



# Skylark Holdings

TSE 1st Section 3197 Industry: Food service, retail

## First impression of 1H results neutral

### 1H OP 0.5bn yen, full-year guidance unchanged

Skylark HD (3197, the company) posted 1H FY12/21 sales of 126.7bn yen (-8.9% YoY), OP of 0.5bn yen (vs. -18.1bn yen loss in 1H FY12/20), and net profit attributable to owners of the parent (NP) of -0.5bn yen (vs. -18.9bn yen loss in 1H FY12/20) (IFRS). Same-store sales were down -5.9% YoY, and down -31.9% from 1H FY12/19. Progress toward the full-year OP guidance (5bn yen) was 9%. Delivery and take-out sales were strong (24% of sales), but in-store dining sales declined significantly. OP of 0.5bn yen includes 11.0bn yen in subsidies for shortening operating hours. The company maintained its full-year guidance.

2Q (Apr-Jun) results were sales of 61.8bn yen (+18.1% YoY), OP of 1.7bn yen (vs. -18.1bn yen loss in 2Q FY12/20), and NP of 1.4bn yen (vs. -19.2bn yen loss ditto). OP improved from -1.3bn yen in 1Q (Jan-Mar). That said, OP includes 4.0bn yen in subsidies for shortened operating hours in 1Q and 7.0bn yen in 2Q. Excluding the subsidies, OP was -5.3bn yen in 2Q, almost unchanged from -5.2bn in 1Q. 2Q sales decreased by 3.0bn yen from 1Q, which indicates that cost reduction progressed during 2Q.

The number of stores at the end of 2Q was 3,108 (-7 from end-1Q). The number of Musashino Mori Coffee stores increased due to the change in business format (62 stores at end-2Q, +7 stores QoQ).

Overall, our first impression of the results is neutral. The strong performance of delivery and take-out and the deepening of cost reduction can be evaluated positively, but OP continues to be dependent on subsidies due to the large drop in in-store dining due to shortened hours.

Please refer to the report dated July 1, 2021 for the rationale of the rating and target price.

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## Update

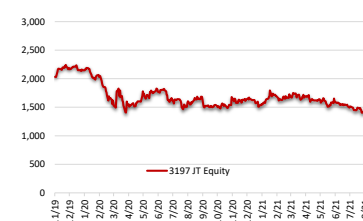
Rating  
**Hold**

Target price (JPY)	1,550
Stock price (JPY) (Aug 13)	1,465
Market cap (JPYbn)	333.3

### Key changes

Rating	No
Target price	No
Earnings forecast	No

### Stock price (JPY)



Source: Bloomberg Finance LP

### Earnings

IFRS		12/19	12/20	12/21E	12/22E	12/23E
Sales	JPYbn	375.4	288.4	282.0	332.4	362.1
OP	JPYbn	20.6	-23.0	5.3	7.5	20.7
Pre-tax Profit	JPYbn	16.7	-26.4	1.5	4.6	17.9
NP	JPYbn	9.5	-17.2	0.5	2.7	12.0
EPS	JPY	48.0	-87.2	2.2	11.8	52.6
BPS	JPY	672	576	699	711	759
DPS	JPY	19.0	0.0	0.0	4.0	16.0
PER	x	44.4	-18.3	666.1	124.3	28.0
PBR	x	3.2	2.8	2.1	2.1	1.9
Div. yield	%	0.9	0.0	0.0	0.3	1.1
ROA	%	2.4	-3.8	0.1	0.6	2.5
ROE	%	7.2	-14.0	0.4	1.7	7.2

Source: Company data, Mita Securities

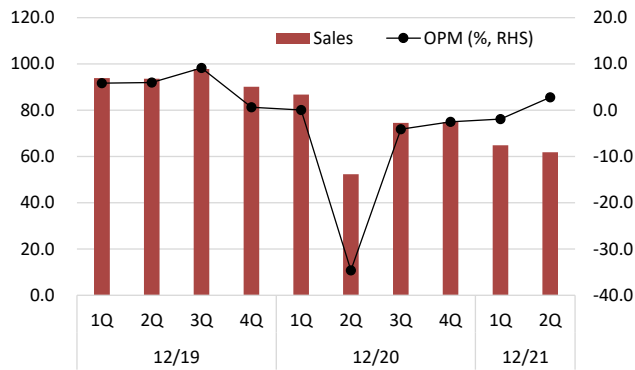
### Company profile

Skylark HD is Japan's largest operator of family restaurants, including "Gusto," and "Bamiyan." The company had 3,108 stores at the end of June 2021. FY12/20 sales were 288.4bn yen.

