



Ohsho Food Service

TSE 1st Section 9936 Industry: Food service, retail

Strong 1Q results even without subsidies

1Q results were a positive surprise

Ohsho Food Service (9936, the company) announced 1Q FY3/22 results. Sales were 20.2bn yen (+11.4% YoY), OP was 1.7bn yen (+309.1% YoY), and RP was 3.2bn yen (+430.7% YoY). The company posted subsidy income of 1.359bn yen as non-operating income (vs. 53m yen in 1Q FY3/21). Same-store sales growth for directly-owned stores was +8.4% YoY (number of customers +7.8% YoY, average spend per customer +0.6% YoY).

Progress rate vs. 1H guidance announced in May (OP 2.888bn yen, RP 4.022bn yen) was 59% for OP and 78% for RP. The company maintained its 1H and full-year guidance.

The number of stores at end-1Q was as follows: directly-owned stores 529 (two new openings, one closure in 1Q); FC 204 (two new openings, four closures).

We believe that the 1Q results were quite favorable in light of the emergency measures and proliferation prevention measures taken throughout Japan. OPM was 8.4% (YoY+6.1ppt, QoQ+1.2ppt). The company secured a strong profit at OP level (not including subsidy income). We believe that this reflects the positive recognition of the brand value of "Gyoza no Ohsho" by consumers.

Please refer to the report dated June 22, 2021 for the rationale of the rating and target price.

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Update

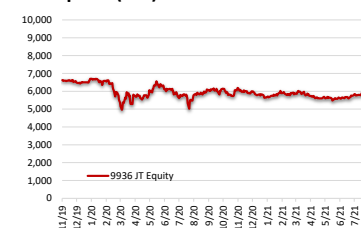
Rating
Buy

Target price (JPY)	7,250
Stock price (JPY) (Jul 30)	5,860
Market cap (JPYbn)	136.5

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		3/20	3/21	3/22E	3/23E	3/24E
Sales	JPYbn	85.6	80.6	88.4	94.2	96.9
OP	JPYbn	7.7	6.1	7.5	8.8	9.1
RP	JPYbn	8.1	6.9	8.8	9.2	9.4
NP	JPYbn	5.3	4.3	5.5	5.9	6.1
EPS	JPY	283.0	228.4	295.1	315.9	323.9
BPS	JPY	2,681	2,821	3,016	3,212	3,396
DPS	JPY	120.0	100.0	120.0	140.0	150.0
PER	x	20.4	25.5	19.8	18.5	18.1
PBR	x	2.2	2.1	1.9	1.8	1.7
Div. yield	%	2.1	1.7	2.1	2.4	2.6
ROA	%	8.1	5.4	6.0	6.2	6.4
ROE	%	10.9	8.3	10.1	10.1	9.8

Source: Company data, Mita Securities

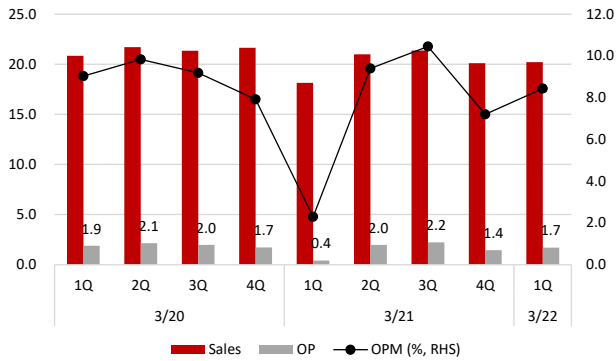
Company profile

Ohsho Food Service is a Kyoto-based restaurant company that operates the largest Chinese restaurant chain "Gyoza no Ohsho" nationwide. 734 restaurants (528 directly owned, 206 franchised) at the end of FY3/21. Sales of 80.6bn yen in FY3/21. Take-out and delivery sales are strong.

