



# Skylark Holdings

TSE 1st Section 3197 Industry: Food service, retail

## Strong subsidy effect; Dividend guidance is good news for the market

### Significant upward revision of full-year OP guidance due to subsidy effect

Skylark HD (3197, the company) posted 1-3Q FY12/21 sales of 189.6bn yen (-11.2% YoY), OP of 7.4bn yen (vs. -21.1bn yen loss in 1-3Q FY12/20), and net profit attributable to owners of the parent (NP) of 2.4bn yen (vs. -14.6bn yen loss in 1-3Q FY12/20) (IFRS). Same-store sales were down -8.3% YoY, and down -32.9% from 1-3Q FY12/19 (our estimate). Delivery and take-out sales were 24.9% of total sales.

OP of 7.4bn yen includes 23.3bn yen in subsidies for shortening operating hours. Sales were sluggish due to the expansion of areas subject to emergency measures and priority measures to prevent the spread of the disease during the summer, but the subsidy income increased instead. Excluding the subsidies, OP was -15.9bn yen loss.

The company announced a revision of its full-year guidance as follows: sales 285.0bn yen to 260.0bn yen; OP 5bn yen to 21.0bn yen. The company also announced DPS guidance of 14 yen (previously undecided). The main reason for the upward revision of full-year OP guidance is increased expectations for the subsidy income (the company assumes 40bn yen of subsidies for the full year).

### Excluding subsidies, negative OP continues

3Q (Jul-Sep) results were sales of 62.9bn yen (-15.6% YoY), OP of 7.0bn yen (vs. -3.1bn yen loss in 3Q FY12/20), and NP of 2.9bn yen (-33.2% YoY). OP improved from -1.3bn yen in 1Q, and 1.7bn yen in 2Q. That said, OP includes subsidies for shortened operating hours: 4.0bn yen in 1Q, 7.1bn yen in 2Q, and 12.3bn yen in 3Q. Excluding the subsidies, OP was largely unchanged at -5.2bn yen in 1Q, -5.3bn yen in 2Q, and -5.3bn yen in 3Q.

The number of stores at the end of 3Q was 3,105 (-3 from end-2Q).

### Impressions of the results and implications for the stock price

Until the 3Q, there was almost no change in the trend of operating loss excluding the subsidies. The upward revision to the full-year OP guidance is not necessarily positive, as it is mainly due to the subsidy effects. However, the new dividend forecast should be received positively by the market, as investors in the company's shares have high expectations for dividends and shareholder benefits.

Please refer to the report dated July 1, 2021 for the rationale of the rating and target price.

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## Update

Rating  
**Hold**

Target price (JPY)	1,550
Stock price (JPY) (Nov 12)	1,497
Market cap (JPYbn)	340.6

### Key changes

Rating	No
Target price	No
Earnings forecast	No

### Stock price (JPY)



Source: Bloomberg Finance LP

### Earnings

IFRS		12/19	12/20	12/21E	12/22E	12/23E
Sales	JPYbn	375.4	288.4	282.0	332.4	362.1
OP	JPYbn	20.6	-23.0	5.3	7.5	20.7
Pre-tax Profit	JPYbn	16.7	-26.4	1.5	4.6	17.9
NP	JPYbn	9.5	-17.2	0.5	2.7	12.0
EPS	JPY	48.0	-87.2	2.2	11.8	52.6
BPS	JPY	672	576	699	711	759
DPS	JPY	19.0	0.0	0.0	4.0	16.0
PER	x	44.4	-18.3	682.4	127.3	28.7
PBR	x	3.2	2.8	2.2	2.1	2.0
Div. yield	%	0.9	0.0	0.0	0.3	1.1
ROA	%	2.4	-3.8	0.1	0.6	2.5
ROE	%	7.2	-14.0	0.4	1.7	7.2

Source: Company data, Mita Securities

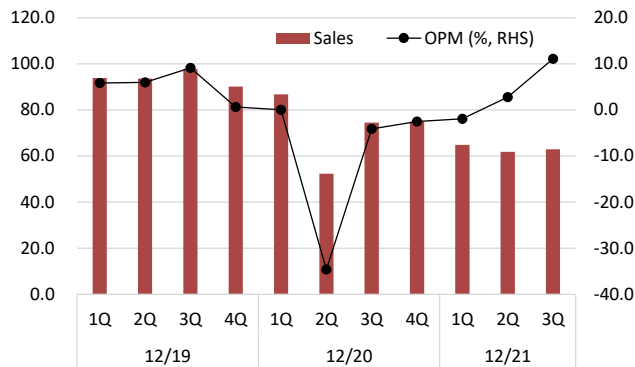
### Company profile

Skylark HD is Japan's largest operator of family restaurants, including "Gusto," and "Bamiyan." The company had 3,108 stores at the end of June 2021. FY12/20 sales were 288.4bn yen.