### Quarterly data

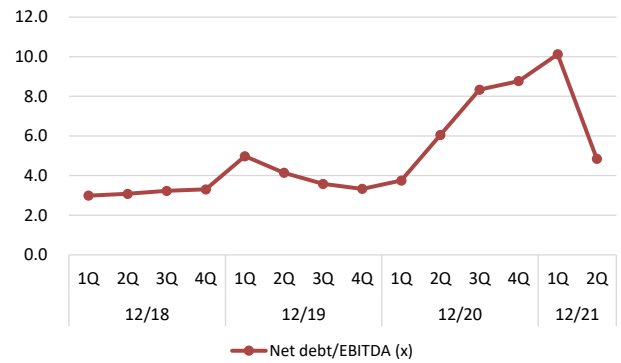
#### Quarterly data

Figure: Quarterly earnings (JPYbn)



Source: Company data, Mita Securities

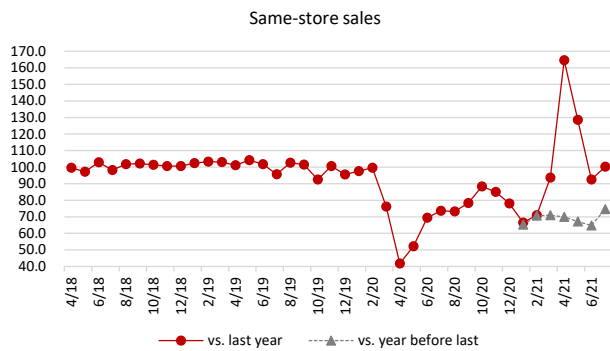
Figure: Net debt/EBITDA (x, quarterly basis)



Source: Company data, Mita Securities

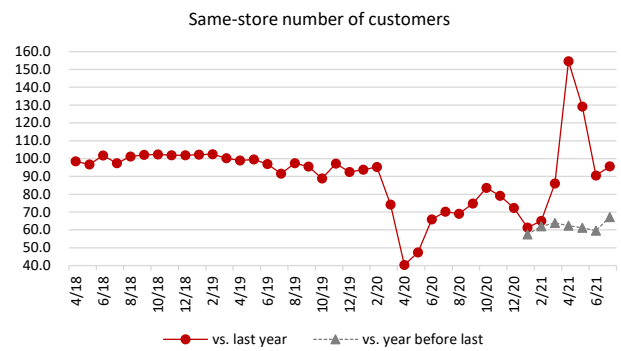
### Monthly same-store sales data

Figure: Same-store sales



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

Figure: Same-store number of customers



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

Figure: Same-store average spend per customer

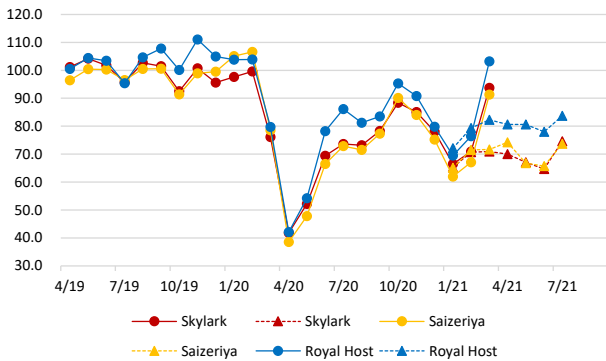


Source: Company data, Mita Securities Note: Same month last year or year before last = 100

**Food service industry data**

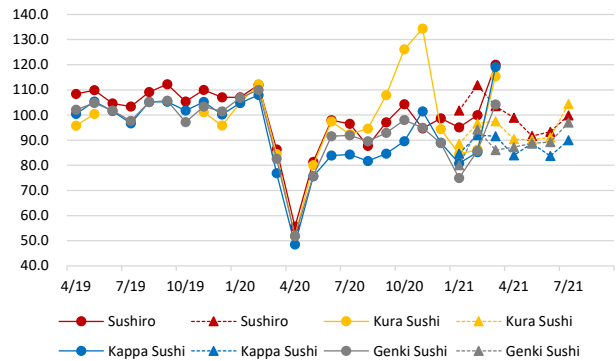
Same-store sales (compared to last year or year before last)

