



Koshidaka Holdings

TSE 1st Section 2157 Industry: Leisure and amusement

Competitive advantage in the post-COVID period

Medium- to long-term competitive advantage to strengthen; Reiterate Buy

We have updated our earnings forecasts for Koshidaka Holdings (2157, the company) and raised our target price to 700 yen from 650 yen. We maintain our Buy rating. As many karaoke stores have been asked to close due to widespread emergency measures, we expect the company's earnings to remain difficult in the short term. However, the company is continuing to invest to strengthen its competitiveness (e.g., by taking over the karaoke business of Daisyo and opening new karaoke stores on the sites of former karaoke stores that have closed), and we believe that this will further strengthen the company's competitive advantage in the karaoke market over the medium to long term.

Competition in karaoke is not as severe as in pubs

Izakaya (Japanese style pubs), which, like karaoke stores, have been strongly affected by repeated requests for closures, may continue to face fierce competition for survival in the post-COVID period, as consumers have a myriad of choices, from major players to small stores. On the other hand, major karaoke operators hold a large share of the market, and consumers have limited choices. In our view, the company is in a position to recover relatively quickly among the major players due to its store locations and customer base.

Earnings forecast update

Our new forecast for FY8/21 is for OP of -8.3bn yen (vs. 1.1bn yen in FY8/20), and RP of -5.6bn yen (vs. 1.7bn yen in FY8/20). The reason for expecting lower profits compared to the company's guidance (OP -7.4bn yen, RP -5.1bn yen, announced on July 13) is that the number of karaoke stores subject to the closure request increased due to the expansion of the emergency measures in August.

For FY8/22, we forecast an OP of -4.4bn yen (vs. previous forecast of -1.3bn yen) and a RP of -2.7bn yen (vs. previous forecast of -0.5bn yen), reflecting the fact that karaoke stores are still being asked to close in a wide area in September. However, vaccinations have been proceeding at a rapid pace, and the government is currently considering measures to ease restrictions on activities under emergency conditions. We have assumed that by 2H, requests for karaoke stores to close or shorten their hours of operation will be substantially eased. We expect OP to turn profitable in FY8/23 at 2.5bn yen.

Valuations and risk factors

In calculating our target price, we used a residual income model (RIM) with a cost of equity of 6.0% and a terminal growth rate of 1.2%, based on our earnings forecasts for FY8/22-FY8/26 (changed from FY8/21-FY8/25 due to progress of the term). Our target price is equivalent to 21.5x our FY8/23 EPS forecast of 32.51 yen.

Risk factors to our view include 1) prolonged requests for store closures due to the significant increase in the number of new infections, 2) an early halt in vaccination rates, and 3) the exclusion of karaoke from the relaxation of restrictions on activities being considered by the government.

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Forecast change

Rating
Buy

Target price (JPY)	700 ← 650
Stock price (JPY) (Sep 17)	567
Market cap (JPYbn)	46.7

Key changes

Rating	No
Target price	Yes
Earnings forecast	Yes

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		8/20	8/21E	8/22E	8/23E	8/24E
Sales	JPYbn	43.3	19.3	24.3	38.0	40.5
OP	JPYbn	1.1	-8.3	-4.4	2.5	3.3
RP	JPYbn	1.7	-5.6	-2.7	2.9	3.5
NP	JPYbn	-0.2	-4.5	-2.2	2.7	3.4
EPS	JPY	-2.8	-54.7	-27.6	32.5	41.9
BPS	JPY	281.0	214.2	182.6	211.1	247.0
DPS	JPY	12.0	4.0	4.0	6.0	8.0
PER	x	NA	NA	NA	17.4	13.5
PBR	x	1.6	2.6	3.1	2.7	2.3
Div. yield	%	2.6	0.7	0.7	1.1	1.4
ROA	%	-0.4	-10.3	-5.5	6.3	7.5
ROE	%	-0.8	-22.1	-13.9	16.5	18.3

Source: Company data, Mita Securities

Company profile

Koshidaka HD is a major karaoke room operator that operates "Karaoke Manekineko" stores nationwide. The total number of stores as of the end of February 2021 was 546. In March 2020, it spun off the Curves business and is concentrating its management resources on the karaoke business.

