



S Foods

TSE 1st Section 2292 Industry: Food, wholesale, retail, food service

Robust results in 1Q FY2/22

1Q results: positive impression with OP progress rate of 29%

S Foods (2292) announced 1Q FY2/22 (Mar-May) results. The impression is positive.

On a consolidated basis, sales were 81.9bn yen (+5.6% YoY), OP was 3.7bn yen (+94.9% YoY), and NP was 2.6bn yen (+117.4%YoY). Segment OP was 3.6bn yen (+123.1% YoY) for manufacturing and wholesale, 0.4bn yen (-28.8% YoY) for retail, and -0.10bn yen (0.02bn yen profit in 1Q FY2/21) for food service. The significant increase in consolidated OP was due to the recovery from the severe impact of the COVID-19 pandemic in the manufacturing and wholesale segment in 1Q FY2/21. Consolidated OP for 1Q was slightly higher than the average OP of 3.6bn yen for the 2-4Q FY2/21 period.

Progress rate toward the company's full-year OP guidance of 12.7bn yen is 29%. We see the OP progress as strong. Currently, demand for meat from food service companies is still seen as weak, but we expect a gradual recovery in demand in the second half of the fiscal year.

Comparison with 4Q FY2/21 (Dec-Feb)

In comparison with 4Q FY2/21 (Dec-Feb) consolidated results (sales 84.8bn yen, OP 3.1bn yen), sales decreased in 1Q while OP increased.

OP for manufacturing and wholesale increased from 2.8bn yen in 4Q to 3.6bn yen in 1Q.

OP for retail declined from 0.6bn yen in 4Q to 0.4bn yen in 1Q, but it remains high compared to past levels, indicating that demand for in-house dining remains strong.

Operating loss for food service widened from -0.05bn yen in 4Q to -0.10bn yen in 1Q. The earnings periods of the subsidiaries in the food service segment are different from that of S Foods, and the Dec-Feb period of OM2 Dining and the Jan-Mar period of Yakiniku no Gyuta are consolidated in 1Q results.

Please refer to the report dated May 25, 2021 for the rationale of the rating and target price.

MITA SECURITIES Co., Ltd.

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Update

Rating

Buy

Target price (JPY)	4,900
Stock price (JPY) (Jul 14)	3,445
Market cap (JPYbn)	111.2

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		2/20	2/21	2/22E	2/23E	2/24E
Sales	JPYbn	352.0	327.5	340.6	357.5	379.7
OP	JPYbn	10.7	12.6	12.9	13.6	14.6
RP	JPYbn	11.1	13.0	13.3	14.1	15.1
NP	JPYbn	6.5	10.0	8.1	8.9	9.5
EPS	JPY	205.6	315.3	257.3	280.4	301.6
BPS	JPY	2,528	2,783	2,970	3,173	3,390
DPS	JPY	60.0	64.0	70.0	78.0	84.0
PER	x	10.9	10.4	13.2	12.1	11.3
PBR	x	0.9	1.2	1.1	1.1	1.0
Div. yield	%	2.7	2.0	2.1	2.3	2.5
ROA	%	3.9	5.8	4.6	4.6	4.7
ROE	%	8.1	11.9	8.9	9.1	9.2

Source: Company data, Mita Securities

Company profile

S Foods is an integrated meat company based in Hyogo Prefecture. Its strength lies in the wholesale of premium Wagyu beef such as Kobe beef, Matsusaka beef, and Omi beef. As for processed products, the company is famous for its "Kotetchan" beef offal products. The company has also expanded into retail and food service through its subsidiaries. In recent years, the company has been focusing on the pig farming business in Hokkaido, the meat packing business in the U.S., and the chicken business.