## Quarterly data

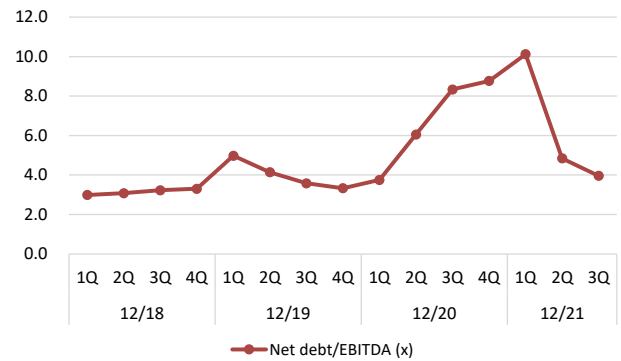
### Quarterly data

Figure: Quarterly earnings (JPYbn)



Source: Company data, Mita Securities

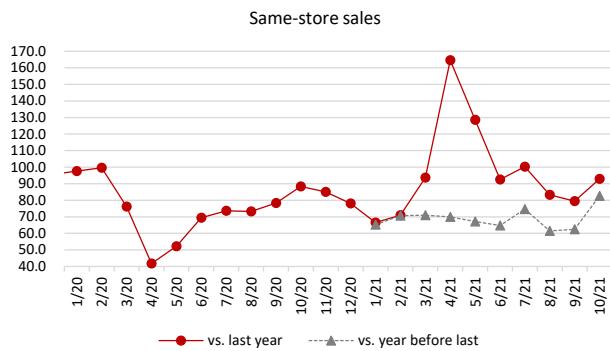
Figure: Net debt/EBITDA (x, quarterly basis)



Source: Company data, Mita Securities

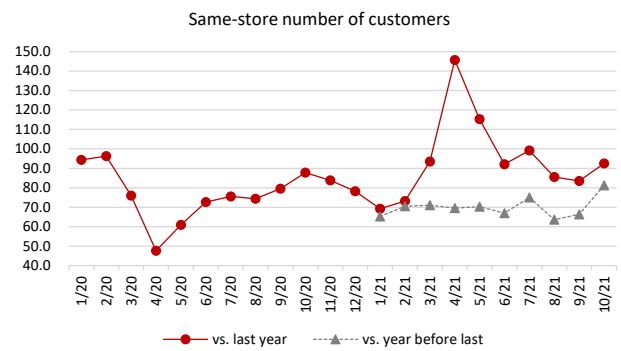
## Monthly same-store sales data

Figure: Same-store sales



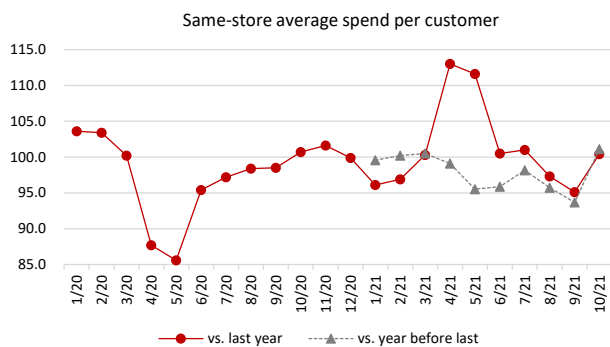
Source: Company data, Mita Securities Note: Same month last year or year before last = 100

Figure: Same-store number of customers



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

Figure: Same-store average spend per customer

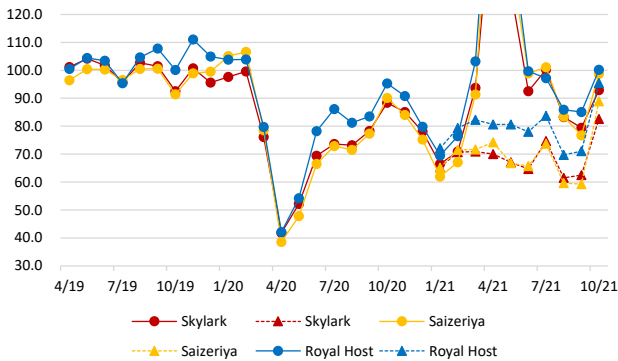


Source: Company data, Mita Securities Note: Same month last year or year before last = 100