**Figure: Family restaurants**



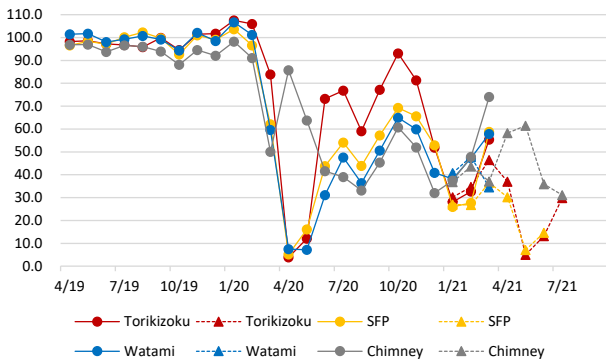
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

**Figure: Sushi restaurants**



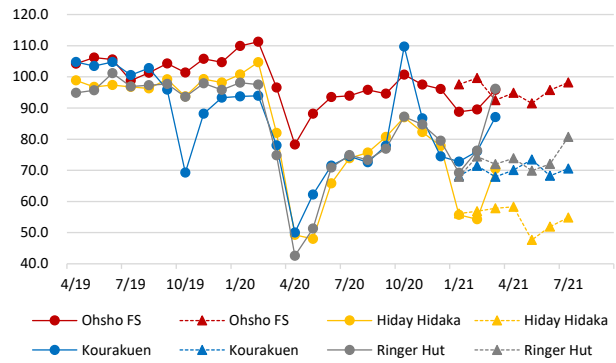
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

**Figure: Izakaya (Japanese style pubs)**



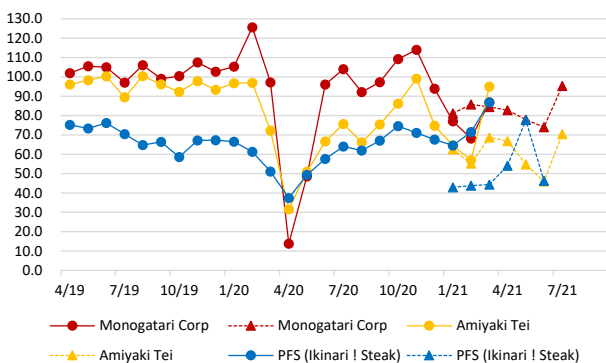
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

**Figure: Chinese restaurants**



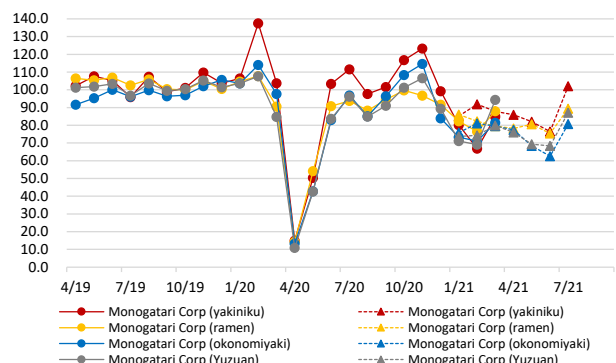
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

**Figure: Yakiniku (Japanese BBQ), steak**



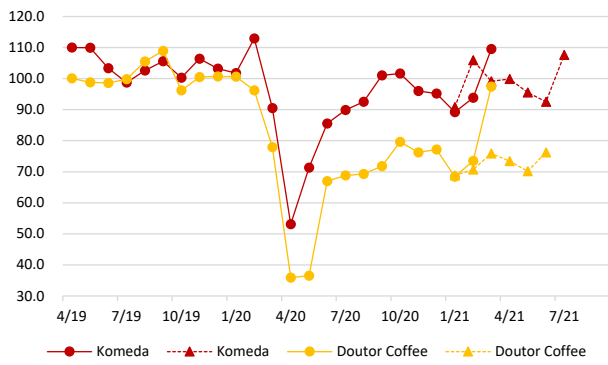
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

**Figure: Monogatari Corporation by division**



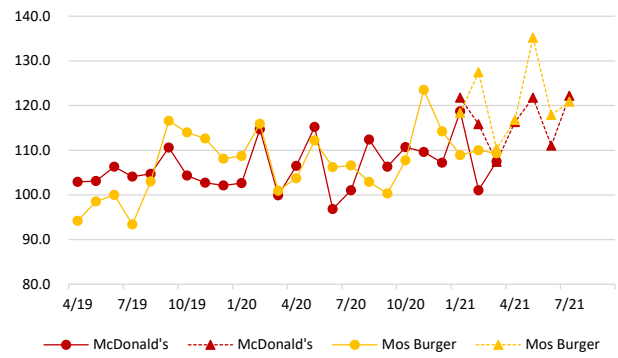
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Coffee shops