Investment thesis

Outlook

Earnings forecast for FY8/21

Our new forecast for FY8/21 is for sales of 19.3bn yen (-55.4% YoY), OP -8.3bn yen (vs. 1.1bn yen in FY8/20), RP -5.6bn yen (vs. 1.7bn yen in FY8/20), and NP -4.5bn yen (vs. -0.2bn yen in FY8/20).

The reason for expecting lower earnings compared to the company's guidance (sales 21.5bn yen, OP -7.4bn yen, RP -5.1bn yen, NP -3.6bn yen, announced on July 13) is that the number of karaoke stores subject to the closure request increased due to the expansion of the emergency measures in August.

Earnings forecast for FY8/22

For FY8/22, we forecast an OP of -4.4bn yen (vs. previous forecast of -1.3bn yen) and a RP of -2.7bn yen (vs. previous forecast of -0.5bn yen), reflecting the fact that karaoke stores are still being asked to close in a wide area in September.

However, vaccinations have been proceeding at a rapid pace, and the government is currently considering measures to ease restrictions on activities under emergency conditions. We have assumed that by 2H, requests for karaoke stores to close or shorten their hours of operation will be substantially eased.

We forecast a cumulative net loss of -6.7bn yen from FY8/21 to FY8/22, and equity capital of 14.9bn yen at the end of FY8/22. We do not believe that the company will need to issue new common stock.

Our view on FY8/23 and beyond

We expect OP to turn profitable in FY8/23 at 2.5bn yen. Subsequent OP forecasts are 3.3bn yen for FY8/24, 4.6bn yen for FY8/25, and 5.1bn yen for FY8/26. We assume that the profit margin of the Karaoke business segment will normalize between FY8/23 and FY8/24, and that the segment operating profit will reach its highest level in FY8/25. We also assume the number of karaoke stores to increase from 538 at the end of FY8/20 to 703 at the end of FY8/26.

We believe that the COVID-19 impact will reduce the competitiveness of rivals with weaker financial strength, and the company will be able to enjoy survivor benefits. We also expect the company to benefit from measures to improve sales per room.

We expect the guidance to be missed due to the expansion of areas subject to emergency measures

Assume significant easing of requests to close and shorten operating hours by 2H

We expect a return to profitability in FY8/23. To enjoy survivor benefits

Figure: Mita Securities' earnings forecast change (Consolidated, JPYm)

JPYm	8/21	8/21	8/21	8/22	8/22	8/23	8/23
	CoE	Old Mita E	New Mita E	Old Mita E	New Mita E	Old Mita E	New Mita E
Sales	21,547	23,510	19,321	29,724	24,270	38,827	37,973
Operating profit	-7,397	-5,531	-8,260	-1,304	-4,426	1,530	2,537
Recurring profit	-5,089	-3,116	-5,576	-496	-2,713	1,837	2,850
Net profit	-3,562	-3,091	-4,463	-1,047	-2,249	1,637	2,650
EPS (JPY)	-43.68	-37.91	-54.74	-12.84	-27.59	20.07	32.51

Source: Company data, Mita Securities

Figure: Summary of Mita Securities' earnings forecast (consolidated)