Quarterly and monthly data

Quarterly data

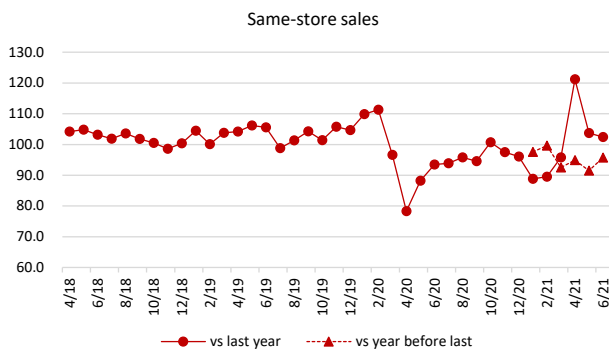
Figure: Sales, OP, OPM



Source: Company data, Mita Securities

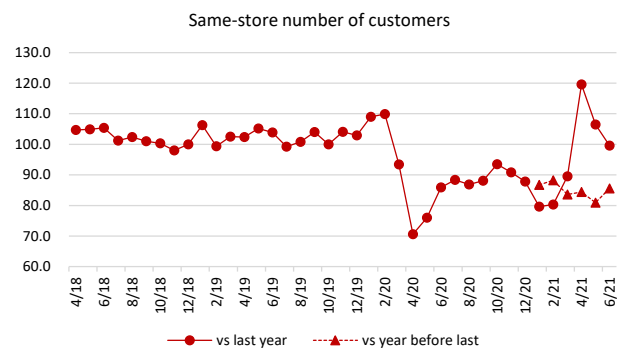
Monthly data

Figure: Directly-owned, same-store sales



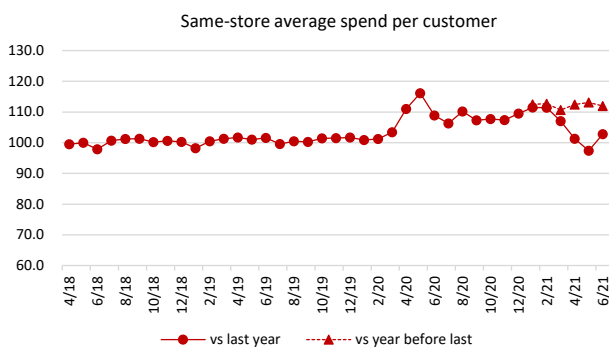
Source: Company data, Mita Securities Note: Same month last year or year before last = 100

Figure: Directly-owned, same-store number of customers



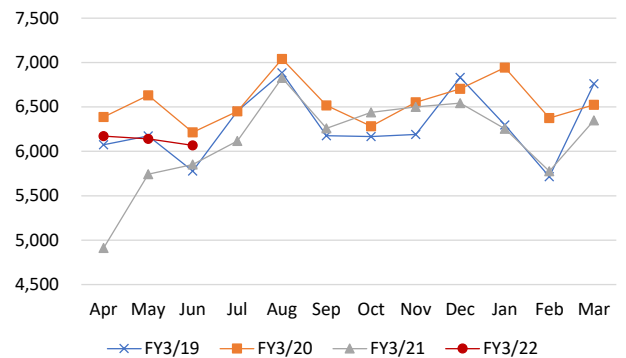
Source: Company data, Mita Securities Note: Same month last year or year before last = 100

Figure: Directly-owned, same-store ave spend per customer



Source: Company data, Mita Securities Note: Same month last year or year before last = 100

Figure: Directly-owned, all-store sales (JPYm)

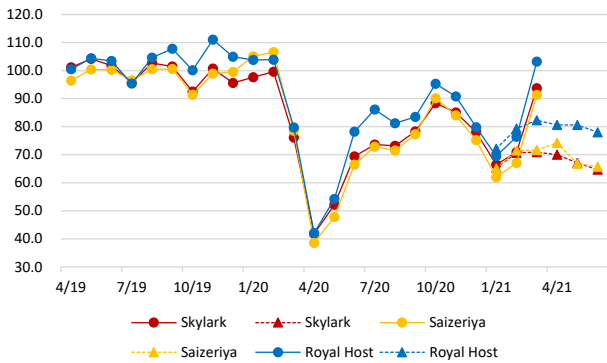


Source: Company data, Mita Securities

Food service industry data

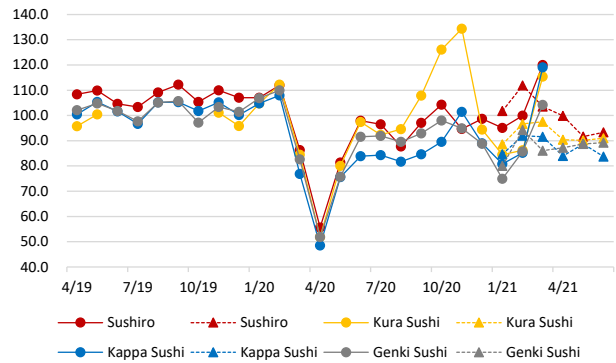
Same-store sales (compared to last year or year before last)