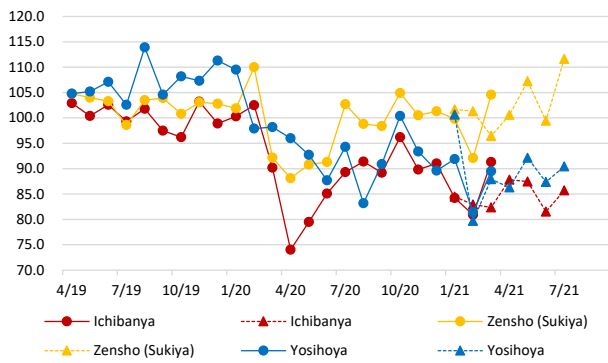
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Hamburger shops



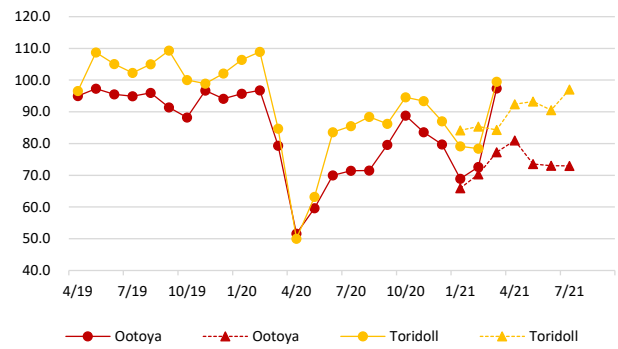
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

