the previous year, 11.1bn yen in our forecast) is an extremely low level in the company's history. The delinquency rate, a leading indicator, is also on a downward trend. In our view, there are no signs of a deterioration in credit-related expenses.

### FY3/22 OP guidance of 38.8bn yen seems conservative

The company's FY3/22 OP guidance is 38.78bn yen (+1.4% YoY). While this is short of our forecast of 39.713bn yen and the QUICK consensus of 39.418bn yen, the top-line forecast is in line with our forecast, and we believe that credit-related expenses and other costs are conservatively estimated.

The company's guidance is for year-end guarantee exposure of 15.4trn yen (+5.3% YoY), operating revenue of 50.310bn yen (+5.2% YoY), credit-related expenses of 3.650bn yen (vs. 2.849bn yen in the previous year), and OP of 38.78bn yen (+1.4% YoY). The company assumes that the number of new guarantees executed will be 60,000 (+5.1% YoY) and the amount of subrogated payments (default amount) will be 12.45bn yen (vs. 10.4bn yen in the previous year). Dividend guidance is 130 yen, with a payout ratio of 32.9%. We are also impressed by the company's clear stance to enhance shareholder returns.

Please refer to the report dated April 8, 2021 for the rationale of the rating and target price.

MITA SECURITIES Co., Ltd.  
Junichi Shimizu  
Chief Analyst, Head of Research

## Update

Rating  
**Buy**

Target price (JPY)	6,400
Stock price (JPY) (May 9)	4,935
Market cap (JPYbn)	339.9

### Key changes

Rating	No
Target price	No
Earnings forecast	No

### Stock price (JPY)



Source: Bloomberg Finance LP

### Earnings

		3/19	3/20	3/21E	3/22E	3/23E
Revenue	JPYbn	43.2	45.2	47.2	50.3	53.9
OP	JPYbn	34.2	35.4	37.5	39.7	42.4
RP	JPYbn	35.2	35.8	38.1	40.6	43.4
NP	JPYbn	24.1	24.4	26.4	28.1	30.1
EPS	JPY	350.9	355.2	384.0	408.9	437.1
BPS	JPY	1,846	2,109	2,382	2,656	2,940
DPS	JPY	87.0	95.0	111.0	135.0	153.0
PER	x	11.0	9.6	13.5	12.6	11.8
PBR	x	2.1	1.6	2.2	1.9	1.8
Div. yield	%	2.2	2.8	2.1	2.6	3.0
ROA	%	7.8	7.0	6.9	6.8	6.8
ROE	%	20.5	18.0	17.1	16.2	15.6

Source: Company data, Mita Securities

### Company profile

Zenkoku Hoshu is an independent mortgage guarantee company with guarantee exposure of 14.2trn yen (end-3Q FY3/21). It has partnerships with 742 financial institutions nationwide. Stock revenue has been growing due to the increase in the guarantee exposure, whereas credit costs have remained at a low level. The company has made it clear that it aims to grow through M&A.

## APPENDIX

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