Figure: Family restaurants



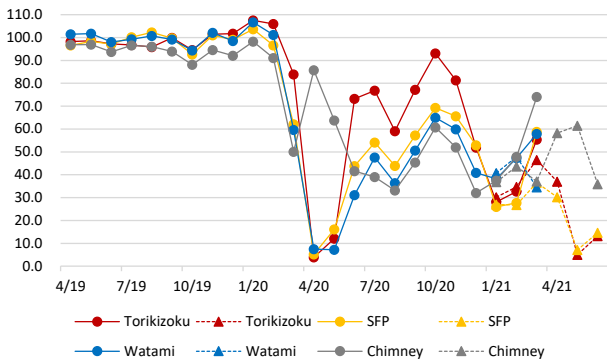
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Sushi restaurants



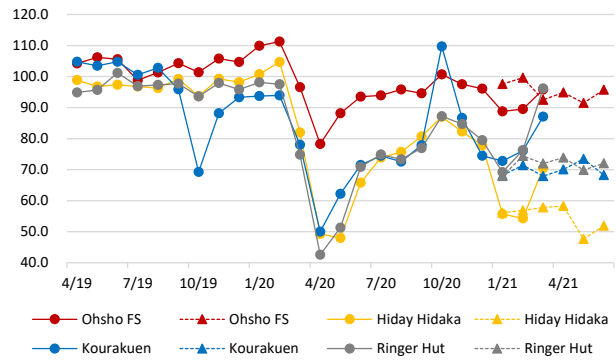
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Izakaya (Japanese style pubs)



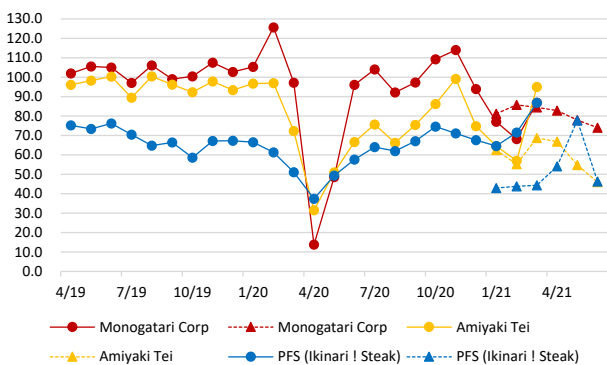
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Chinese restaurants



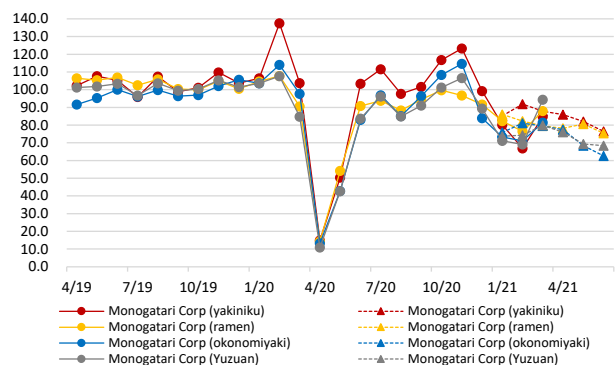
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Yakiniku (Japanese BBQ), steak



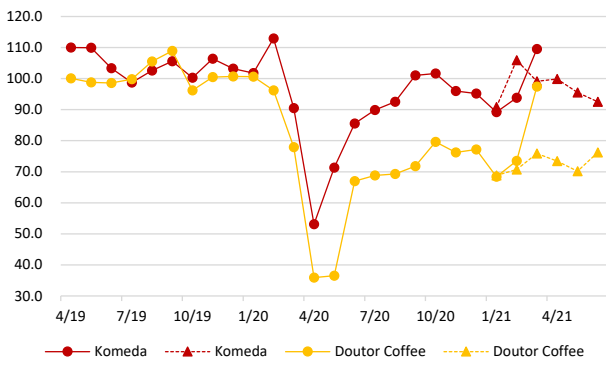
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Monogatari Corporation by division



