



Tosho

TSE 1st Section

8920

Industry: Leisure and amusement

MITA SECURITIES Co., Ltd.

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Achieved YoY & QoQ increase in sales and profit

Achieved 1Q NP of 0.2bn yen. Announced full-year NP guidance of 1bn yen

Tosho announced 1Q FY3/22 results. Sales were 4.758 bn yen (+62.7% YoY), OP was 309m yen (vs. -74m loss in 1Q FY3/21), and NP was 177m yen (vs. -497m loss ditto). Extraordinary gains/losses (net) were -1m yen loss (vs. -677m yen loss ditto), of which subsidy income in extraordinary gains was only 49m yen. This means that 1Q results showed the company's own earnings power, in our view. The company achieved increase in sales and profit on QoQ basis as well (4Q FY3/21 results: sales 4.591bn yen, OP 38m yen, NP 24m yen).

The breakdown of 1Q sales by segment is as follows: sports club business 2.95bn yen (+71.8% YoY, -0.8% QoQ); hotel business 1.395bn yen (+66.0% YoY, +13.5% QoQ); real estate business 410m yen (+12.1% YoY, +5.2% QoQ).

The company announced 1H and full-year guidance. 1H guidance is for sales of 9.8bn yen (+23.4% YoY), OP of 630m yen (+37.0% YoY) and NP of 330m yen (vs. -116m loss in 1H FY3/21). Full-year guidance is for sales of 20.5bn yen (+16.3% YoY), OP of 2.0bn yen (+85.2% YoY) and NP of 1.0bn yen (+359.1% YoY). These figures are slightly below our forecasts (sales 21.8bn yen, OP 2.5bn yen and NP 1.4bn yen), but they should give a favorable impression for the guidance released at this difficult time.

The 1Q results and guidance are an indication of the company's strength, given the emergency measures and proliferation prevention measures taken throughout Japan, in our view.

Number of stores, etc.

The number of sports club stores was 101 (unchanged from end-FY3/21).

The company opened one new hotel in 1Q, for a total of 32 hotels at end-1Q (+1 from end-FY3/21). The average occupancy rate for existing hotels (27 hotels) was 88.3% (+31.8ppt YoY), which seems to be quite high for the hotel industry.

In the real estate business, the number of properties owned at end-1Q was 57 buildings with 2,301 rooms (unchanged from end-FY3/21).

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

Update

Rating

Buy

Target price (JPY)	2,300
Stock price (JPY) (Jul 30)	1,672
Market cap (JPYbn)	64.1

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

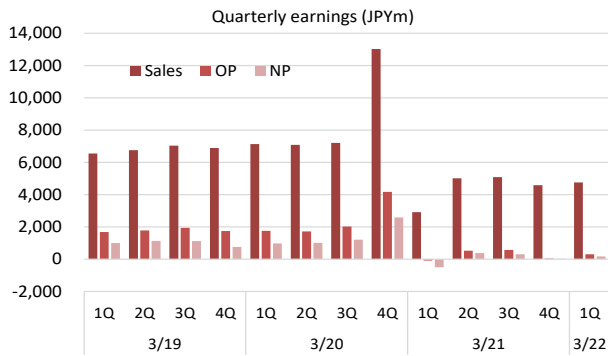
		3/19	3/20	3/21	3/22E	3/23E
Sales	JPYbn	27.2	34.5	17.6	21.8	25.0
OP	JPYbn	7.2	9.7	1.1	2.5	4.5
RP	JPYbn	7.3	9.6	1.1	2.4	4.4
NP	JPYbn	4.0	5.8	0.2	1.4	2.4
EPS	JPY	105.0	151.5	5.7	35.7	63.8
BPS	JPY	769.5	904.9	903.8	942.1	993.9
DPS	JPY	15.0	15.0	2.0	6.0	12.0
PER	x	29.2	6.6	328.7	49.1	27.5
PBR	x	4.0	1.1	2.1	1.9	1.8
Div. yield	%	0.5	1.5	0.1	0.3	0.7
ROA	%	6.4	8.1	0.3	1.7	3.0
ROE	%	14.5	18.1	0.6	3.9	6.6

