



AB Hotel

TSE (JASDAQ) Standard

6565

Industry: Leisure and amusement

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Reassurance on quarterly OP growth

Sales and profits increased in QoQ, and OPM exceeded 10% in 2Q

1H FY3/22 results were for sales of 2.901bn yen (+40.9% YoY), and OP of 200m yen (vs. -144m operating loss for 1H FY3/21). Although the results were slightly short of the 1H guidance (sales 3.0bn yen, OP 250m yen), they do not seem negative, as the guidance was announced in May and the infection expanded rapidly after that.

2Q (Jul-Sep) results were sales of 1.504bn yen (vs. 1.398bn in 1Q), and OP of 164 yen (vs. 37m in 1Q), with OPM recovering to 10.9%. Although Japan was hit by the rapid spread of infection in 2Q, the increase in sales and profits compared to 1Q is impressive.

The average occupancy rate for comparable stores (27 hotels) was 86.9% (+21.4ppt YoY). The number of hotels at end-2Q was 32 (+1 from end-FY3/21). The company opened one new hotel in 1Q.

Early recovery expected for AB hotels

The company's hotels are mainly located near manufacturing bases in regional areas and are in a position to benefit from the recovery in business travel demand, so we believe that the company can expect an earnings recovery ahead of the major players in the industry. We believe that the current business environment is recovering rapidly, and we expect the average room rate to improve going forward.

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

Update

Rating Buy

Target price (JPY)	1,400
Stock price (JPY) (Oct 29)	1,244
Market cap (JPYbn)	17.6

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

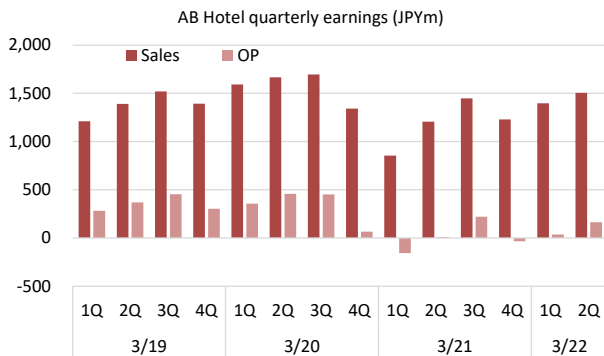
		3/19	3/20	3/21	3/22E	3/23E
Sales	JPYbn	5.5	6.3	4.7	6.1	7.0
OP	JPYbn	1.4	1.3	0.0	0.7	1.4
RP	JPYbn	1.4	1.3	0.0	0.6	1.3
NP	JPYbn	0.9	0.9	0.0	0.4	0.8
EPS	JPY	62.6	62.9	0.7	28.9	59.3
BPS	JPY	370.8	427.7	422.4	455.6	508.9
DPS	JPY	6.0	6.0	1.0	4.0	6.0
PER	x	32.0	14.4	1,620.1	42.4	20.7
PBR	x	5.4	2.1	2.7	2.7	2.4
Div. yield	%	0.3	0.7	0.1	0.3	0.5
ROA	%	5.6	4.9	0.1	1.9	3.8
ROE	%	18.3	15.7	0.2	6.5	12.3

Source: Company data, Mita Securities

Company profile

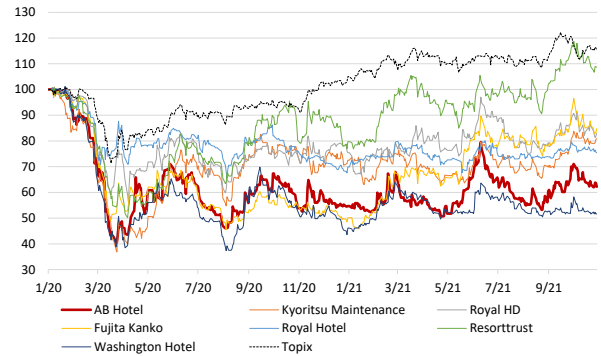
AB Hotel is based in Aichi Prefecture and operates 31 business hotels specializing in lodging under the AB Hotel brand (at end-FY3/21). The company is actively involved in the store design stage to reduce initial investment, and achieves low-cost front desk operations through the outsourcing method. AB Hotel is a consolidated subsidiary of Tocho (8920).

Figure: Quarterly earnings



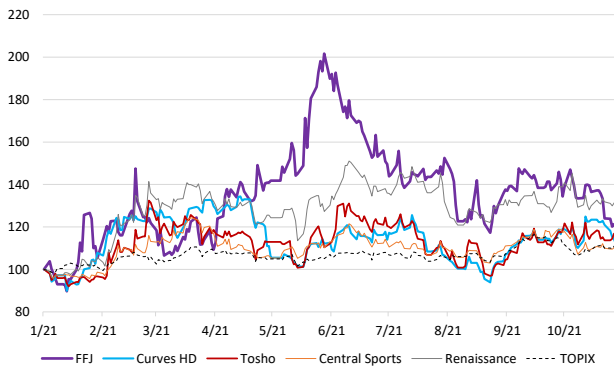
Source: Company data, Mita Securities

Figure: Stock price trends for hotel operators



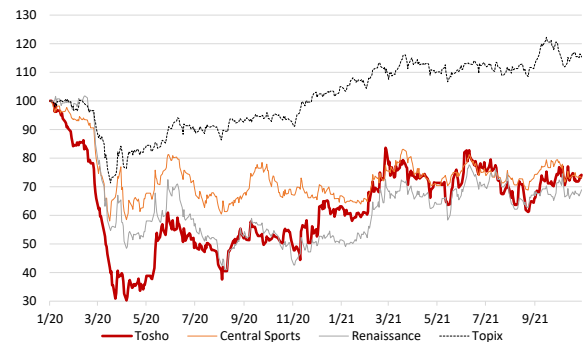
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends for fitness club operators