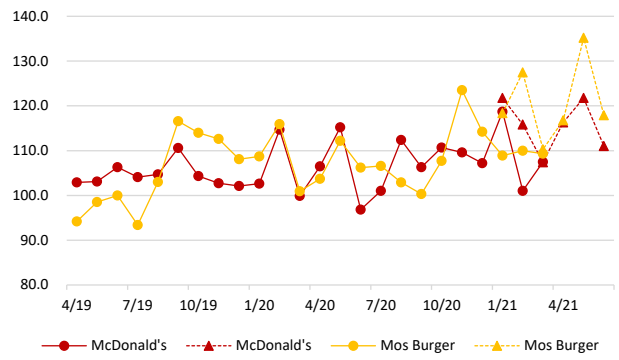
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Coffee shops



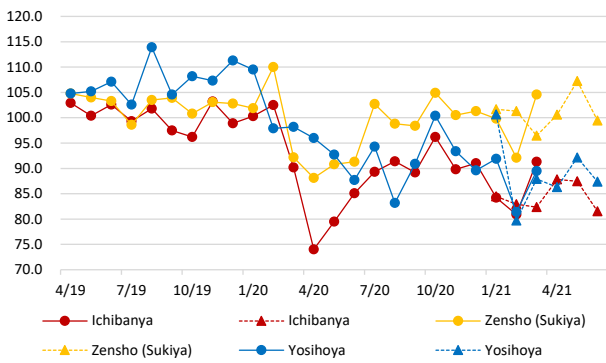
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Hamburger shops



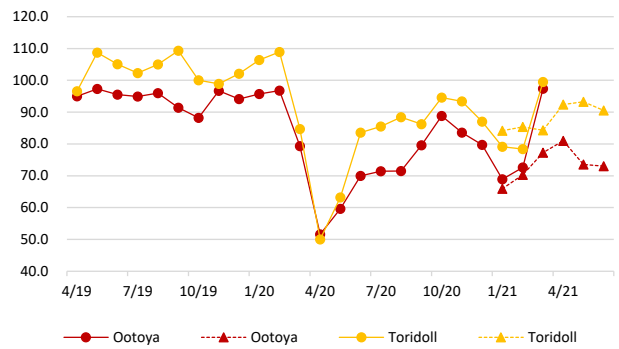
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Curry, Beef bowl



Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Set meal, Udon noodle



Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Comparison of valuations with similar companies (reference)