**Food service industry data**

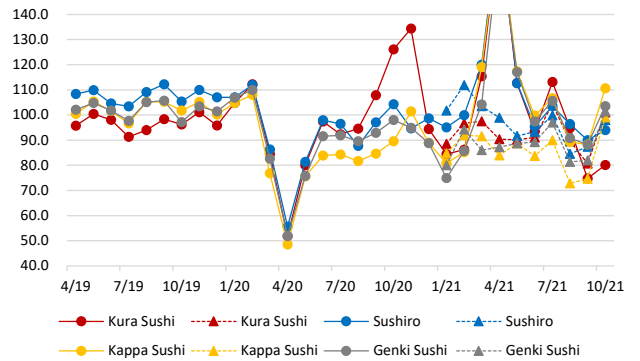
Same-store sales (compared to last year or year before last)

**Figure: Family restaurants**



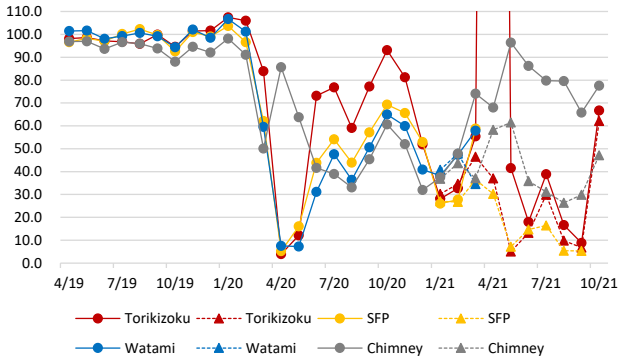
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

**Figure: Sushi restaurants**



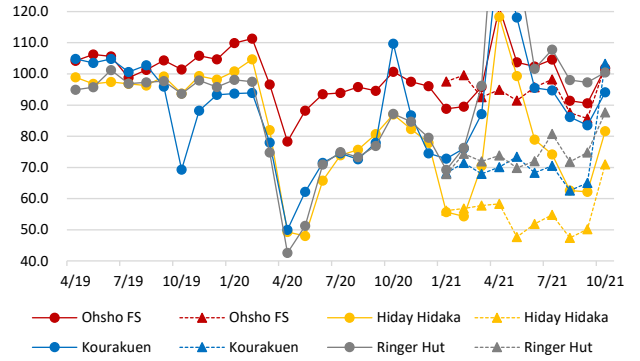
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

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



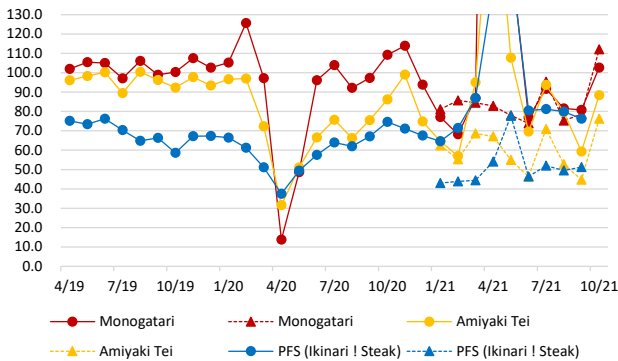
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

**Figure: Chinese restaurants**



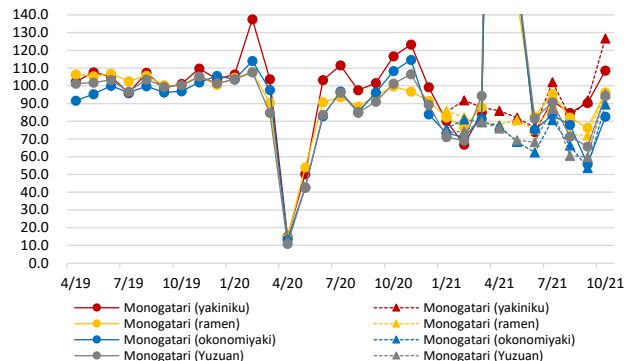
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

