



Ichigo

TSE 1st Section 2337 Industry: Real estate, Renewable energy

Low progress in line with expectations

1H NP 1.7bn yen. Progress toward full-year guidance is low, but no surprises

Ichigo (2337, the company) announced its 1H FY2/22 results. NP was 1.7bn yen (-37.7% YoY), making progress of 22-35% towards the full-year guidance (5.0-8.0bn yen). NP in 2Q (Jun-Aug) was only 0.2bn yen, but this was due to a small number of property sales. We believe that the company's property sales this fiscal year are likely to be biased toward the second half of the fiscal year, and that the 1H results should be within the market's expectations. The company appears to be highly confident of meeting the lower end of its full-year guidance.

Stock earnings for 1H were steady at 7.8bn yen (+1.9%YoY), progressing 54% toward the full-year guidance.

Segment earnings

1H segment OP was 2.1bn yen (-44.4% YoY) for the sustainable real estate business, 0.8bn yen (+27.2% YoY) for the asset management business, and 1.4bn yen (+19.0% YoY) for the clean energy business.

1H property acquisitions in the sustainable real estate business totaled 12.9bn yen, and property sales totaled 11.4bn yen. Most of the acquisitions were residential properties (12.5bn yen). A little less than half of the sales were of regional residential properties acquired by Ichigo Owners about 4 years ago, and the gain on sales was limited.

Sale of residence properties already announced for 3Q

On September 30, 2021, the company announced that it had decided to sell 16 residential properties. The properties were owned by Ichigo Owners. The company expects to record sales of 17.7bn yen in 3Q. The gross profit from this sale has not been disclosed, but we estimate that it could be around 2.0bn yen, based on the gross profit margin of Ichigo Owners' previous sales of residential properties.

Please refer to the report dated July 28, 2021 for the rationale of the rating and target price.

MITA SECURITIES Co., Ltd.

Junichi Shimizu

Chief Analyst, Head of Research

jshimizu@mitasec.com

Update

Rating

Buy

Target price (JPY)	450
Stock price (JPY) (Oct 14)	362
Market cap (JPYbn)	182.9

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		2/20	2/21	2/22E	2/23E	2/24E
Sales	JPYbn	87.4	61.4	63.0	67.1	71.2
OP	JPYbn	27.7	9.7	9.5	11.0	12.8
RP	JPYbn	24.4	7.2	6.5	8.0	9.6
NP	JPYbn	8.2	5.0	6.0	7.4	9.8
EPS	JPY	17.0	10.6	12.9	16.3	22.0
BPS	JPY	208	210	213	220	232
DPS	JPY	7.0	7.0	7.0	7.0	8.0
PER	x	19.3	32.8	28.4	22.6	16.7
PBR	x	1.6	1.7	1.7	1.7	1.6
Div. yield	%	2.1	2.0	1.9	1.9	2.2
ROA	%	2.5	1.5	1.7	2.1	2.8
ROE	%	8.2	5.0	6.1	7.5	9.7

Source: Company data, Mita Securities

Company profile

Ichigo focuses on 1) the sustainable real estate business, which creates new value in existing real estate, 2) the asset management business, which manages real estate for REITs and infrastructure funds, and 3) the clean energy business, which includes solar and wind power generation. As of the end of FY2/21, it owned 245.1bn yen of real estate, 306.4bn yen of assets under management, and 120.6MW of power generation output.

Comparison of valuations with similar companies (reference)

Figure: Comparison of valuations for real estate companies

Company name	Ticker	PX 10/13	Mkt cap JPYbn	Net D/E		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
				Last	LTM															
ICHIGO INC	2337	368	186.0	NA	-48.4	NA	4.5	7.3	8.2	39.7	23.4	16.6	1.8	22.0	5.6	1.9	-1.1	-1.6	13.2	
HULIC CO LTD	3003	1,174	791.2	2.6	15.3	31.8	14.7	13.6	13.5	10.9	11.3	10.5	1.5	16.0	5.3	3.3	-16.3	-9.1	12.8	
DAIBIRU CORP	8806	1,515	174.3	0.9	0.0	47.1	5.2	4.2	4.2	20.8	24.8	24.1	1.0	17.8	7.7	1.4	-5.8	7.4	16.6	
RAYSUM CO LTD	8890	736	33.9	0.6	-34.1	8.7	2.0	NA	NA	29.3	NA	NA	0.6	NA	NA	NA	-10.8	-13.9	-28.0	
TAKARA LEBEN CO LTD	8897	320	38.7	1.5	-12.2	6.6	7.7	NA	NA	8.9	NA	NA	0.7	NA	NA	NA	-3.3	-7.2	4.2	
TOSEI CORP	8923	1,156	56.3	0.9	-15.9	23.7	13.3	10.8	NA	6.6	7.6	6.9	0.8	NA	1.9	3.3	-8.1	-5.7	10.4	
SUN FRONTIER FUDOUSAN CO LTD	8934	1,069	52.1	0.4	42.3	18.9	11.8	NA	NA	6.6	NA	NA	0.7	NA	NA	NA	-15.2	-2.5	18.1	
LAND BUSINESS CO LTD	8944	268	7.2	1.3	0.6	33.4	0.8	NA	NA	35.4	NA	NA	0.3	NA	NA	NA	-1.5	-18.8	-18.3	
Average				1.2	-6.6	24.3	7.5	9.0	8.6	19.8	16.8	14.5	0.9	18.6	5.1	2.5	-7.8	-6.4	3.6	
Median				0.9	-6.1	23.7	6.4	9.0	8.2	15.8	17.4	13.5	0.8	17.8	5.4	2.6	-7.0	-6.5	11.6	