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2020

Figure: Stock price trends for fitness club operators



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2020

Figure: Comparison of valuations for fitness club operators

Company name	Ticker	PX 10/28	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
RENAISSANCE INC	2378	1,208	25.8	1.7	-8.4	-10.7	-61.5	NA	NA	NA	NA	NA	2.5	NA	NA	NA	-3.4	1.6	53.9
RIZAP GROUP INC	2928	182	101.2	1.3	-2.3	8.7	18.0	NA	NA	24.9	NA	NA	3.7	NA	NA	NA	-1.6	-9.5	32.8
CENTRAL SPORTS CO LTD	4801	2,408	27.6	0.3	-11.6	7.8	0.0	NA	NA	NA	NA	NA	1.2	NA	NA	NA	-6.6	-0.7	9.1
CURVES HOLDINGS CO LTD	7085	859	80.6	0.8	-1.6	NA	13.1	21.8	31.8	71.5	38.7	22.9	8.8	NA	3.3	0.9	-7.8	3.1	29.8
FAST FITNESS JAPAN INC (TP 5,600 Buy)	7092	3,095	57.9	-0.2	NA	NA	NA	NA	NA	NA	52.6	41.4	6.8	NA	4.3	0.3	-11.8	-22.3	NA
TOSHO CO LTD (TP 2,400 Buy)	8920	1,876	71.9	0.4	-35.7	20.4	2.6	4.2	10.0	80.5	48.0	25.8	2.1	14.0	4.0	0.2	-0.6	6.8	45.2
Average				0.7	-11.9	6.6	-5.6	13.0	20.9	59.0	46.4	30.0	4.2	14.0	3.9	0.5	-5.3	-3.5	34.2
Median				0.6	-8.4	8.3	2.6	13.0	20.9	71.5	48.0	25.8	3.1	14.0	4.0	0.3	-5.0	0.5	32.8

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

Figure: Comparison of valuations for hotel operators

Company	Ticker	Share price 28-Oct	Mkt cap JPYbn	PER Last	PER LTM	PER Current E	PER Next E	PBR Last	EV/EBITDA Next E	EV/Sales Next E	ROE LTM	Sales growth LTM	EBITDA Mgn LTM	Div Yield Current E	1M Change	3M Change	1YR Change
RESORTTRUST INC	4681	2,017	218.9	NA	NA	37.6	25.8	2.2	12.3	1.7	-5.8	26.6	3.5	1.5	-6.7	11.7	35.4
WASHINGTON HOTEL CORP	4691	700	8.5	NA	NA	NA	NA	1.6	NA	NA	-82.7	-64.0	-101.0	NA	-5.8	-3.6	-2.1
AMAZE CO LTD	6076	915	13.9	58.1	87.8	NA	NA	1.2	NA	NA	1.4	-3.0	17.1	NA	3.6	7.1	11.7
GREENS CO LTD	6547	540	7.0	NA	NA	NA	14.2	NA	NA	0.8	NA	-31.4	-52.6	0.0	6.9	-3.4	15.9
ABHOTEL CO LTD (TP 1,400 Buy)	6565	1,226	17.4	1,726.8	117.0	NA	NA	2.9	NA	NA	2.5	-5.0	18.1	NA	-11.2	7.7	15.4
ROYAL HOLDINGS CO LTD	8179	2,059	93.4	NA	NA	NA	51.7	3.2	12.2	1.2	-55.3	-27.7	-14.3	0.0	-8.0	3.8	11.7
KYORITSU MAINTENANCE CO	9616	4,215	165.3	NA	NA	104.9	26.5	2.4	17.2	1.5	-11.8	-15.8	-2.0	0.5	-1.5	14.7	8.5
IMPERIAL HOTEL LTD	9708	1,881	111.7	NA	NA	NA	36.0	2.5	11.8	1.7	-26.8	-43.6	-22.5	0.2	-0.7	2.3	-5.2
ROYAL HOTEL LTD/THE	9713	1,239	12.7	NA	NA	NA	NA	NA	NA	NA	NA	-45.6	-23.8	NA	-3.8	1.1	-1.1
FUJITA KANKO INC	9722	2,406	29.4	NA	2.8	1.9	96.2	1.4	12.7	1.0	67.6	-45.9	72.6	0.0	-10.1	4.1	53.8
KYOTO HOTEL LTD/THE	9723	645	7.8	NA	NA	NA	NA	22.1	NA	NA	-184.1	-40.7	-10.4	NA	-3.0	3.5	6.4
Average				892.4	69.2	48.1	41.7	4.4	13.2	1.3	-32.8	-26.9	-10.5	0.4	-3.7	4.5	13.7

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

APPENDIX

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