JPYm	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25	8/26	8/21	8/21	8/22	8/23
	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	CoE	Consensus	Consensus	Consensus
Earnings													
Sales	61,771	65,840	43,304	19,321	24,270	37,973	40,525	43,730	46,955	21,547	23,510	29,724	38,827
(YoY, %)	11.7	6.6	-34.2	-55.4	25.6	56.5	6.7	7.9	7.4				
Operating profit	7,858	9,508	1,148	-8,260	-4,426	2,537	3,304	4,571	5,111	-7,397	-5,531	-1,304	1,530
(YoY, %)	27.8	21.0	-87.9	NA	NA	NA	30.2	38.4	11.8				
OPM (%)	12.7	14.4	2.7	-42.8	-18.2	6.7	8.2	10.5	10.9				
Recurring profit	8,208	9,562	1,700	-5,576	-2,713	2,850	3,517	4,784	5,324	-5,089	-3,116	-496	1,837
(YoY, %)	29.2	16.5	-82.2	NA	NA	NA	23.4	36.0	11.3				
Net profit	4,427	6,227	-232	-4,463	-2,249	2,650	3,417	3,513	3,657	-3,562	-3,091	-1,047	1,637
(YoY, %)	36.0	40.7	NA	NA	NA	NA	28.9	2.8	4.1				
Depreciation	3,582	4,096	4,493	4,521	4,533	4,550	4,574	4,597	4,617				
Capital expenditure	4,822	8,049	5,983	5,500	5,000	5,000	5,500	6,000	6,000				
Free CF	-15,079	3,845	-4,746	-3,881	-2,955	3,156	2,663	2,423	2,699				
Segment earnings													
Karaoke business													
Sales	31,936	35,732	27,157	17,785	22,455	35,785	38,056	41,014	43,999				
(YoY, %)	7.8	11.9	-24.0	-34.5	26.3	59.4	6.3	7.8	7.3				
Operating profit	3,153	4,519	-839	-7,165	-3,593	3,221	3,920	5,168	5,720				
OPM (%)	9.9	12.6	-3.1	-40.3	-16.0	9.0	10.3	12.6	13.0				
Curves business													
Sales	27,933	28,037	14,302										
(YoY, %)	17.8	0.4	NA										
Operating profit	5,345	5,679	3,006										
OPM (%)	19.1	20.3	21.0										
Bath house business													
Sales	1,587	1,640	1,207	830	955	1,241	1,427	1,570	1,695				
(YoY, %)	-3.0	3.3	-26.4	-31.2	15.0	30.0	15.0	10.0	8.0				
Operating profit	72	109	-70	-220	-134	-50	30	66	90				
OPM (%)	4.5	6.6	-5.8	-26.5	-14.0	-4.0	2.1	4.2	5.3				
Real estate management business													
Sales	314	432	637	706	861	947	1,042	1,146	1,261				
(YoY, %)	0.5	37.6	47.7	10.8	22.0	10.0	10.0	10.0	10.0				
Operating profit	134	59	-78	-175	0	66	104	138	151				
OPM (%)	42.6	13.8	-12.2	-24.8	0.0	7.0	10.0	12.0	12.0				
Per share indicators													
EPS (JPY)	54.44	76.57	-2.84	-54.74	-27.59	32.51	41.91	43.09	44.85	-43.68	-37.91	-12.84	20.08
BPS (JPY)	315.51	391.24	281.01	214.17	182.58	211.09	247.00	282.09	318.94				
DPS (JPY)	25.00	12.00	12.00	4.00	4.00	6.00	8.00	8.00	9.00	4.00			
Valuation, profitability, etc.													
PER (x)	21.5	23.1	NA	NA	NA	17.4	13.5	13.2	12.6				
PBR (x)	3.7	4.5	1.6	2.6	3.1	2.7	2.3	2.0	1.8				
Dividend payout ratio (%)	18.6	15.9	NA	NA	NA	18.5	19.1	18.6	20.1				
Dividend yield (%)	2.1	0.7	2.6	0.7	0.7	1.1	1.4	1.4	1.6				
ROA (%)	7.9	8.9	-0.4	-10.3	-5.5	6.3	7.5	7.1	6.9				
ROE (%)	18.7	21.7	-0.8	-22.1	-13.9	16.5	18.3	16.3	14.9				
Financial soundness indicators													
Capital ratio (%)	37.5	44.1	51.4	41.3	37.2	39.2	42.2	44.9	47.3				
Debt/Equity (x)	0.9	0.7	0.6	1.0	1.1	1.0	0.8	0.7	0.7				

Source: Company data, QUICK, Mita Securities

Note: Consensus forecasts are by QUICK consensus

Catalysts

The catalysts we envision for an upturn in the stock price include significant decrease in the number of new infections, progress in normalizing operating hours of karaoke stores, progress in vaccination schedule, new M&A, and early profitability of new businesses.