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

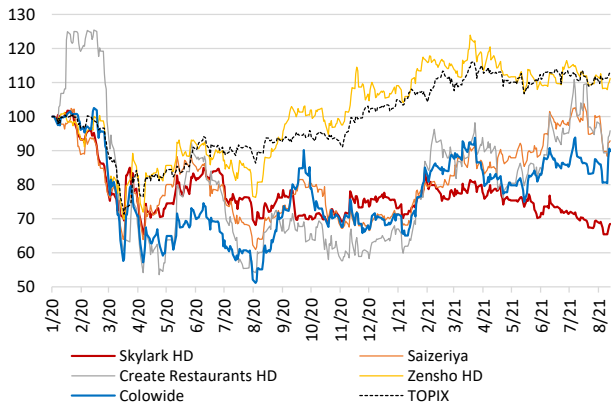
Company name	Ticker	PX 8/12	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
KURA SUSHI INC	2695	4,260	176.4	-0.1	7.4	4.6	3.1	8.3	12.3	123.4	44.1	27.6	3.8	14.9	1.2	0.6	2.9	13.8	78.4
MCDONALD'S HOLDINGS CO JAPAN	2702	4,910	652.8	-0.2	5.6	14.8	12.7	11.4	10.9	29.8	30.6	28.8	3.6	12.9	2.0	0.8	-0.9	-1.0	-7.7
OOTOYA HOLDINGS CO LTD	2705	2,797	20.3	0.2	-21.3	-24.0	-193.4	NA	NA	NA	NA	NA	12.8	NA	NA	NA	1.7	7.7	-2.3
FUJIO FOOD GROUP INC	2752	1,334	59.5	3.6	-19.5	-12.3	-81.6	11.5	NA	NA	128.3	35.1	16.5	NA	2.2	0.0	0.8	-2.5	4.8
AMIYAKI TEI CO LTD	2753	2,900	19.9	-0.1	-18.3	-9.6	-2.5	2.0	NA	NA	49.7	19.9	1.0	NA	0.5	0.0	-1.5	6.2	5.8
HIRAMATSU INC	2764	191	9.3	4.1	-36.6	-32.2	-79.3	NA	NA	NA	NA	NA	2.6	NA	NA	NA	-8.6	24.0	6.1
PEPPER FOOD SERVICE CO LTD	3053	385	15.1	2.4	NA	NA	NA	NA	NA	NA	NA	NA	25.4	NA	NA	NA	-10.9	41.0	-14.3
ARCLAND SERVICE HOLDINGS CO	3085	2,331	77.1	-0.6	26.3	12.8	16.9	18.9	13.0	20.1	16.8	23.1	3.2	11.2	1.5	1.3	5.1	9.2	19.2
CHOUJIMARU CO LTD	3075	1,155	16.8	-0.8	-1.6	3.7	5.6	NA	NA	42.5	NA	NA	2.3	NA	NA	NA	1.6	7.9	16.2
DOUTOR NICHIRETS HOLDINGS CO	3087	1,656	75.5	-0.3	-11.4	-0.8	-5.3	4.0	3.1	NA	19.4	18.7	0.8	7.6	0.4	1.4	-5.7	6.1	7.6
BRONCO BILLY CO LTD	3091	2,414	36.4	-0.3	-12.1	5.7	4.0	NA	NA	53.0	NA	NA	2.1	NA	NA	0.7	-0.8	5.4	13.2
MONOGATARI CORP (TP 9,100 Buy)	3097	6,550	79.1	0.1	10.5	7.7	14.6	NA	NA	29.0	23.3	20.7	4.0	11.5	1.1	1.0	-13.5	7.7	67.5
CHIMNEY CO LTD	3178	1,435	27.8	0.8	-60.7	-38.2	-65.7	NA	NA	NA	NA	NA	4.5	NA	NA	NA	1.8	12.1	7.7
TORIKIZOKU HOLDINGS CO LTD	3193	1,727	20.1	0.0	-40.8	-9.9	-39.3	NA	NA	NA	NA	27.8	4.1	NA	0.9	0.0	-7.3	8.3	25.7
HOTLAND CO LTD	3196	1,263	27.2	0.6	1.7	5.2	9.1	16.1	NA	41.1	23.3	26.4	3.6	NA	1.0	0.4	-4.1	-4.7	13.1
SKYLARK HOLDINGS CO LTD (TP 1,550 Hold)	3197	1,473	335.1	2.1	-27.6	6.9	-15.9	1.6	5.3	NA	193.9	46.4	2.6	8.1	1.6	0.3	-2.5	-6.8	-7.6
SFP HOLDINGS CO LTD	3198	1,435	37.0	-0.1	-49.8	-15.3	-34.0	5.3	NA	NA	61.6	28.5	3.5	NA	2.0	0.0	-2.6	14.1	3.8
CREATE RESTAURANTS HOLDINGS	3387	906	171.6	3.5	-32.6	10.6	-40.0	14.7	NA	NA	56.3	44.6	9.3	NA	2.8	0.0	-6.4	20.3	44.7
SAINT MARC HOLDINGS CO LTD	3395	1,542	35.1	-0.2	-13.7	-6.3	-11.6	0.7	3.0	NA	137.1	33.9	0.9	11.8	0.5	2.9	-3.7	-3.7	-2.1
TORIDOLL HOLDINGS CORP	3397	2,083	181.9	3.0	-13.9	5.2	-18.5	4.0	7.9	NA	119.2	40.4	6.3	12.0	2.0	0.3	9.1	25.6	72.1
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,043	94.2	1.5	4.7	23.0	12.7	13.8	14.1	21.8	18.8	17.4	2.7	15.8	4.2	2.6	-2.5	2.3	15.4
KUSHIKATSU TANAKA HOLDINGS C	3547	1,900	17.7	0.3	-29.4	-13.1	-19.4	4.1	30.0	NA	233.6	39.4	12.0	NA	3.4	0.3	2.6	16.3	34.8
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	-2.1	3.2	-5.0
FOOD & LIFE COMPANIES LTD	3563	4,080	473.6	2.4	14.3	16.0	23.6	22.7	24.4	36.5	37.7	32.1	7.8	16.4	2.5	0.6	-7.3	-8.2	66.5
ATOM CORP	7412	783	151.6	0.2	-23.8	-3.4	-17.1	NA	NA	NA	NA	NA	16.2	NA	NA	NA	0.6	5.4	-5.3
KAPPA CREATE CO LTD	7421	1,364	67.4	0.4	-2.5	0.7	3.2	NA	NA	197.7	NA	NA	6.3	NA	NA	NA	-7.0	-4.3	-1.4
