



# Komeda Holdings

TSE 1<sup>st</sup> Section 3543 Industry: Food service, wholesale, retail

## July wholesale sales, Strong Kome-Gyu effect

### Monthly data for July: Strong Kome-Gyu effect, positive impression

Komeda Holdings (3543) disclosed monthly data for July. The impression is positive.

Wholesale sales to franchisees (same-store basis) in July were 119.7% YoY (same month last year = 100%; 108.2% for June). The number of holidays was one more than in July 2020.

Wholesale sales to franchisees (same-store basis) were 107.9% vs. June 2019, significantly higher than 92.8% for June. There were two more holidays than in July 2019.

In addition to the increase in the number of holidays, the "Kome-Gyu" (beef sandwich) campaign that started in mid-July contributed to the sales increase.

The total number of stores at end of July was 931 (+4MoM). The company opened 6 stores and closed 2 stores.

MITA SECURITIES Co., Ltd.

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## Update

Rating

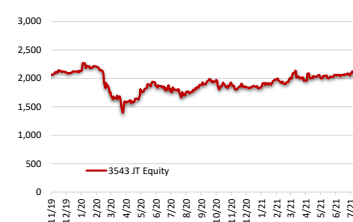
**Buy**

Target price (JPY)	3,000
Stock price (JPY) (Aug 10)	2,039
Market cap (JPYbn)	94.1

### Key changes

Rating	No
Target price	No
Earnings forecast	No

### Stock price (JPY)



Source: Bloomberg Finance LP

### Earnings

IFRS		2/20	2/21	2/22E	2/23E	2/24E
Sales	JPYbn	31.2	28.8	33.6	36.4	39.6
OP	JPYbn	7.9	5.5	7.3	8.1	9.0
Pre-tax Profit	JPYbn	7.8	5.4	7.2	8.0	8.9
NP	JPYbn	5.4	3.6	4.8	5.4	6.0
EPS	JPY	116.7	77.9	105.0	117.2	130.2
BPS	JPY	720	755	821	887	955
DPS	JPY	51.0	39.0	51.0	62.0	68.0
PER	x	15.7	24.4	19.2	17.2	15.5
PBR	x	2.5	2.5	2.5	2.3	2.1
Div. yield	%	2.8	2.1	2.5	3.1	3.4
ROA	%	6.5	3.5	4.4	4.8	5.2
ROE	%	17.2	10.6	13.3	13.7	14.1

Source: Company data, Mita Securities

### Company profile

Komeda HD, based in Aichi Prefecture, operates "Komeda's Coffee" through franchise system nationwide. The company has 914 stores at the end of February 2021 and is the largest full-service coffee shop operator in Japan. FY2/21 sales were 28.8bn yen.

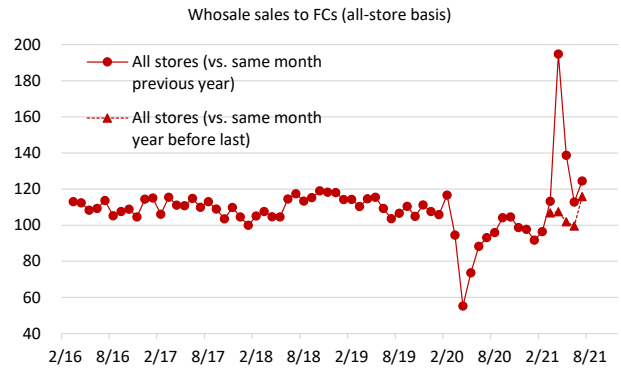
**Komeda Holdings monthly wholesale sales data**

**Figure: Wholesale sales to FCs (same-store basis)**



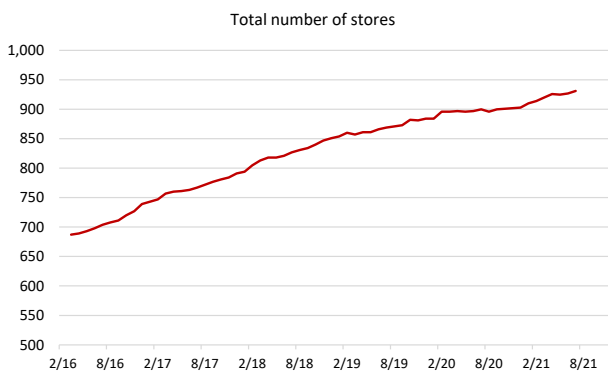
Source: Company data, Mita Securities Note: Same month last year or year before last = 100