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



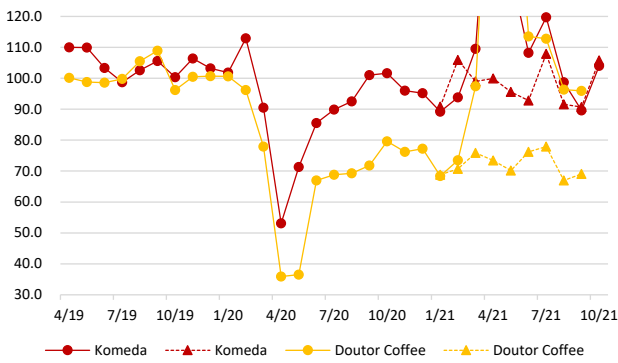
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

**Figure: Monogatari Corporation by division**



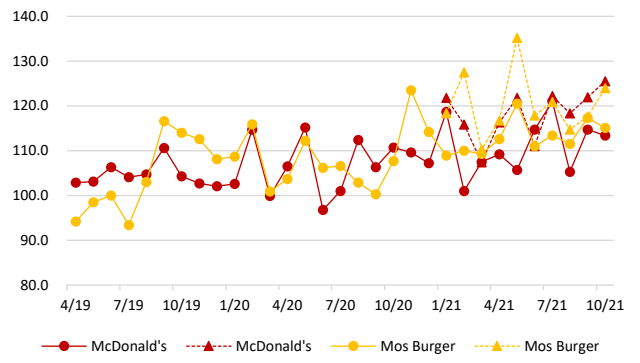
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Coffee shops



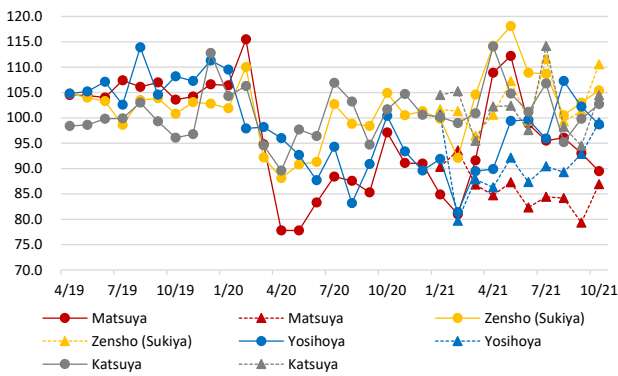
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Hamburger shops



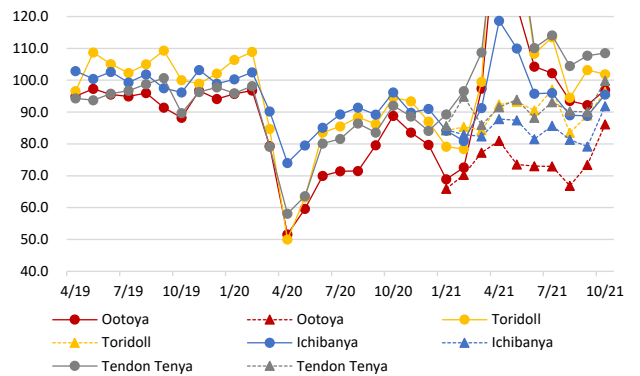
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Beef bowl, Tonkatsu