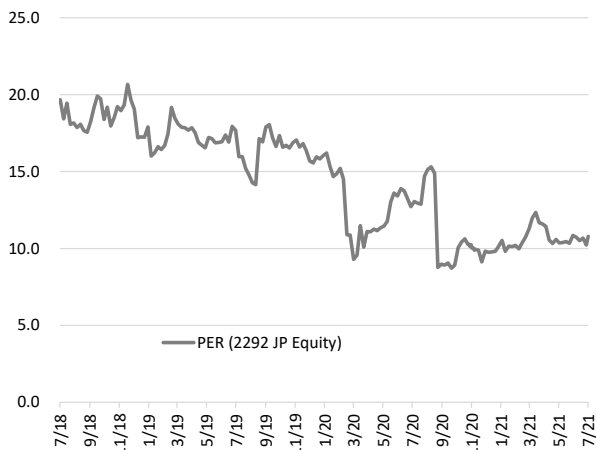
Figure: Comparison of valuations for meat companies

Company	Ticker	Share price 13-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
PRIMA MEAT PACKERS LTD	2281	3,050	154.1	10.8	10.8	12.5	12.8	1.5	5.8	0.4	14.6	3.7	7.1	2.2	2.0	-14.0	9.3
NH FOODS LTD	2282	4,380	451.0	13.8	13.8	14.5	13.5	1.0	6.3	0.5	7.8	-4.4	6.2	2.2	-0.9	-11.2	0.7
HAYASHIKANE SANGYO CO LTD	2286	582	5.2	4.0	4.0	NA	NA	0.5	NA	NA	15.1	-1.8	4.4	NA	-6.7	-12.5	3.4
MARUDAI FOOD CO LTD	2288	1,729	45.8	106.0	106.0	NA	NA	0.6	NA	NA	0.5	-4.7	3.5	NA	2.1	1.1	-9.2
FUKUTOME MEAT PACKERS LTD	2291	1,901	6.5	NA	NA	NA	NA	1.5	NA	NA	-5.7	-1.1	1.0	NA	0.1	-2.3	2.3
S FOODS INC	2292	3,400	109.7	10.8	10.8	13.0	12.4	1.2	6.3	0.3	11.9	-7.0	6.1	2.1	-1.7	-9.7	36.3
TAKIZAWA HAM CO LTD	2293	3,040	6.4	113.3	113.0	NA	NA	1.7	NA	NA	1.5	2.8	2.5	NA	1.3	1.5	6.3
ITOHAM YONEKYU HOLDINGS INC	2296	742	220.6	10.8	10.8	14.0	13.4	0.9	6.0	0.3	8.5	-1.1	4.6	3.0	6.0	4.1	16.9
STARZEN CO LTD	8043	2,217	43.3	6.2	6.2	NA	NA	0.7	NA	NA	12.4	-0.6	2.6	NA	4.5	-6.5	7.0
Average				34.5	34.4	13.5	13.0	1.1	6.1	0.4	7.4	-1.6	4.2	2.4	0.7	-5.5	8.1

Source: Bloomberg Finance LP data, Mita Securities

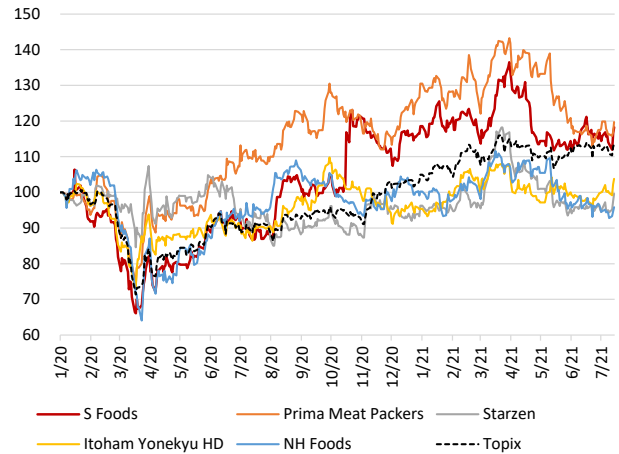
Note: Forecasts are based on Bloomberg consensus

Figure: S Foods' PER (reference)