**Figure: Wholesale sales to FCs (all-store basis)**



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

**Figure: Store count**

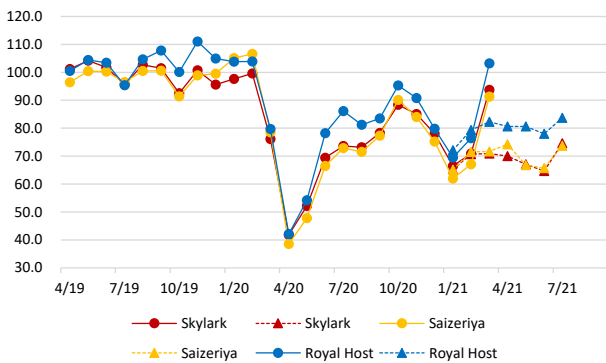


Source: Company data, Mita Securities

**Food service industry data**

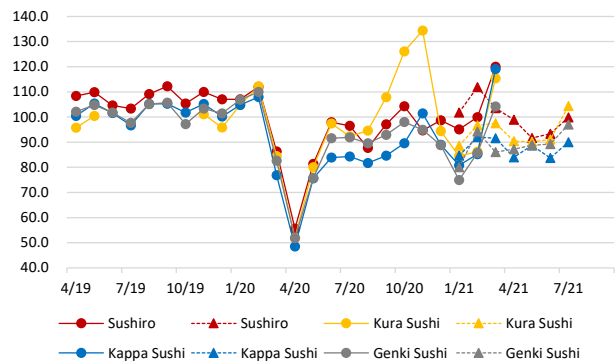
**Same-store sales (compared to last year or year before last)**

**Figure: Family restaurants**



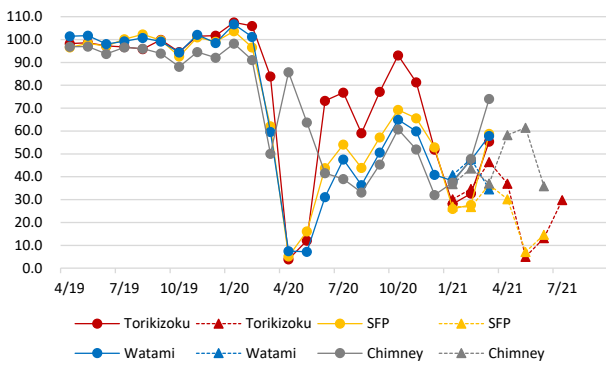
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

**Figure: Sushi restaurants**



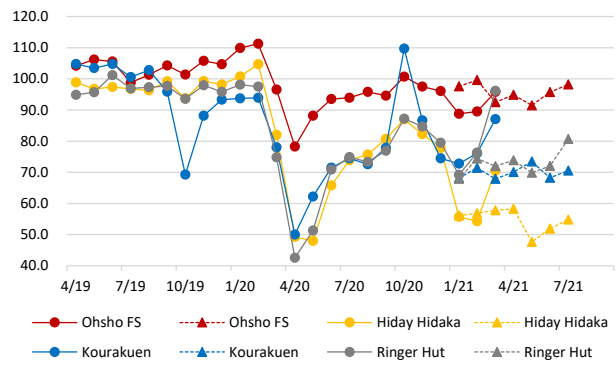
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

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



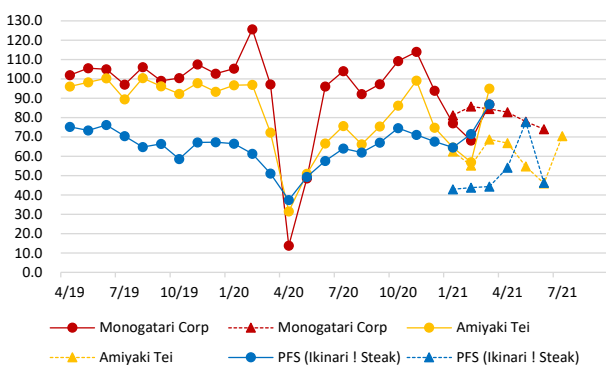
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