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

Figure: Set meal, Udon noodle, Curry, Tempura

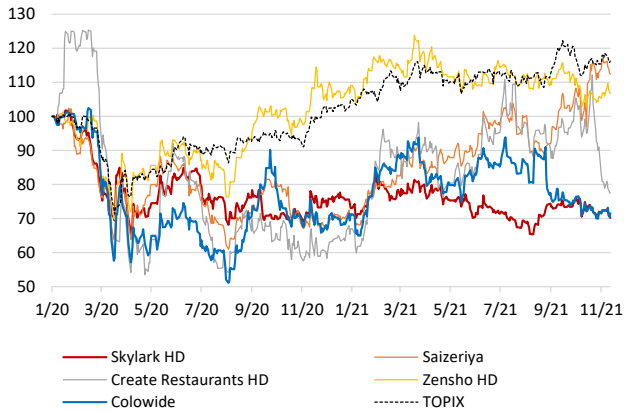


Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last



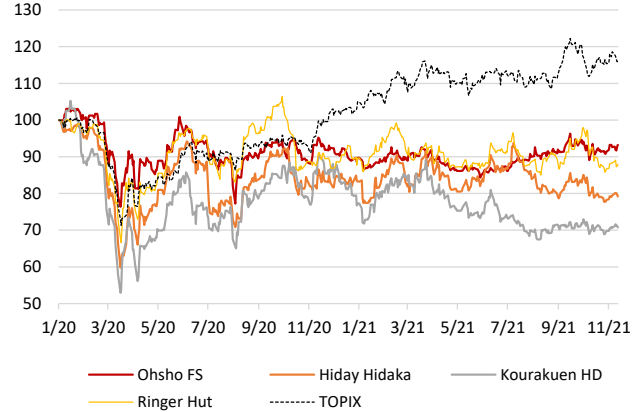
Stock price trends for food service companies

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



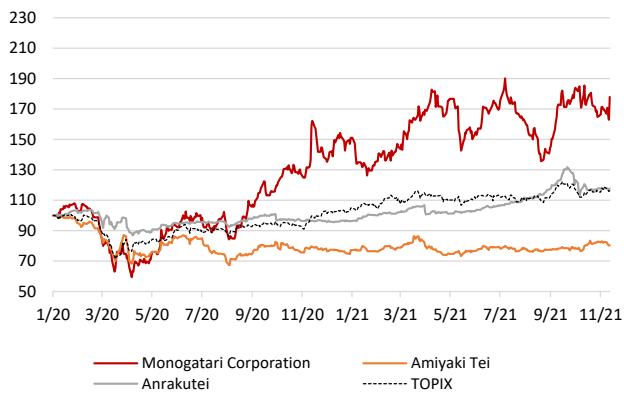
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



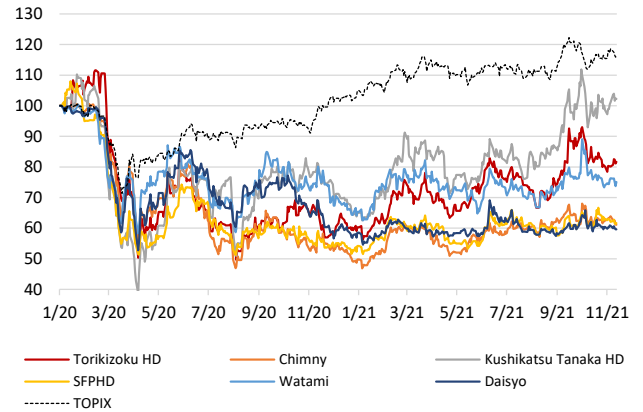
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



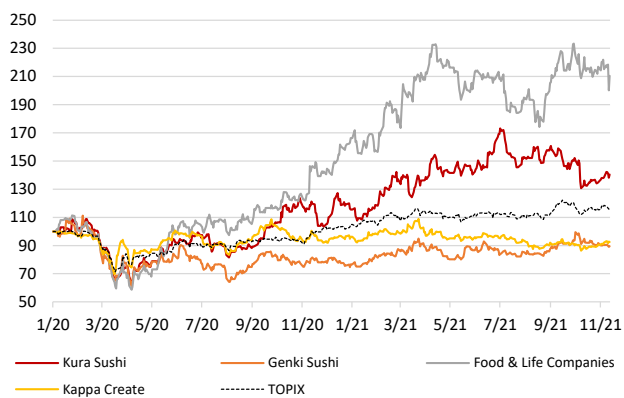
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



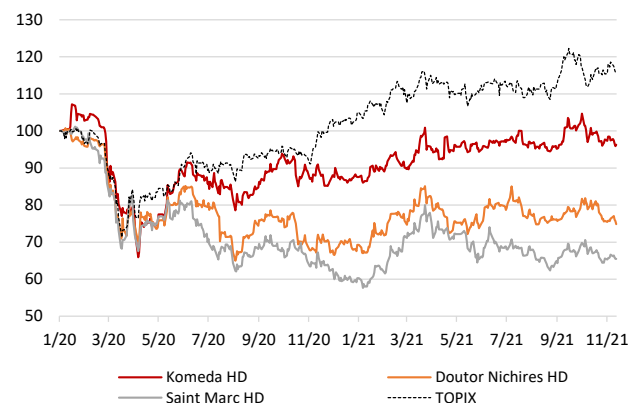
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

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

## 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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