WATAMI CO LTD	7522	940	40.1	3.5	-33.1	-14.9	-131.5	NA	NA	NA	NA	NA	11.8	NA	NA	NA	-1.7	3.4	1.2
ZENSHO HOLDINGS CO LTD	7550	2,774	429.6	2.2	-5.6	5.6	2.6	12.6	13.2	185.1	36.9	33.6	4.9	13.2	0.9	0.7	-1.7	4.1	26.4
KOURAKUEN HOLDINGS CORP	7554	1,476	24.8	1.1	-19.5	-3.3	-2.2	NA	NA	NA	86.8	NA	6.9	NA	0.9	0.0	-3.1	-4.5	-12.4
ANRAKUTEL CO LTD	7562	5,700	12.2	1.6	58.9	-2.1	2.9	NA	NA	93.9	NA	NA	2.7	NA	NA	NA	3.1	10.0	17.2
SAIZERIYA CO LTD	7581	2,499	130.6	-0.3	-10.5	5.6	0.8	4.1	5.0	175.0	40.2	27.0	1.5	17.0	0.9	0.7	-6.3	8.8	33.6
HIDAY HIDAKA CORP	7611	1,702	64.9	-0.3	-23.6	-6.6	-7.0	NA	NA	NA	NA	NA	3.0	NA	NA	0.0	-8.0	1.6	0.4
COLOWIDE CO LTD	7616	2,072	156.0	3.6	-14.4	8.7	-31.8	NA	NA	NA	NA	NA	9.6	NA	NA	NA	3.6	19.9	49.8
UKAI CO LTD	7621	3,130	16.4	1.5	-35.5	-14.5	-45.4	NA	NA	NA	NA	NA	5.7	NA	NA	NA	1.1	3.6	1.0
GLOBAL-DINING INC	7625	455	4.7	0.9	7.5	-1.1	0.7	NA	NA	330.9	NA	NA	1.8	NA	NA	NA	-4.8	30.4	205.4
ICHIBANYA CO LTD	7630	4,885	156.0	-0.5	-8.3	10.0	9.2	11.4	NA	56.9	43.5	49.5	5.2	NA	2.9	1.6	-2.0	3.6	-5.3
ASAKUMA CO LTD	7678	1,539	8.3	-0.4	-21.0	-23.3	-43.6	NA	NA	NA	NA	NA	3.7	NA	NA	NA	-1.3	1.8	3.8
MOS FOOD SERVICES INC	8153	3,100	99.2	-0.2	4.3	7.4	2.2	3.7	NA	95.9	56.3	47.8	2.1	NA	1.2	0.8	-2.4	1.5	8.8
KISOJI CO LTD	8160	2,317	60.0	0.0	-12.3	-7.0	-16.5	NA	NA	NA	NA	NA	2.6	NA	NA	NA	-4.8	3.2	1.0
SRS HOLDINGS CO LTD	8163	810	30.3	0.5	5.7	-4.9	-9.6	NA	NA	NA	NA	NA	2.7	NA	NA	NA	-2.6	-0.5	-9.8
ROYAL HOLDINGS CO LTD	8179	1,990	90.3	2.3	-45.2	-26.7	-71.9	3.8	4.4	NA	NA	38.4	3.0	11.3	1.2	0.4	-2.2	8.0	11.7
RINGER HUT CO LTD	8200	2,273	59.3	1.0	-18.6	-9.3	-51.4	NA	NA	NA	NA	NA	5.6	NA	NA	NA	-2.0	3.8	-5.6
GIFT INC	9279	2,227	22.2	0.2	19.6	6.0	9.1	23.0	NA	74.6	26.3	19.4	6.6	NA	1.6	0.7	-8.4	5.6	64.4
GENKI SUSHI CO LTD	9828	2,522	22.4	0.6	1.9	5.9	3.2	NA	NA	85.6	NA	NA	2.7	NA	NA	NA	-0.2	5.2	21.3
GINZA RENOIR CO LTD	9853	819	5.1	0.1	-33.6	-52.4	-39.1	NA	NA	NA	NA	NA	1.5	NA	NA	NA	-0.2	1.4	0.5
GOURMET KINEYA CO LTD	9850	984	22.2	1.5	-28.3	-7.1	-46.7	NA	NA	NA	NA	NA	2.6	NA	NA	NA	1.0	5.1	0.6
YOSHINOYA HOLDINGS CO LTD	9861	2,068	134.7	0.8	-17.7	3.4	-4.5	6.9	3.6	NA	46.1	83.5	3.2	16.2	1.1	0.0	-2.8	4.1	0.2
KFC HOLDINGS JAPAN LTD	9873	2,875	64.5	-0.8	12.6	8.6	12.3	NA	NA	15.9	23.2	23.7	2.7	NA	0.5	1.7	-0.4	3.8	8.4
MATSUYAFOODS HOLDINGS CO LTD	9887	3,605	68.7	0.3	-6.2	1.5	1.3	NA	NA	131.8	28.7	18.3	1.7	NA	0.8	0.7	-0.1	7.0	1.5
SAGAMI HOLDINGS CORP	9900	1,033	30.3	-0.2	-9.2	-4.0	-7.8	NA	NA	NA	NA	NA	2.4	NA	NA	NA	0.9	1.6	-17.7
OHSHO FOOD SERVICE CORP (TP 7,250 Buy)	9936	5,910	137.6	-0.2	-0.2	11.6	11.8	11.7	NA	18.2	16.4	18.6	2.0	NA	1.4	1.7	1.2	5.5	1.5
JOYFULL CO LTD	9942	851	27.2	37.9	-33.1	-11.1	-110.8	NA	NA	NA	NA	NA	9.7	NA	NA	NA	8.1	20.7	2.9
DAISYO CORP	9979	1,006	21.3	0.3	-24.0	-10.2	-47.7	NA	NA	NA	NA	NA	1.9	NA	NA	NA	-4.3	3.6	-19.8
Average				1.6	-13.0	-3.5	-23.5	9.4	10.7	88.5	61.5	32.2	5.3	12.8	1.5	0.7	-1.9	6.9	16.0
Median				0.3	-13.8	-1.6	-7.4	8.3	9.4	56.9	41.8	28.5	3.5	12.4	1.2	0.6	-2.0	5.2	4.8

