



Koshidaka Holdings

TSE 1st Section 2157 Industry: Leisure and amusement

3Q results remain tough, but business environment to improve going forward

Weak 3Q results and full-year guidance, but no surprise

Koshidaka Holdings (2157, the company) announced its 3Q results and full-year guidance for FY8/21. Although the earnings for the Mar-May period were weak, there should be no surprises to the market, because the main reason was that the stores in Tokyo and Osaka, etc. have been subject to requests for closure since late April. The company's full-year NP guidance of -3.6bn yen, which is slightly worse than our forecast of -3.1bn yen, should not be a surprise as the Tokyo Metropolitan Government has recently re-issued a request for karaoke stores to close. In its guidance, the company assumes almost the same level of OP in 4Q as in 3Q, which gives us a conservative impression given the more favorable operating environment for karaoke stores outside Tokyo. The company's guidance for 2H DPS is 2 yen, in line with our forecast. The rapid progress of vaccination against corona virus may be seen as a positive factor for the revival of the karaoke market.

For 1-3Q, sales were 16.8bn yen (-54.9% YoY), OP was -4.9bn yen (1.9bn yen profit in 1-3Q FY8/20), RP was -3.4bn yen (2.0bn yen profit ditto), and NP was -3.0bn yen (0.9bn yen profit ditto). In FY8/20, the Curves business was consolidated until 2Q, and 1-2Q OP for this business was 3.0bn yen.

For 3Q (Mar-May), sales were 4.7bn (+42.8% YoY), OP was -2.3bn (-3.0bn yen loss in 3Q FY8/20), and RP was -1.0bn (-3.2bn yen loss ditto). OP by segment was as follows: Karaoke -2.1bn (-2.7bn yen loss ditto), Bath house -0.1bn yen (-0.1bn yen ditto), Real estate management -0.02bn yen (-0.03bn yen ditto).

Compared to OP of -1.7bn yen and RP of -1.6bn yen in 2Q (Dec-Feb), OP in 3Q deteriorated, while RP improved. The improvement in RP was due to the posting of subsidy income (1.1bn yen) from local governments as non-operating income.

The full-year guidance (OP -7.4bn yen, RP -5.1bn yen) assumes 4Q OP of -2.5bn yen and RP of -1.7bn yen. The company assumes 0.8bn yen in subsidy income in 4Q.

Total number of stores for the Karaoke segment as of the end of 3Q was 556 (+9.2% YoY), +10 from 546 stores as of the end of 2Q (domestic stores + overseas consolidated).

Nearly half of the elderly completed two rounds of vaccination

Vaccinations for the corona virus are progressing rapidly in Japan, with 29.6% of the population receiving at least one shot (including 76.1% of the elderly), and 17.8% of the population receiving two shots (46.6% of the elderly) (as of July 8, according to the Prime Minister's Office).

Please refer to the report dated May 7, 2021 for the rationale of the rating and target price.

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Update

Rating
Buy

Target price (JPY)	650
Stock price (JPY) (Jul 13)	616
Market cap (JPYbn)	50.7

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		8/19	8/20	8/21E	8/22E	8/23E
Sales	JPYbn	65.8	43.3	23.5	29.7	38.8
OP	JPYbn	9.5	1.1	-5.5	-1.3	1.5
RP	JPYbn	9.6	1.7	-3.1	-0.5	1.8
NP	JPYbn	6.2	-0.2	-3.1	-1.0	1.6
EPS	JPY	76.6	-2.8	-37.9	-12.8	20.1
BPS	JPY	391.2	281.0	231.0	214.2	230.2
DPS	JPY	12.0	12.0	4.0	4.0	6.0
PER	x	23.1	NA	NA	NA	31.3
PBR	x	4.5	1.6	2.7	2.9	2.7
Div. yield	%	0.7	2.6	0.6	0.6	1.0
ROA	%	8.9	-0.4	-7.0	-2.4	3.6
ROE	%	21.7	-0.8	-14.8	-5.8	9.0

Source: Company data, Mita Securities

Company profile

Koshidaka HD is a major karaoke room operator that operates "Karaoke Manekineko" stores nationwide. The total number of stores as of the end of February 2021 was 546. In March 2020, it spun off the Curves business and is concentrating its management resources on the karaoke business.