**Figure: Chinese restaurants**



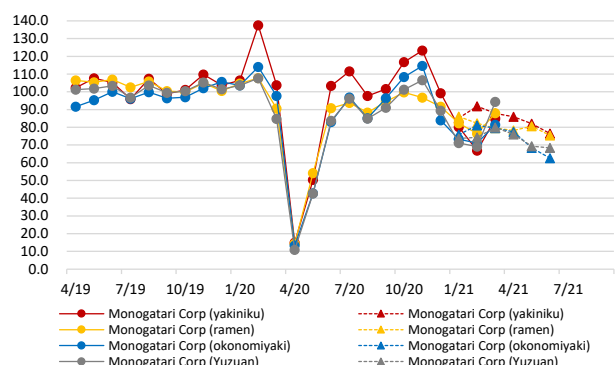
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

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



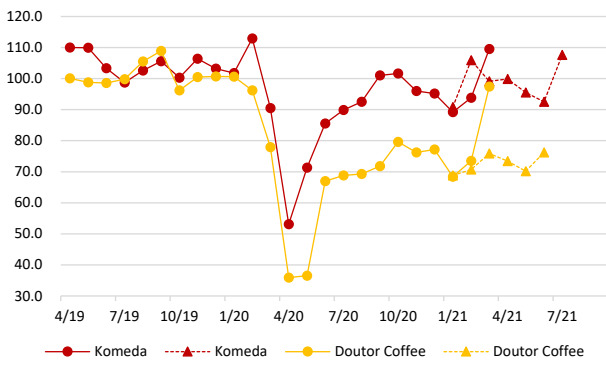
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

**Figure: Monogatari Corporation by division**



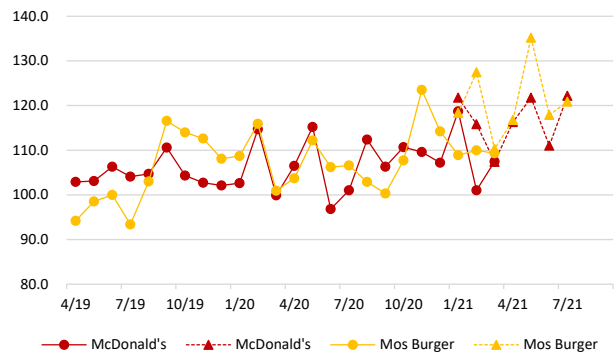
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Coffee shops



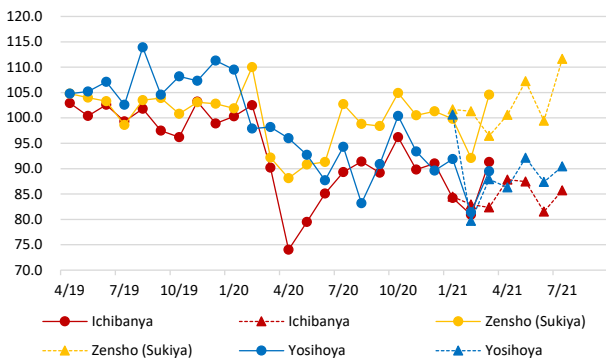
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Hamburger shops



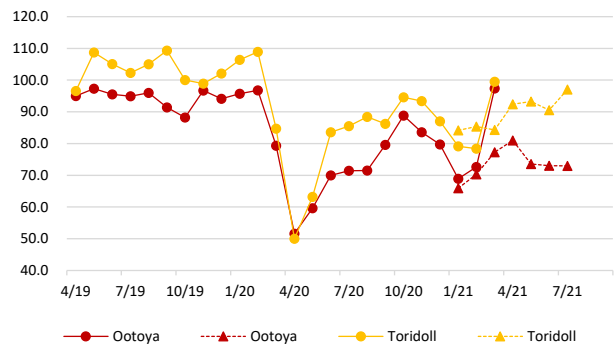
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