Valuations

Figure: Residual Income Model (RIM)

	Y0	Y1	Y2	Y3	Y4	Y5	Y6~
	A	MitaE	MitaE	MitaE	MitaE	MitaE	MitaE
JPYbn	8/21	8/22	8/23	8/24	8/25	8/26	8/27
Shareholders' equity (EOP)	17.5	14.9	17.2	20.1	23.0	26.0	
Net profit		-2.2	2.7	3.4	3.5	3.7	
Cost of equity		1.0	0.9	1.0	1.2	1.4	
Residual income		-3.3	1.8	2.4	2.3	2.3	
PV of residual income		-3.1	1.6	2.0	1.8	1.7	
PV of terminal value							35.9

Beta	1.10						
Risk free rate (%)	0.50						
Risk premium (%)	5.00						
Cost of equity (%)	6.00						
Terminal growth rate (%)	1.20						
Total equity value						57.3	
Number of shares O/S (m)						81.5	
Target share price						700	

Source: Company data, Mita Securities

Figure: Sensitivity of target price to terminal growth rate

Terminal growth rate	0.20	0.40	0.60	0.80	1.00	1.20	1.40	1.60	1.80	2.00
Target price	620	640	650	670	680	700	720	740	770	800

Source: Mita Securities

Figure: Comparison of valuations for karaoke companies (reference)

Company name	Ticker	PX 9/17	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
KOSHIDAKA HOLDINGS CO LTD (TP 700 Buy)	2157	567	46.7	0.2	-57.7	-15.8	-19.0	-16.2	8.2	NA	NA	28.2	2.4	NA	2.3	0.4	9.0	-6.6	26.0
TETSUJIN INC	2404	289	3.9	4.5	-23.8	-28.3	NA	NA	NA	NA	NA	NA	71.0	NA	NA	NA	-8.8	-4.0	8.2
ROUND ONE CORP	4680	1,388	132.5	1.1	-13.3	2.7	-30.8	5.4	15.7	NA	70.7	16.9	3.4	9.1	1.8	1.4	29.5	0.1	64.7
DAIICHIKOSHO CO LTD	7458	3,895	213.2	-0.2	-23.8	7.0	-12.3	4.9	9.6	NA	78.4	22.0	2.1	10.2	2.0	2.9	7.7	-6.1	14.6
Average				1.4	-29.6	-8.6	-20.7	-2.0	11.2	NA	74.6	22.4	19.7	9.6	2.0	1.6	9.4	-4.2	28.4
Median				0.7	-23.8	-6.6	-19.0	4.9	9.6	NA	74.6	22.0	2.9	9.6	2.0	1.4	8.4	-5.1	20.3

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

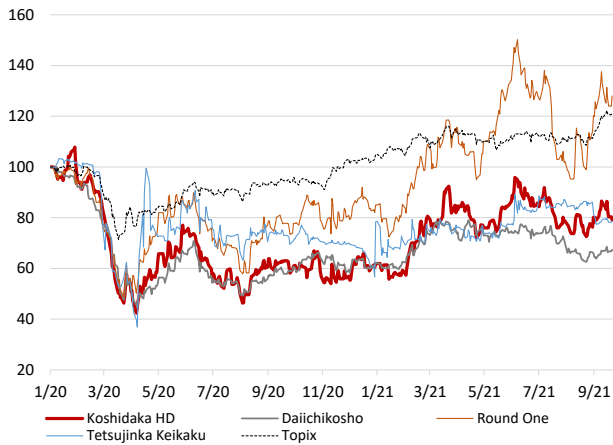
Figure: Comparison of valuations for amusement companies (reference)

Company name	Ticker	PX 9/17	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
ORIENTAL LAND CO LTD	4661	17,135	6,231.8	0.0	-38.8	15.7	-4.6	0.1	10.6	NA	NA	66.6	7.5	106.7	21.6	0.2	9.5	7.2	13.4
BANDAI NAMCO HOLDINGS INC	7832	8,945	1,985.8	-0.3	9.0	13.9	11.8	13.1	14.3	34.7	27.9	23.9	3.8	14.4	2.3	1.8	24.6	18.2	27.4
SANRIO CO LTD	6071	2,509	223.5	0.2	-9.3	7.9	-1.5	8.4	8.3	NA	67.2	84.6	5.0	57.1	4.1	0.6	18.6	31.6	27.1
FUJI KYUKO CO LTD	9010	4,520	248.1	1.9	-18.7	20.9	-3.3	4.3	NA	NA	264.8	101.7	10.5	NA	7.8	0.2	1.7	-14.2	15.3
KONAMI HOLDINGS CORP	9766	6,960	998.8	-0.3	11.1	16.4	14.5	15.4	14.9	22.2	19.7	17.5	3.0	9.9	2.9	1.5	8.4	3.9	61.9
Average				0.3	-9.3	15.0	3.4	8.2	12.0	28.5	94.9	58.9	6.0	47.1	7.8	0.9	12.6	9.3	29.0
Median				0.0	-9.3	15.7	-1.5	8.4	12.4	28.5	47.5	66.6	5.0	35.8	4.1	0.6	9.5	7.2	27.1