Source: Bloomberg Finance LP data, Mita Securities

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

Figure: Comparison of valuations for renewable energy companies

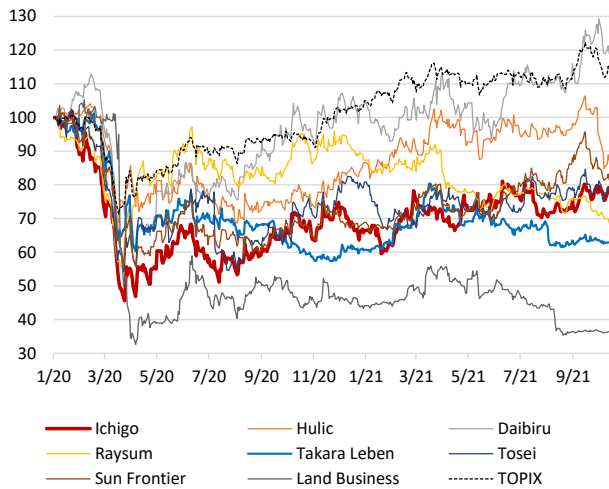
Company name	Ticker	PX 10/13	Mkt cap JPYbn	Net D/E		Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
				Last	LTM															
WEST HOLDINGS CORP	1407	5,020	231.1	0.9	-0.6	15.6	25.1	26.8	27.0	40.9	32.2	27.7	9.4	22.0	3.7	1.0	-19.8	11.8	103.9	
JAPAN INVESTMENT ADVISER CO	7172	1,290	39.6	1.2	-40.4	41.5	6.4	NA	NA	15.4	NA	NA	1.0	NA	NA	NA	-8.4	-17.6	-2.2	
EF-ON INC	9514	845	18.3	1.2	7.6	32.0	10.3	10.4	NA	10.9	9.3	8.2	1.1	7.3	2.5	1.1	-17.2	-20.0	6.6	
EREX CO LTD	9517	2,489	147.4	0.3	71.5	11.6	18.9	14.1	14.4	20.7	21.9	19.9	3.3	11.3	1.3	0.8	-18.1	-21.0	98.3	
RENOVA INC	9519	4,400	345.5	5.7	-5.3	NA	61.1	30.3	8.1	27.3	61.8	110.4	16.7	36.9	15.8	0.0	-28.2	-16.3	196.1	
Average				1.9	6.6	25.2	24.4	20.4	16.5	23.0	31.3	41.6	6.3	19.4	5.8	0.7	-18.4	-12.6	80.5	
Median				1.2	-0.6	23.8	18.9	20.4	14.4	20.7	27.1	23.8	3.3	16.6	3.1	0.9	-18.1	-17.6	98.3	

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

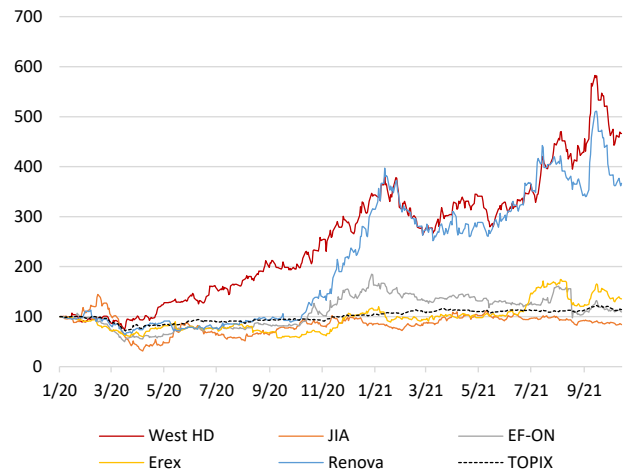
Comparison of stock price trends (reference)

Figure: Stock price trends for real estate companies



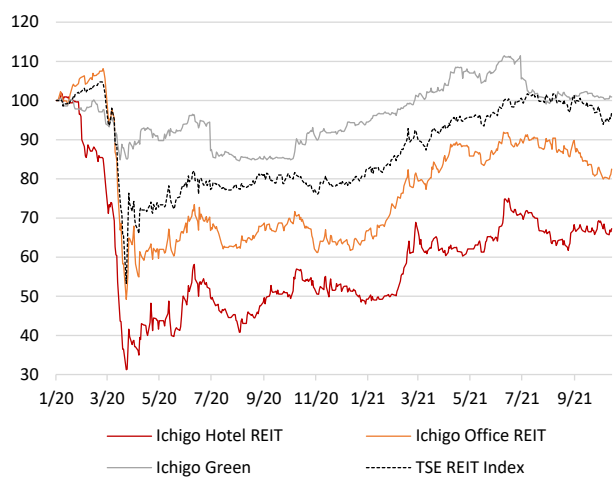
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends for renewable energy companies



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

Figure: Stock price trends for REITs and infrastructure funds



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

APPENDIX

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