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

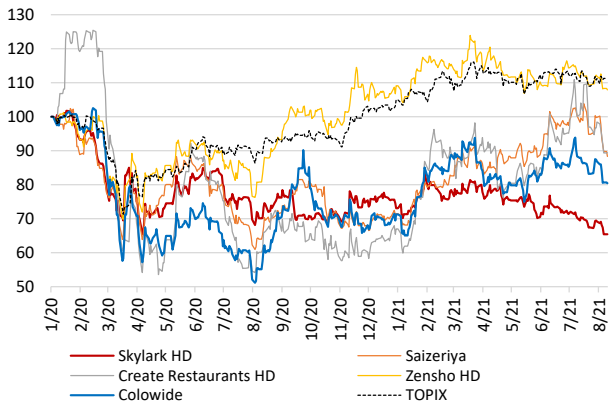


Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last



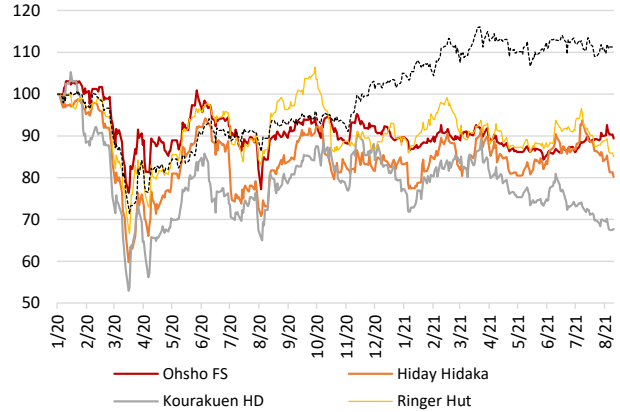
Stock price trends for food service companies

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



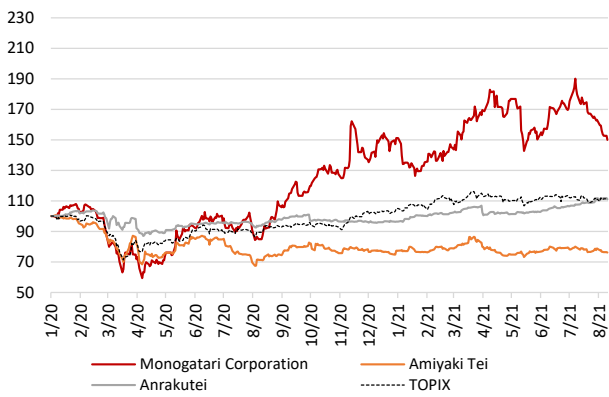
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



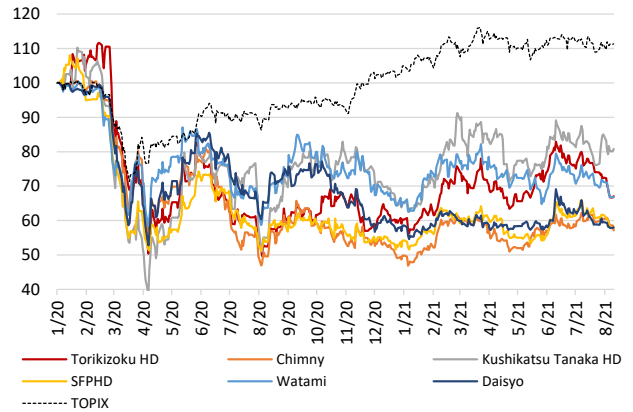
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



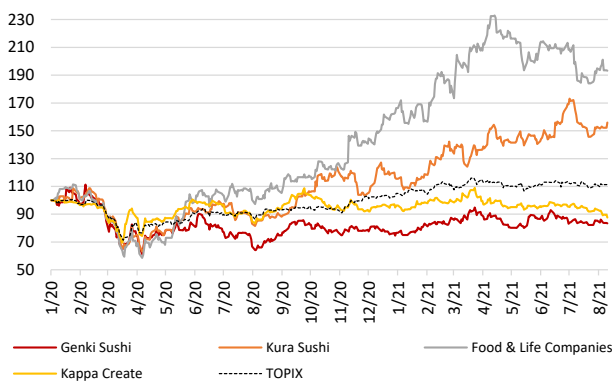
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



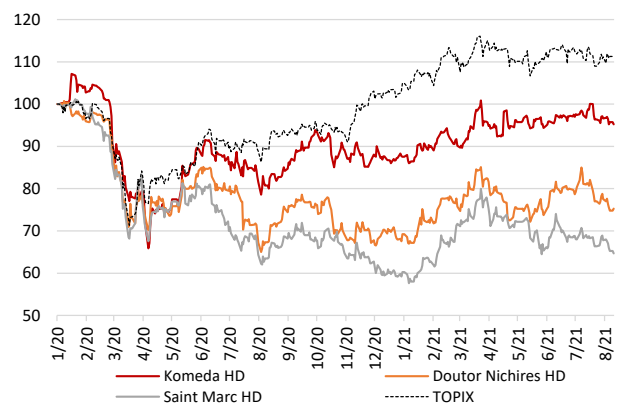
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

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]

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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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