Source: Bloomberg Finance LP data, Mita Securities

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

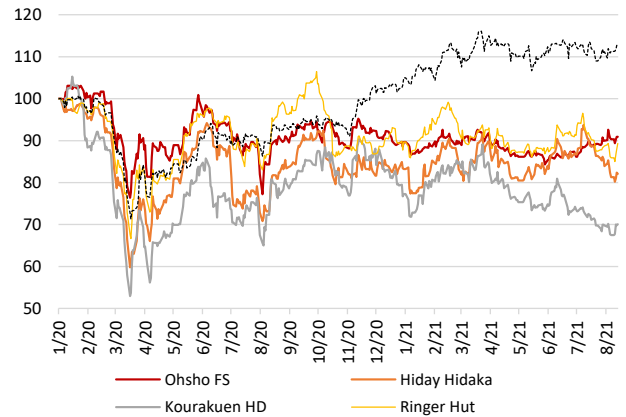
Stock price trends for food service companies

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



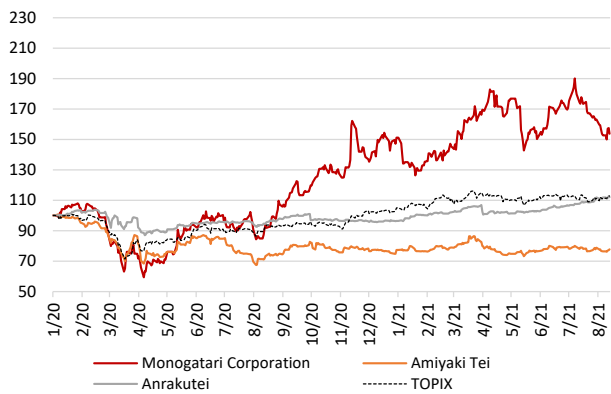
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



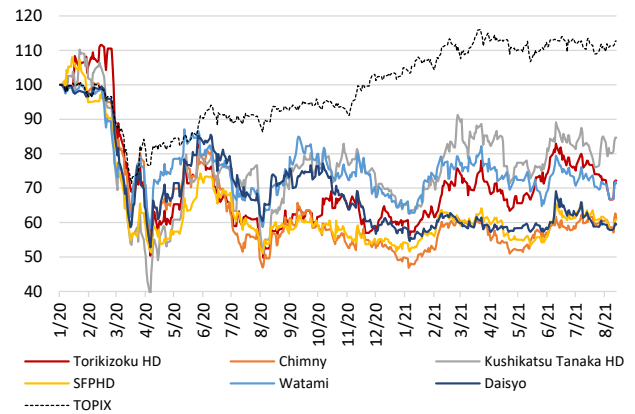
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



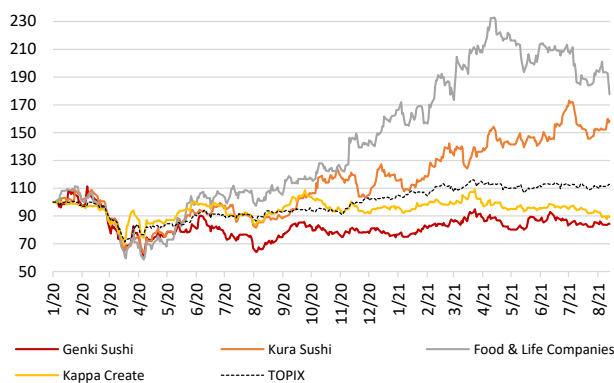
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