Source: Bloomberg Finance LP data, Mita Securities

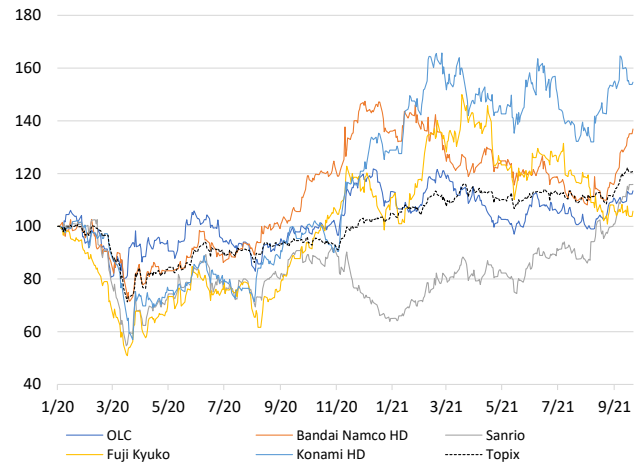
Note: Forecasts are based on Bloomberg consensus

Figure: Stock price trends for karaoke companies



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

Figure: Stock price trends for amusement companies



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

Risk factors

Risk factors to our view include 1) prolonged requests for store closures due to the significant increase in the number of new infections, 2) an early halt in vaccination rates, and 3) the exclusion of karaoke from the relaxation of restriction on activities being considered by the government.

Mita Securities' earnings forecast

Figure: Mita Securities' earnings forecast (consolidated, various indicators)

	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25	8/26	5-yr ave growth (CAGR, %)
	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	
Sales growth (%)	11.7	6.6	-34.2	-55.4	25.6	56.5	6.7	7.9	7.4	
OP growth (%)	27.8	21.0	-87.9	NA	NA	NA	30.2	38.4	11.8	
RP growth (%)	29.2	16.5	-82.2	NA	NA	NA	23.4	36.0	11.3	
NP growth (%)	36.0	40.7	NA	NA	NA	NA	28.9	2.8	4.1	
Gross profit margin (%)	27.0	30.0	19.1	-25.5	-4.0	17.2	19.3	21.5	21.8	
OP margin (%)	12.7	14.4	2.7	-42.8	-18.2	6.7	8.2	10.5	10.9	
EBITDA margin (%)	19.7	22.7	14.6	-19.2	0.9	18.9	19.7	21.2	21.1	
ROA (%)	7.9	8.9	-0.4	-10.3	-5.5	6.3	7.5	7.1	6.9	
ROE (%)	18.7	21.7	-0.8	-22.1	-13.9	16.5	18.3	16.3	14.9	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, PL, JPYm)