Figure: Comparison of valuations for food service companies

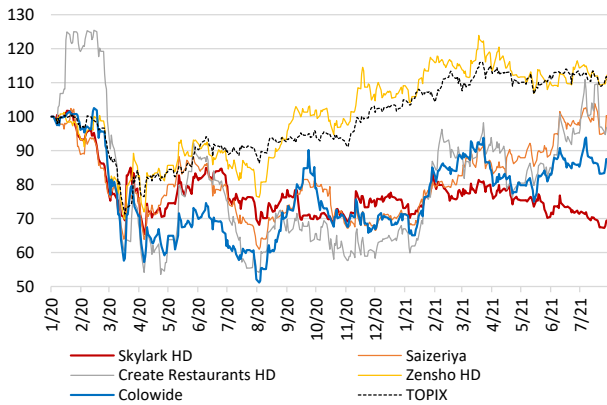
Company name	Ticker	PX 7/29	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
KURA SUSHI INC	2695	4,105	169.9	-0.1	7.4	4.6	3.1	8.3	12.3	119.0	42.5	26.6	3.6	14.3	1.1	0.6	-11.7	7.2	83.9
MCDONALD'S HOLDINGS CO JAPAN	2702	4,960	659.5	-0.2	2.4	14.8	12.7	11.4	10.9	31.0	30.9	29.0	3.7	13.3	2.0	0.8	1.2	-0.6	-5.5
OOTOYA HOLDINGS CO LTD	2705	2,743	19.9	0.2	-34.3	-24.0	-203.9	NA	NA	NA	NA	NA	14.1	NA	NA	NA	2.7	6.7	-2.5
FUJIO FOOD GROUP INC	2752	1,341	59.8	3.6	-33.9	-12.3	-81.6	11.5	NA	NA	128.9	35.3	16.6	NA	2.2	0.0	7.5	-6.0	11.3
AMİYAKI TEI CO LTD	2753	2,937	20.1	-0.1	-18.3	-9.6	-2.5	2.0	NA	NA	50.3	20.1	1.0	NA	0.5	0.0	0.7	4.6	13.3
HIRAMAATSU INC	2764	191	9.3	4.1	-36.6	-32.2	-79.3	NA	NA	NA	NA	NA	2.6	NA	NA	NA	-9.5	24.8	18.6
PEPPER FOOD SERVICE CO LTD	3053	411	16.2	2.4	NA	NA	NA	NA	NA	NA	NA	NA	27.2	NA	NA	NA	-13.5	44.7	-2.6
ARCLAND SERVICE HOLDINGS CO	3085	2,265	75.0	-0.6	18.8	12.9	14.5	13.8	12.7	23.7	23.1	23.5	3.3	10.8	1.4	1.1	3.1	3.7	27.5
CHOSHIMARU CO LTD	3075	1,147	16.7	-0.8	-1.6	3.7	5.6	NA	NA	42.2	NA	NA	2.3	NA	NA	NA	0.4	-2.4	24.0
DOUTORI NICHIRETS HOLDINGS CO	3087	1,677	76.5	-0.3	-11.4	-0.8	-5.3	4.0	3.1	NA	19.7	18.9	0.8	7.7	0.4	1.4	-2.2	3.0	15.3
BRONCO BILLY CO LTD	3091	2,482	37.4	-0.3	-12.1	5.7	4.0	NA	NA	54.5	NA	NA	2.1	NA	NA	0.6	4.5	5.3	25.2
MONOGATARI CORP (TP 9,100 Buy)	3097	6,950	83.9	0.2	-8.4	8.5	7.8	15.4	NA	55.0	28.1	24.7	4.2	13.5	1.3	0.9	-7.0	-6.0	79.6
CHIMNEY CO LTD	3178	1,414	27.3	0.8	-67.8	-38.2	-94.9	NA	NA	NA	NA	NA	5.5	NA	NA	NA	3.3	17.3	21.7
TORIKIZOKU HOLDINGS CO LTD	3193	1,734	20.2	0.0	-40.8	-9.9	-39.3	NA	NA	NA	NA	27.9	4.2	NA	0.9	0.0	-3.5	9.2	33.5
HOTLAND CO LTD	3196	1,302	28.0	0.6	-12.3	2.8	-8.1	15.3	NA	NA	25.5	25.0	3.9	NA	1.0	0.4	-1.7	-0.6	30.9
SKYLARK HOLDINGS CO LTD (TP 1,550 Hold)	3197	1,487	338.3	2.1	-27.6	6.9	-15.9	1.0	4.4	NA	298.7	51.5	2.6	8.5	1.6	0.2	-3.6	-8.3	-0.9
SFP HOLDINGS CO LTD	3198	1,456	37.5	-0.1	-49.8	-15.3	-34.0	5.3	NA	NA	62.5	28.9	3.5	NA	2.0	0.0	0.4	12.8	16.6