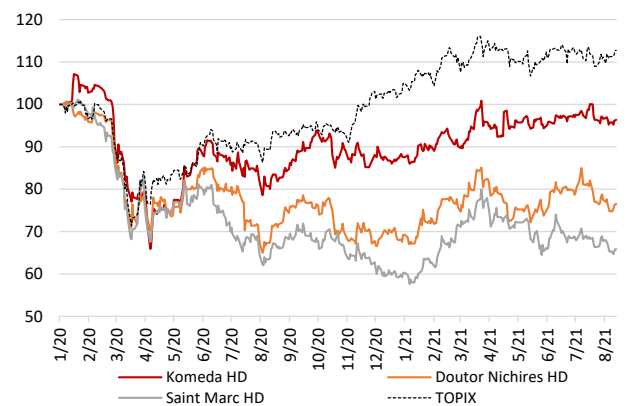
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

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

## Examples of recapitalization

Figure: Examples of recapitalization for food service companies

Announcement	Company name	Ticker	Funding method	Funding amount (JPYm)	Note
07/28/20	Colowide	7616	Preferred shares	9,000	Dividend 3.5% per annum. No conversion right to common shares
07/31/20	Pepper Food Service	3053	Warrants	6,740	Exercise price 415 yen (initial), with downward adjustment clause (last closing price x 90%, minimum exercise price 208 yen)
			Warrants	2,883	Exercise price 415 yen (initial), with downward adjustment clause (minimum exercise price 312 yen)
					Maximum dilution of the above total 99.96%
11/11/20	Joyfull	9942	Treasury share sale	1,000	
11/11/20	SRS HD	8163	Warrants	6,186	Exercise price 922 yen (initial), with downward adjustment clause (last closing price x 92%, minimum exercise price 646 yen). Maximum dilution 19.27%
11/19/20	Sagami HD	9900	Warrants	4,910	Exercise price 1,291 yen (initial), with downward adjustment clause (last closing price x 92%, minimum exercise price 904 yen). Maximum dilution 14.34%
12/24/20	Ootoya HD	2705	Preferred shares	3,000	With conversion right to common shares
01/26/21	Ringer Hut	8200	Subordinated loans	5,000	
			Warrants	2,359	Exercise price 2,363 yen (initial), with downward adjustment clause (last closing price x 92%, minimum exercise price 1,655 yen). Maximum dilution 3.84%
02/02/21	Create Restaurants HD	3387	Undated subordinated loans	15,000	Recorded as equity under IFRS
02/05/21	Zensho HD	7550	Subordinated loans	10,000	JCR recognizes 50% as equity
02/08/21	Monogatari Corporation	3097	CB	6,120	Conversion price of 12,500 yen (initial, before 1:2 stock split), with downward adjustment clause (minimum conversion price of 11,250 yen). Maximum dilution 8.69%
02/15/21	Royal HD	8179	Common shares	10,000	Issue price 1,718 yen
			Warrants	7,847	Exercise price 1,908 yen (initial), with upward and downward adjustment clauses (minimum exercise price 1,431 yen)
			Preferred shares	3,000	Dividend 8.5% per annum. No conversion right to common shares
			Preferred shares	3,000	Dividend 8.5% per annum, with conversion right to common shares
					Maximum dilution of the above total 29.69%
05/14/21	Chikaranomoto HD	3561	Common shares	1,646	Issue price 558 yen
			Warrants	1,182	Exercise price 587 yen (fixed)
			Warrants	765	Exercise price 764 yen (fixed)
					Maximum dilution of the above total 24.71%
05/20/21	Fujio Food Group	2752	Subordinated loans	3,700	
			Treasury share sale	851	Sale price 1,216 yen
			Warrants	1,919	Exercise price 1,399 yen (fixed). Maximum dilution 3.21%
05/20/21	Saint Marc HD	3395	Warrants	967	Exercise price 1,662 yen (initial), with downward adjustment clause (minimum exercise price 1,280 yen)
			CB	6,057	Conversion price 1,662 yen (initial), with downward adjustment clause (minimum conversion price 1,280 yen)
					Maximum dilution of the above total 23.09%
05/21/21	Skylark HD	3197	Common shares	42,610	Public offering of new shares. Issue price 1,495 yen. Dilution 15.19%
05/24/21	Watami	7522	Preferred shares	12,000	Dividend 4% per annum. No conversion right to common shares
06/25/21	Zensho HD	7550	Subordinated loans	20,000	
06/28/21	Chimny	3178	Subordinated loans	1,000	
07/16/21	Hiramatsu		Common shares	4,600	Issue price 176 yen
			Warrants	3,152	Exercise price 176 yen
					Maximum dilution of the above total 90.37% (shares O/S), 100.00% (voting rights)
07/19/21	Create Restaurants HD	3387	Common shares	20,000	Registration of new share issuance. Maximum issuance 20 bn yen

Source: Companies data, Mita Securities

## 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.

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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.

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