Source: Company data, Mita Securities

Company profile

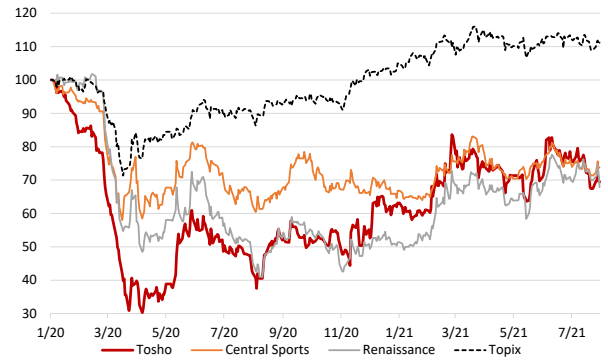
Tosho is based in Aichi Prefecture and operates Holiday Sports Club, AB Hotel, and real estate leasing business. The company has 101 sports clubs and 31 hotels at end-FY3/21. The company is actively involved in the store design stage to reduce initial investment, and also achieves low-cost operations through its own store management.

Figure: Quarterly earnings



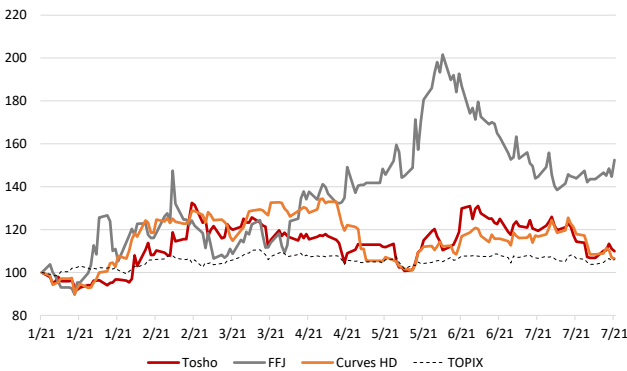
Source: Company data, Mita Securities

Figure: Stock price trends for fitness club operators



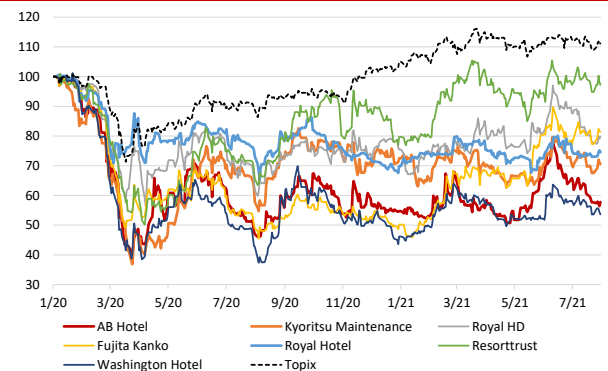
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends for fitness club operators



