



Koshidaka Holdings

TSE 1st Section 2157 Industry: Leisure and amusement

Reopening karaoke. Bullish guidance looks positive

FY8/21 OP beat our forecast. Achieved positive RP in 4Q

Koshidaka Holdings (2157, the company) announced its FY8/21 results. For the full year, the company posted sales of 20.8bn (-52.0% YoY), OP -7.6bn yen (vs. 1.1bn yen in FY8/20), RP -3.1bn yen (vs. 1.7bn yen), and NP -4.1bn yen (vs. -0.2bn yen).

Compared to the company guidance (sales 21.5bn yen, OP -7.4bn yen, RP -5.1bn yen, and NP -3.6bn yen), RP was better due to the effect of subsidy income, while NP was worse due to impairment losses. Each item in the above results beat our forecasts (sales 19.3bn yen, OP -8.3bn yen, RP -5.6bn yen, and NP of -4.5bn yen). DPS for FY8/21 was 4.00 yen, in line with the guidance.

It should be noted that the Curves business was consolidated through 2Q in FY8/20, with OP of 3.0bn yen in 1-2Q.

In 4Q (Jun-Aug), the company posted sales of 4.0bn yen (-34.1% YoY), OP of -2.7bn yen (vs. -0.7bn yen loss in 4Q FY8/20), and RP of 0.3bn yen (vs. -0.3bn yen loss). Subsidy income of 2.7bn yen was recorded as non-operating income (3.8bn yen subsidy on the full-year basis).

The total number of stores in the karaoke business segment (domestic and overseas consolidated) was 563 at the end of 4Q (+25 stores YoY). This includes 21 karaoke stores acquired from Daisyo.

FY8/22 OP guidance is 2.7bn yen. Continue normal operations

FY8/22 OP guidance is 29m yen for 1H and 2.7bn yen for the full year. The majority of the company's karaoke stores have been operating normally since October (1 Kara started normal operations in September, and Manekineko in October), and the guidance implies the company's intention to continue normal operations unless the situation becomes too severe. RP guidance is 1.8bn yen for 1H and 4.5bn yen for the full year. The company plans to book the subsidy income incurred through September as non-operating income during 1H. Furthermore, the company is motivated to open more stores going forward.

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

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Update

Rating
Buy

Target price (JPY)	700
Stock price (JPY) (Oct 13)	650
Market cap (JPYbn)	53.5

Key changes

Rating	No
Target price	No
Earnings forecast	No

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	20.5	15.9
PBR	x	1.6	3.1	3.6	3.2	2.7
Div. yield	%	2.6	0.6	0.6	0.9	1.2
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.

Figure: Comparison of valuations for karaoke companies (reference)

Company name	Ticker	PX 10/12	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
KOSHIDAKA HOLDINGS CO LTD (TP 700 Buy)	2157	665	54.7	0.2	-57.7	-15.8	-19.0	NA	NA	NA	NA	NA	2.8	NA	NA	NA	11.4	8.0	64.6
TETSUJIN INC	2404	318	4.3	4.5	-23.8	-28.3	NA	NA	NA	NA	NA	NA	78.1	NA	NA	NA	9.3	2.6	17.8
ROUND ONE CORP	4680	1,455	138.9	1.1	-13.3	2.7	-30.8	4.7	14.6	NA	55.8	17.7	3.6	9.8	1.8	1.4	7.2	5.0	50.9
DAIICHIKOSHO CO LTD	7458	4,055	221.9	-0.2	-23.8	7.0	-12.3	4.9	9.6	NA	81.7	22.9	2.2	10.6	2.1	2.8	3.8	-8.7	9.7
Average				1.4	-29.6	-8.6	-20.7	4.8	12.1	NA	68.7	20.3	21.7	10.2	2.0	2.1	7.9	1.7	35.8
Median				0.7	-23.8	-6.6	-19.0	4.8	12.1	NA	68.7	20.3	3.2	10.2	2.0	2.1	8.3	3.8	34.4

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

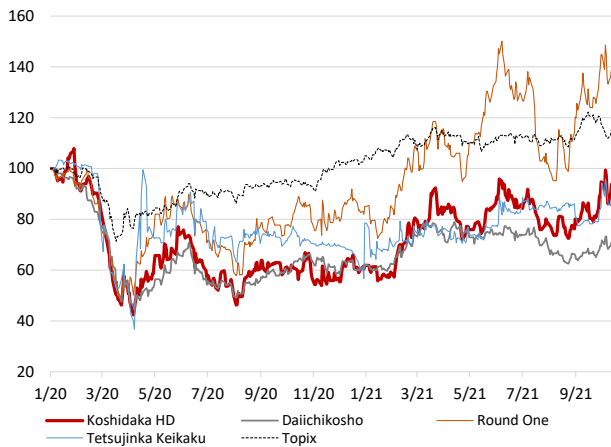
Figure: Comparison of valuations for amusement companies (reference)

Company name	Ticker	PX 10/12	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
ORIENTAL LAND CO LTD	4661	17,790	6,470.0	0.0	-38.8	15.7	-4.6	0.2	11.5	NA	NA	67.0	7.8	110.1	22.5	0.2	7.6	10.0	17.2
BANDAI NAMCO HOLDINGS INC	7832	8,107	1,799.8	-0.3	9.0	13.9	11.8	13.0	14.3	31.4	25.3	21.7	3.5	13.0	2.1	2.0	-5.0	9.6	3.0
SANRIO CO LTD	6071	2,486	221.4	0.2	-9.3	7.9	-1.5	8.5	8.3	NA	66.1	81.1	4.9	56.6	4.1	0.6	1.5	24.5	32.0
FUJII KYUKO CO LTD	9010	4,445	244.0	1.9	-18.7	20.9	-3.3	3.7	NA	NA	260.4	100.0	10.3	NA	7.7	0.2	-0.1	-14.2	5.7
KONAMI HOLDINGS CORP	9766	6,270	899.7	-0.3	11.1	16.4	14.5	15.3	14.7	20.0	17.9	16.0	2.7	8.9	2.6	1.7	-12.7	0.0	37.3
Average				0.3	-9.3	15.0	3.4	8.1	12.2	25.7	92.4	57.2	5.8	47.1	7.8	0.9	-1.7	6.0	19.1
Median				0.0	-9.3	15.7	-1.5	8.5	12.9	25.7	45.7	67.0	4.9	34.8	4.1	0.6	-0.1	9.6	17.2

Source: Bloomberg Finance LP data, Mita Securities

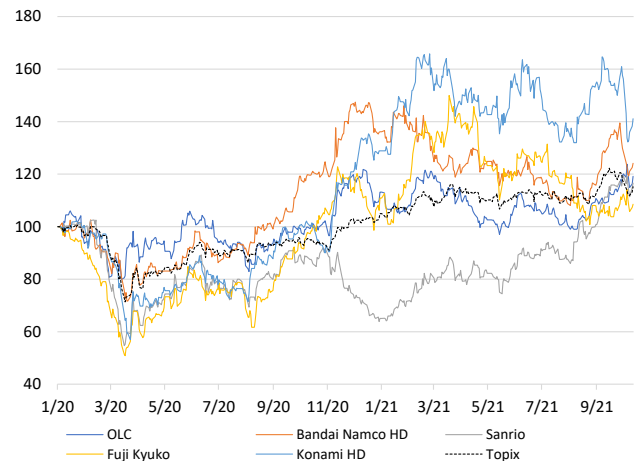
Note: Forecasts are based on Bloomberg consensus

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

APPENDIX

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