PL	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25	8/26	5-yr ave growth (CAGR, %)
Consolidated, JPYm	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	
Sales	61,771	65,840	43,304	19,321	24,270	37,973	40,525	43,730	46,955	19.4
COGS	45,065	46,078	35,049	24,244	25,243	31,437	32,693	34,327	36,714	
Gross profit	16,706	19,762	8,255	-4,923	-972	6,536	7,832	9,403	10,241	
SGA	8,848	10,254	7,107	3,337	3,454	3,999	4,528	4,831	5,130	
Operating profit	7,858	9,508	1,148	-8,260	-4,426	2,537	3,304	4,571	5,111	NA
Non-operating income	600	621	904	2,882	1,814	414	314	314	314	
Non-operating expense	250	566	352	197	101	101	101	101	101	
Recurring profit	8,208	9,562	1,700	-5,576	-2,713	2,850	3,517	4,784	5,324	NA
Extraordinary gains	381	3	21	200	0	0	0	0	0	
Extraordinary losses	520	737	1,533	1,000	500	200	100	100	100	
Pre-tax profit	7,688	8,829	188	-6,376	-3,213	2,650	3,417	4,684	5,224	NA
Corporate taxes	2,897	2,432	419	-1,913	-964	0	0	1,171	1,567	
Minority interests	365	170	0	0	0	0	0	0	0	
Net profit	4,427	6,227	-232	-4,463	-2,249	2,650	3,417	3,513	3,657	NA
EBITDA	12,155	14,925	6,330	-3,714	206	7,187	7,978	9,268	9,928	
Shares O/S	81.318	81.318	81.533	81.533	81.533	81.533	81.533	81.533	81.533	
EPS	54.44	76.57	-2.84	-54.74	-27.59	32.51	41.91	43.09	44.85	
DPS	25.00	12.00	12.00	4.00	4.00	6.00	8.00	8.00	9.00	
Payout ratio (%)	18.6	15.9	NA	NA	NA	18.5	19.1	18.6	20.1	
BPS	315.51	391.24	281.01	214.17	182.58	211.09	247.00	282.09	318.94	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, segment earnings, JPYm)

Segment earnings	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25	8/26	5-yr ave growth
Consolidated, JPYm	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	(CAGR, %)
Karaoke business										
Sales	31,936	35,732	27,157	17,785	22,455	35,785	38,056	41,014	43,999	19.9
(YoY, %)	7.8	11.9	-24.0	-34.5	26.3	59.4	6.3	7.8	7.3	
Operating profit	3,153	4,519	-839	-7,165	-3,593	3,221	3,920	5,168	5,720	NA
(YoY, %)	53.8	43.3	NA	NA	NA	NA	21.7	31.8	10.7	
OP margin (%)	9.9	12.6	-3.1	-40.3	-16.0	9.0	10.3	12.6	13.0	
Number of stores	542	542	538	572	587	609	641	673	703	
(YoY, %)	3.6	0.0	-0.7	6.3	2.6	3.7	5.3	5.0	4.5	
Sales/Ave number of stores	60	66	50	32	39	60	61	62	64	
(YoY, %)	1.7	9.9	-23.7	-36.3	20.9	54.4	1.8	2.5	2.4	
Curves business										
Sales	27,933	28,037	14,302							
(YoY, %)	18	0	NA							
Operating profit	5,345	5,679	3,006							
(YoY, %)	14	6	NA							
OP margin (%)	19	20	21							
Bath house business										
Sales	1,587	1,640	1,207	830	955	1,241	1,427	1,570	1,695	15.4
(YoY, %)	-3.0	3.3	-26.4	-31.2	15.0	30.0	15.0	10.0	8.0	
Operating profit	72	109	-70	-220	-134	-50	30	66	90	NA
(YoY, %)	-41.2	51.0	NA	NA	NA	NA	NA	120.0	36.3	
OP margin (%)	4.5	6.6	-5.8	-26.5	-14.0	-4.0	2.1	4.2	5.3	
Real estate management business										
Sales	314	432	637	706	861	947	1,042	1,146	1,261	12.3
(YoY, %)	0.5	37.6	47.7	10.8	22.0	10.0	10.0	10.0	10.0	
Operating profit	134	59	-78	-175	0	66	104	138	151	NA
(YoY, %)	5.8	-55.6	NA	NA	NA	NA	57.1	32.0	10.0	
OP margin (%)	42.6	13.8	-12.2	-24.8	0.0	7.0	10.0	12.0	12.0	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, BS, JPYm)