Source: Bloomberg Finance LP data, Mita Securities

Figure: Stock price trends for meat companies

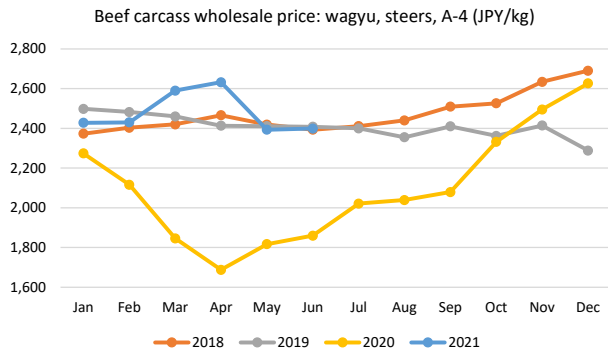


Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Reference materials

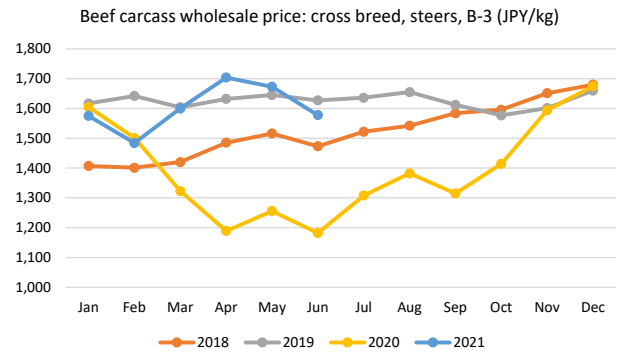
Wholesale price for beef

Figure: Domestic beef carcass, wagyu, steers, A-4



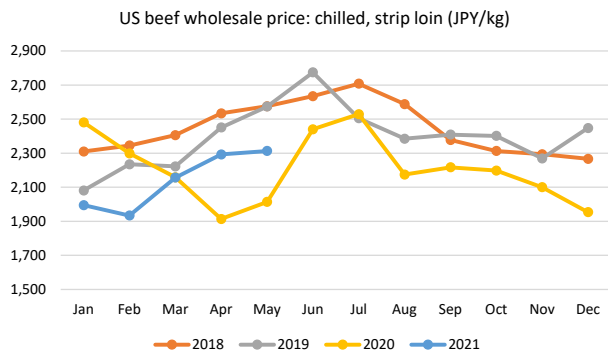
Source: ALIC data, Mita Securities

Figure: Domestic beef carcass, cross breed, steers, B-3



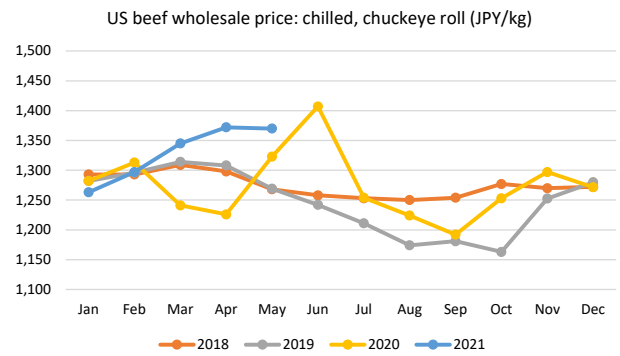
Source: ALIC data, Mita Securities

Figure: US beef, chilled, strip loin



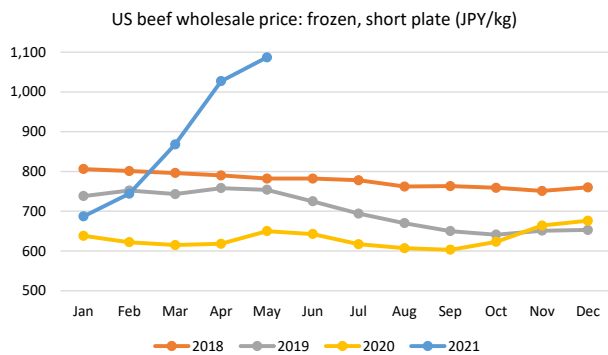
Source: ALIC data, Mita Securities

Figure: US beef, chilled, chuckeye roll



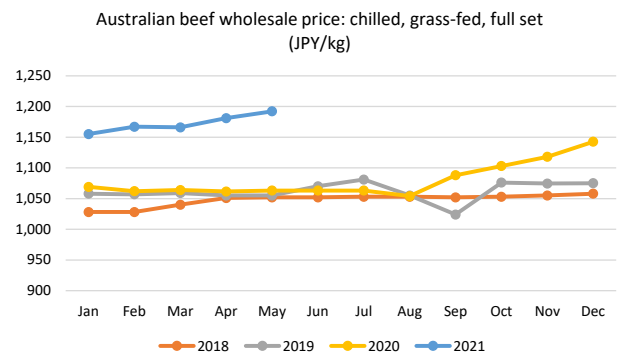