Figure: Comparison of valuations for karaoke companies

Company	Ticker	PX 12-Jul	Mkt cap JPYbn	PER Last	PER LTM	PER Current E	PER Next E	PBR Last	EV/EBITDA Next E	EV/Sales Next E	ROE LTM	Sales growth LTM	EBITDA Mgn LTM	Div Yield Current E	1M Change	3M Change	1YR Change
KOSHIDAKA HOLDINGS CO LTD	2157	628	51.7	NA	NA	NA	31.2	2.5	NA	1.7	-19.1	-68.1	-18.3	0.3	0.2	8.3	61.9
TETSUJIN INC	2404	312	4.3	NA	NA	NA	NA	132.5	NA	NA	-832.4	-42.5	-47.0	NA	2.3	14.7	21.9
ROUND ONE CORP	4680	1,425	136.0	NA	NA	37.3	16.5	3.1	6.2	1.5	-33.9	-41.8	-9.5	1.4	-5.3	24.8	98.2
DAIICHIKOSHO CO LTD	7458	4,350	238.1	NA	NA	89.0	23.6	2.3	9.3	1.7	-15.7	-36.2	2.9	2.6	-1.2	-3.5	37.9
Average				NA	NA	63.1	23.8	35.1	7.8	1.6	-225.3	-47.2	-18.0	1.4	-1.0	11.1	54.9

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

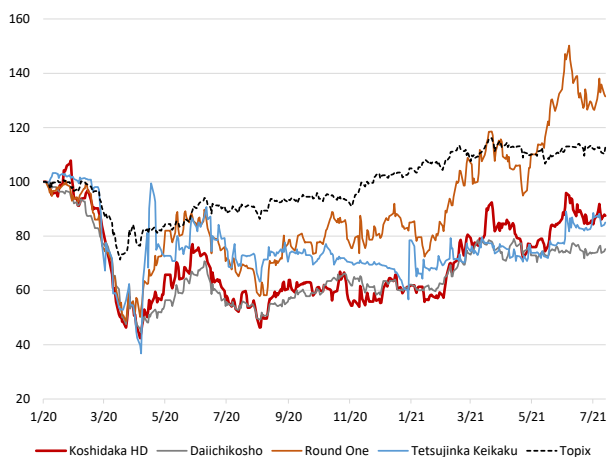
Figure: Comparison of valuations for amusement companies (reference)

Company	Ticker	PX 12-Jul	Mkt cap JPYbn	PER Last	PER LTM	PER Current E	PER Next E	PBR Last	EV/EBITDA Next E	EV/Sales Next E	ROE LTM	Sales growth LTM	EBITDA Mgn LTM	Div Yield Current E	1M Change	3M Change	1YR Change
ORIENTAL LAND CO LTD	4661	16,090	5,851.8	NA	NA	378.1	57.4	6.9	32.9	11.4	-6.9	-63.3	2.1	0.2	-1.4	0.6	14.9
BANDAI NAMCO HOLDINGS INC	7832	7,411	1,645.2	33.3	33.3	22.6	19.5	3.2	10.0	1.8	10.2	2.3	12.9	2.2	-10.5	-12.8	25.4
SANRIO CO LTD	8136	2,012	179.2	NA	NA	64.3	76.5	4.4	30.7	3.3	-9.5	-25.7	-5.2	0.8	4.5	9.1	27.9
FUJII KYUKO CO LTD	9010	5,170	283.8	NA	NA	243.5	100.3	11.5	NA	6.5	-11.0	-41.8	17.6	0.2	-4.8	-14.0	59.1
KONAMI HOLDINGS CORP	9766	6,300	904.1	26.0	26.0	18.5	16.6	2.8	8.4	2.6	11.4	3.7	13.1	1.6	-13.5	-5.4	85.0
Average				29.7	29.7	145.4	54.1	5.8	20.5	5.1	-1.2	-24.9	8.1	1.0	-5.1	-4.5	42.5

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

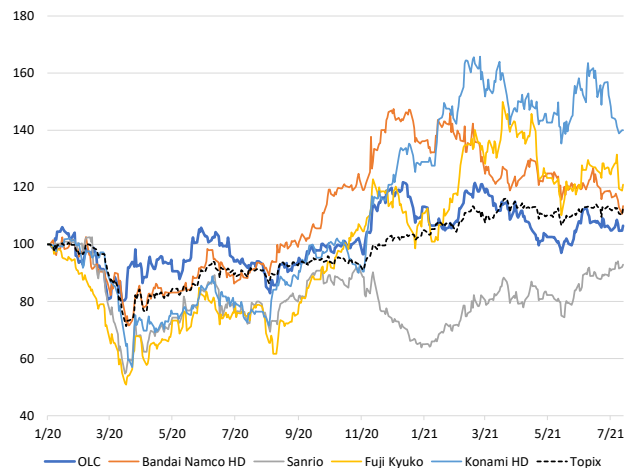
Figure: Stock price trends for karaoke companies



Source: Bloomberg Finance LP data, Mita Securities

Note: Indexed 100 at the end of 2019

Figure: Stock price trends for amusement companies (reference)



Source: Bloomberg Finance LP data, Mita Securities

Note: Indexed 100 at the end of 2019

APPENDIX

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