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2020

Figure: Stock price trends for hotel operators



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

Figure: Comparison of valuations for fitness club operators

Company	Ticker	Share price	Mkt cap	PER	PER	PER	PER	PBR	EV/EBITDA	EV/Sales	ROE	Sales growth	EBITDA Mgn	Div Yield	1M	3M	1YR
		29-Jul	JPYbn	Last	LTM	Current E	Next E	Last	Next E	Next E	LTM	LTM	LTM	Current E	Change	Change	Change
RENAISSANCE INC	2378	1,189	25.4	NA	NA	NA	NA	2.3	NA	NA	-66.8	-32.9	-17.3	NA	-2.8	6.0	50.3
RIZAP GROUP INC	2928	201	111.8	71.8	99.5	NA	NA	4.0	NA	NA	5.9	-10.5	7.0	NA	-9.0	-1.0	50.0
CENTRAL SPORTS CO LTD	4801	2,424	27.8	NA	NA	NA	NA	1.2	NA	NA	-10.1	-32.5	9.0	NA	-0.1	2.6	18.7
CURVES HOLDINGS CO LTD	7085	833	78.2	95.4	95.4	73.5	23.8	9.6	NA	2.7	9.6	-10.5	11.3	0.6	-9.2	1.2	53.0
FAST FITNESS JAPAN INC	7092	4,780	74.5	67.6	67.6	47.7	38.9	7.0	NA	4.7	16.1	-1.5	26.8	0.1	6.0	2.8	NA
TOSHO CO LTD	8920	1,756	67.3	309.2	309.2	35.2	23.0	1.9	9.9	3.3	0.6	-48.9	21.0	0.2	-8.4	-1.8	64.9
Average				136.0	142.9	52.1	28.6	4.4	9.9	3.5	-7.5	-22.8	9.6	0.3	-3.9	1.6	47.4

Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus

Figure: Comparison of valuations for hotel operators

Company	Ticker	Share price	Mkt cap	PER	PER	PER	PER	PBR	EV/EBITDA	EV/Sales	ROE	Sales growth	EBITDA Mgn	Div Yield	1M	3M	1YR
		29-Jul	JPYbn	Last	LTM	Current E	Next E	Last	Next E	Next E	LTM	LTM	LTM	Current E	Change	Change	Change
RESORTTRUST INC	4681	1,805	195.9	NA	NA	28.0	22.7	1.7	10.7	1.5	-8.4	5.3	2.6	1.7	-0.5	3.6	48.3
WASHINGTON HOTEL CORP	4691	726	8.8	NA	NA	NA	NA	1.3	NA	NA	-71.4	-75.9	-130.8	NA	-6.6	3.3	25.4
AMAZE CO LTD	6076	854	13.0	54.3	NA	NA	NA	1.2	NA	NA	-2.6	-15.2	14.0	NA	-8.3	-0.2	26.5
GREENS CO LTD	6547	559	7.2	NA	NA	NA	698.8	3.1	NA	0.7	-128.2	-50.3	-55.9	0.0	-4.4	-2.6	35.0
ABHOTEL CO LTD	6565	1,138	16.1	1,602.8	1,609.6	NA	NA	2.7	NA	NA	0.2	-24.7	15.4	NA	-10.7	7.1	23.0
ROYAL HOLDINGS CO LTD	8179	1,983	90.0	NA	NA	NA	62.5	3.0	13.9	1.1	-71.9	-45.2	-26.7	0.3	-8.8	4.4	29.3
KYORITSU MAINTENANCE CO	9616	3,675	144.1	NA	NA	89.0	23.6	2.0	16.9	1.4	-15.7	-28.6	-5.3	0.5	1.5	5.9	22.1
IMPERIAL HOTEL LTD	9708	1,838	109.2	NA	NA	NA	35.1	2.4	11.0	1.5	-26.9	-43.6	-30.8	0.2	-4.8	-2.1	16.4
ROYAL HOTEL LTD/THE	9713	1,225	12.6	NA	NA	NA	NA	NA	NA	NA	-58.4	-36.0	-36.0	NA	0.3	2.2	2.0
FUJITA KANKO INC	9722	2,312	28.2	NA	4.1	1.4	NA	1.1	14.9	0.9	33.7	-66.8	70.1	0.0	3.7	23.6	66.7
KYOTO HOTEL LTD/THE	9723	623	7.5	NA	NA	NA	NA	10.7	NA	NA	-140.1	-60.0	-23.4	NA	-4.4	2.3	10.9
Average				828.5	806.8	39.5	168.5	2.9	13.5	1.2	-43.1	-42.1	-18.8	0.4	-3.9	4.3	27.8

Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus

APPENDIX

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