CREATE RESTAURANTS HOLDINGS	3387	930	176.2	3.5	-32.6	10.6	-40.0	14.7	NA	NA	57.8	45.8	9.6	NA	2.8	0.0	2.0	19.5	80.2
SAINT MARC HOLDINGS CO LTD	3395	1,589	36.2	-0.2	-36.2	-9.7	-19.1	3.7	2.6	NA	24.2	36.8	0.9	6.4	0.5	2.8	-0.3	-6.1	5.4
TORIDOLL HOLDINGS CORP	3397	2,020	176.4	3.0	-13.9	5.4	-18.5	4.0	7.9	NA	115.7	39.2	6.1	12.5	2.0	0.3	7.2	17.1	79.7
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,048	94.5	1.5	4.7	23.0	12.7	13.9	14.1	21.9	18.8	17.2	2.7	15.8	4.2	2.6	-1.1	0.6	18.4
KUSHIKATSU TANAKA HOLDINGS C	3547	1,908	17.8	0.3	-29.4	-13.1	-19.4	4.1	30.0	NA	233.6	39.3	12.1	NA	3.5	0.3	4.6	10.9	45.6
CHIKARANOMOTO HOLDINGS CO LT	3561	606	16.4	3.7	-43.2	-7.6	-93.5	NA	NA	NA	NA	NA	11.1	NA	NA	NA	-0.5	1.7	2.5
FOOD & LIFE COMPANIES LTD	3563	4,480	520.0	2.4	2.4	14.6	17.1	21.7	25.8	56.6	42.5	35.4	9.0	17.5	2.6	0.5	-6.6	-8.3	94.3
ATOM CORP	7412	774	149.8	0.2	-35.2	-4.1	-21.6	NA	NA	NA	NA	NA	18.0	NA	NA	NA	0.0	3.2	3.1
KAPPA CREATE CO LTD	7421	1,428	70.6	0.4	-13.3	0.7	-10.0	NA	NA	NA	NA	NA	6.4	NA	NA	NA	-1.7	-1.6	10.2
WATAMI CO LTD	7522	938	40.0	3.5	-33.1	-14.9	-131.5	NA	NA	NA	NA	NA	11.7	NA	NA	NA	0.8	-1.2	14.3
ZENSHO HOLDINGS CO LTD	7550	2,790	432.1	2.2	-5.6	5.6	2.6	12.6	13.2	186.1	37.2	33.8	5.0	13.2	0.9	0.7	-2.2	1.8	46.1
KOURAKUEN HOLDINGS CORP	7554	1,470	24.7	1.1	-30.5	-3.3	-23.7	NA	NA	NA	86.5	NA	7.0	NA	1.0	0.0	-4.6	-7.9	3.4
ANRAKUTEI CO LTD	7562	5,690	12.2	1.6	73.0	-2.1	-22.3	NA	NA	NA	NA	NA	2.8	NA	NA	NA	5.0	9.4	18.4
SAIZERIYA CO LTD	7581	2,687	140.5	-0.3	-10.5	5.6	0.8	4.1	6.7	188.2	43.2	29.0	1.6	18.5	0.9	0.7	0.8	12.1	60.2
HIDAY HIDAKA CORP	7611	1,741	66.4	-0.3	-23.6	-6.6	-7.0	NA	NA	NA	NA	NA	3.1	NA	NA	0.0	-3.4	4.0	15.2
COLOWIDE CO LTD	7616	2,002	150.7	3.6	-28.5	4.3	-56.1	NA	NA	NA	NA	NA	9.1	NA	NA	NA	1.1	9.0	66.7
UKAI CO LTD	7621	3,100	16.3	1.5	-35.5	-14.5	-45.4	NA	NA	NA	NA	NA	5.7	NA	NA	NA	-0.3	1.3	3.3
GLOBAL-DINING INC	7625	487	5.0	0.9	-33.5	-15.3	-34.0	NA	NA	NA	NA	NA	2.3	NA	NA	NA	-19.0	90.2	266.2