Source: ALIC data, Mita Securities

Figure: US beef, frozen, short plate



Source: ALIC data, Mita Securities

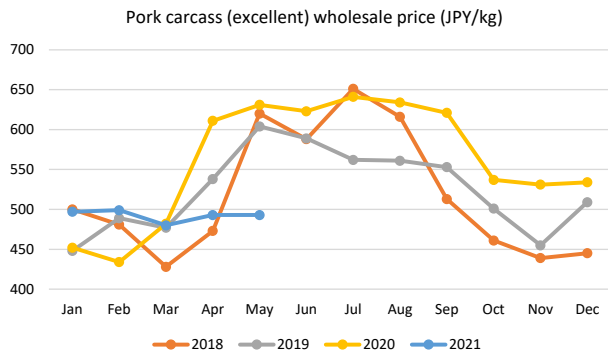
Figure: Australian beef, chilled, grass-fed, full set



Source: ALIC data, Mita Securities

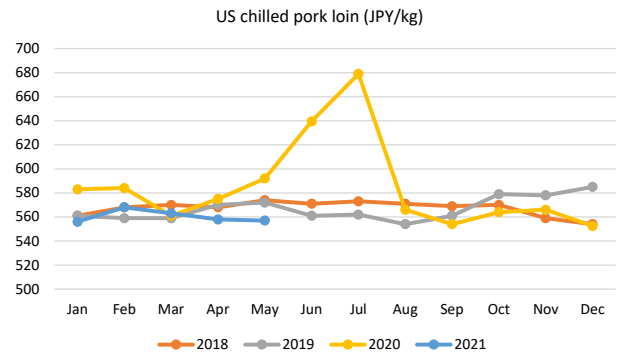
Wholesale price for pork

Figure: Domestic pork carcass, excellent



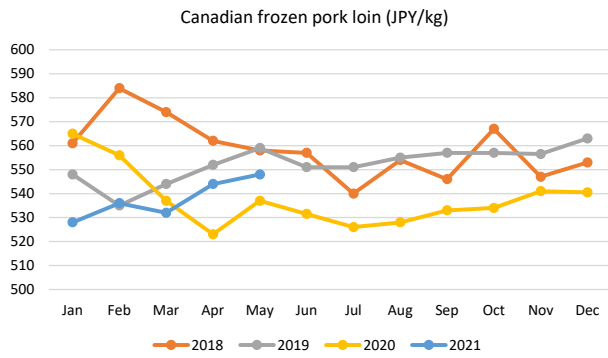
Source: ALIC data, Mita Securities

Figure: US pork, chilled, loin



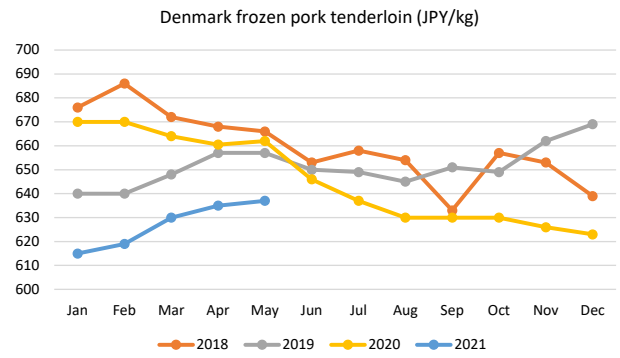
Source: ALIC data, Mita Securities

Figure: Canadian pork, frozen, loin



Source: ALIC data, Mita Securities

Figure: Denmark pork, frozen, tenderloin



Source: ALIC data, Mita Securities

APPENDIX

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