BS Consolidated, JPYm	8/18 A	8/19 A	8/20 A	8/21 Mita E	8/22 Mita E	8/23 Mita E	8/24 Mita E	8/25 Mita E	8/26 Mita E	5-yr ave growth (CAGR, %)
Assets										
Total current assets	19,963	20,762	13,753	7,979	5,029	7,903	10,176	12,129	14,524	
Cash and deposits	11,926	12,582	9,890	6,785	3,504	6,334	8,507	10,278	12,325	
Accounts receivable	3,824	3,870	197	68	264	256	299	300	344	
Inventories	1,123	1,112	283	104	382	378	433	442	497	
Other	3,089	3,198	3,383	1,023	879	936	937	1,109	1,358	
Total fixed assets	48,394	51,325	30,803	34,283	34,951	35,979	37,518	39,058	40,395	
Tangible assets	17,552	22,193	22,568	23,994	24,623	25,546	26,888	28,231	29,489	
Intangible assets	24,628	22,536	351	1,575	1,491	1,414	1,347	1,281	1,112	
Investment and other	6,214	6,596	7,884	8,714	8,837	9,019	9,282	9,546	9,793	
Total assets	68,357	72,087	44,556	42,262	39,980	43,882	47,695	51,187	54,919	5.4
Liabilities										
Total current liabilities	14,828	15,023	10,468	10,800	11,936	12,779	12,950	13,173	13,497	
Accounts payable	2,431	2,477	235	300	312	389	405	425	454	
Short-term debt	4,808	4,153	7,396	7,500	8,500	8,500	8,500	8,500	8,500	
Other	7,588	8,393	2,837	3,000	3,124	3,890	4,046	4,248	4,543	
Total long-term liabilities	26,833	25,249	11,176	14,000	13,158	13,892	14,606	15,015	15,418	
Long-term debt	19,541	18,098	7,248	9,500	8,500	8,500	8,500	8,500	8,500	
Other	7,292	7,152	3,928	4,500	4,658	5,392	6,106	6,515	6,918	
Total liabilities	41,660	40,272	21,646	24,800	25,094	26,671	27,556	28,187	28,916	3.1
Net assets										
Shareholders' equity	25,657	31,815	22,912	17,462	14,886	17,211	20,138	22,999	26,004	8.3
Warrants	0	0	0	0	0	0	0	0	0	
Minorities	1,041	0	0	0	0	0	0	0	0	
Total net assets	26,697	31,815	22,912	17,462	14,886	17,211	20,138	22,999	26,004	8.3
Debt	24,349	22,251	14,644	17,000	17,000	17,000	17,000	17,000	17,000	0.0
Debt/EBITDA	2.0	1.5	2.3	-4.6	82.3	2.4	2.1	1.8	1.7	
D/E (x)	0.9	0.7	0.6	1.0	1.1	1.0	0.8	0.7	0.7	
Shareholders' equity ratio (%)	37.5	44.1	51.4	41.3	37.2	39.2	42.2	44.9	47.3	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, CF, JPYm)

CF Consolidated, JPYm	8/18 A	8/19 A	8/20 A	8/21 Mita E	8/22 Mita E	8/23 Mita E	8/24 Mita E	8/25 Mita E	8/26 Mita E	5-yr ave growth (CAGR, %)
Cashflow from operations	8,327	12,578	4,378	619	2,045	8,156	8,163	8,423	8,699	
Net profit	4,427	6,227	-232	-4,463	-2,249	2,650	3,417	3,513	3,657	
Depreciation and amortization	4,297	5,417	5,182	4,546	4,633	4,650	4,674	4,697	4,817	
Other	-397	934	-573	536	-339	856	72	213	225	
Cashflow from investing	-23,406	-8,732	-9,124	-4,500	-5,000	-5,000	-5,500	-6,000	-6,000	
Capital expenditure	-4,822	-8,049	-5,983	-5,500	-5,000	-5,000	-5,500	-6,000	-6,000	
Disposal of fixed assets	0	6	43	0	0	0	0	0	0	
Other	-18,584	-689	-3,184	1,000	0	0	0	0	0	
Cashflow from financing	13,276	-3,193	5,785	1,369	-326	-326	-489	-652	-652	
Debt issuance/repayment	14,449	-2,099	6,925	2,356	0	0	0	0	0	
Share issuance/buyback	0	0	0	0	0	0	0	0	0	
Dividend paid	-773	-895	-1,140	-987	-326	-326	-489	-652	-652	
Other	-400	-200	0	0	0	0	0	0	0	
Cash and cash equivalents	11,889	12,530	9,297	6,785	3,504	6,334	8,507	10,278	12,325	
Free cashflow	-15,079	3,845	-4,746	-3,881	-2,955	3,156	2,663	2,423	2,699	

Source: Company data, Mita Securities

APPENDIX

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

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