ICHIBANYA CO LTD	7630	4,870	155.5	-0.5	-8.3	10.0	9.2	11.4	NA	56.7	43.4	49.3	5.2	NA	2.9	1.6	-4.3	1.1	1.8
ASAKUMA CO LTD	7678	1,542	8.3	-0.4	-27.9	-23.3	-51.6	NA	NA	NA	NA	NA	3.7	NA	NA	NA	-2.2	2.0	6.3
MOS FOOD SERVICES INC	8153	3,175	101.6	-0.2	4.3	7.4	2.2	3.7	NA	98.2	57.6	48.9	2.2	NA	1.2	0.8	4.6	6.1	15.4
KISOJI CO LTD	8160	2,351	60.9	0.0	-29.3	-7.0	-18.3	NA	NA	NA	NA	NA	2.5	NA	NA	NA	0.5	2.4	9.6
SRS HOLDINGS CO LTD	8163	813	30.1	0.5	-2.1	-4.9	-36.3	NA	NA	NA	NA	NA	3.0	NA	NA	NA	0.4	-0.2	-2.8
ROYAL HOLDINGS CO LTD	8179	1,983	90.0	2.3	-45.2	-26.7	-71.9	-15.8	-0.1	NA	NA	62.5	3.0	25.9	1.2	0.3	-8.8	4.4	29.3
RINGER HUT CO LTD	8200	2,257	58.8	1.0	-18.6	-9.3	-51.4	NA	NA	NA	NA	NA	5.6	NA	NA	NA	-5.2	2.0	5.0
GIFT INC	9279	2,395	23.8	0.2	19.6	6.0	9.1	23.0	NA	80.2	28.3	20.8	7.1	NA	1.7	0.6	-5.1	9.5	90.2
GENKI SUSHI CO LTD	9828	2,556	22.7	0.6	-11.9	4.0	-5.3	NA	NA	NA	NA	NA	2.8	NA	NA	NA	1.6	6.7	27.8
GINZA RENOIR CO LTD	9853	827	5.2	0.1	-48.1	-52.4	-53.3	NA	NA	NA	NA	NA	1.6	NA	NA	NA	-0.4	1.5	2.6
GOURMET KINEYA CO LTD	9850	964	21.8	1.5	-43.1	-7.1	-46.7	NA	NA	NA	NA	NA	2.6	NA	NA	NA	0.0	4.3	7.5
YOSHINOYA HOLDINGS CO LTD	9861	2,072	134.9	0.8	-17.7	3.4	-4.5	5.9	3.6	NA	54.6	55.8	3.2	16.2	1.0	0.0	-2.4	2.5	16.4
KFC HOLDINGS JAPAN LTD	9873	2,861	64.2	-0.8	12.6	8.6	12.3	NA	NA	22.8	23.1	23.6	2.7	NA	0.5	1.7	1.2	-1.1	6.6
MATSUYAFOODS HOLDINGS CO LTD	9887	3,605	68.7	0.3	-11.4	-0.2	-5.7	NA	NA	NA	28.7	18.3	1.7	NA	0.8	0.7	2.3	4.8	11.8
SAGAMI HOLDINGS CORP	9900	1,037	29.9	-0.2	-23.0	-9.2	-20.7	NA	NA	NA	NA	NA	2.5	NA	NA	NA	1.6	1.3	-9.2
OHSHO FOOD SERVICE CORP (TP 7,250 Buy)	9936	5,850	136.2	-0.2	-5.8	10.3	8.3	210.0	NA	25.6	20.8	19.5	2.1	NA	1.4	1.7	4.5	4.5	9.8
JOYFULL CO LTD	9942	873	27.9	37.9	-33.1	-11.1	-110.8	NA	NA	NA	NA	NA	9.9	NA	NA	NA	12.6	23.0	4.4
DAISYO CORP	9979	1,009	21.4	0.3	-24.0	-10.2	-47.7	NA	NA	NA	NA	NA	1.9	NA	NA	NA	-4.5	0.8	-4.6
Average				1.6	-18.5	-4.2	-29.0	16.9	10.5	70.8	62.5	32.8	5.4	13.9	1.6	0.7	-1.0	6.5	27.4
Median				0.3	-20.8	-2.7	-18.8	9.8	9.4	55.0	42.5	29.0	3.5	13.4	1.3	0.6	0.0	3.2	15.2

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

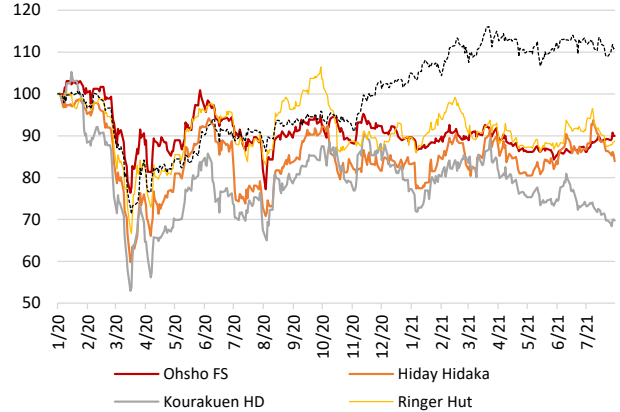
Stock price trends for food service companies

Figure: Stock price trends (family restaurants, general type)



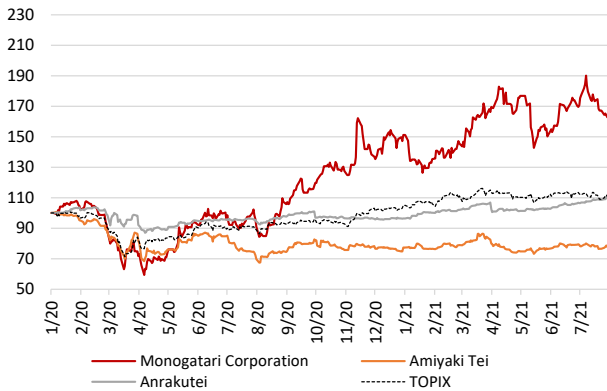
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



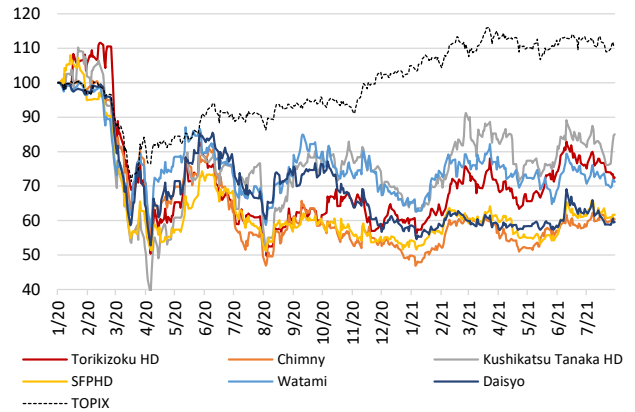
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



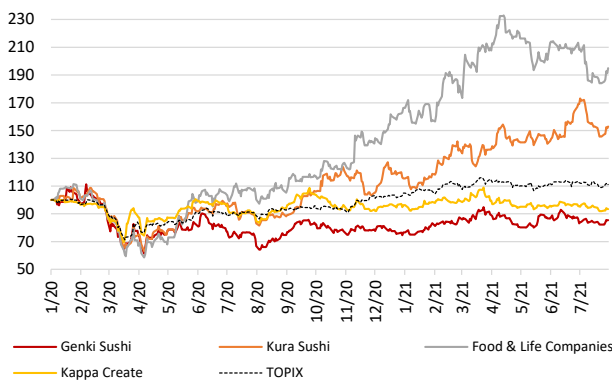
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



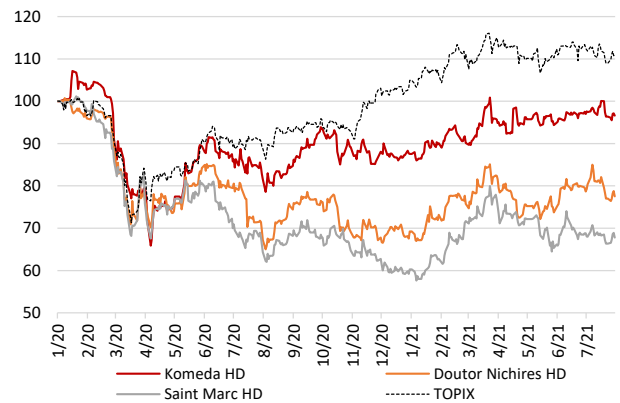
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (sushi restaurants)



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

Figure: Stock price trends (coffee shops)



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

APPENDIX

[Analyst Certification]

We hereby certify that the views on securities and issuers expressed in this report accurately reflect the personal views of the analyst(s) listed on the cover page of this report. The analyst(s) also certifies that the analyst(s) has not been compensated, directly or indirectly, or promised to be compensated, for expressing any particular view in this report.

[Ratings]

Ratings are based on the following definitions.

The target price and ratings are based on our views for the next 12 months or so.

Buy: Stocks whose total return (percentage change in share price from current price to projected target price plus projected dividend yield), as of the time the target price is set or changed, is expected to be 15% or more.

Hold: Stocks whose total return (percentage change in share price from current price to projected target price plus projected dividend yield), as of the time the target price is set or changed, is expected to be between -15% and +15%.

Sell: Stocks whose total return (percentage change in share price from current price to projected target price plus projected dividend yield), as of the time the target price is set or changed, is expected to be -15% or less.

RS: Rating Suspended - Stocks for which the target price and rating have been temporarily suspended.

NR: No Rating - Stocks for which no target price or rating is assigned.

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