



IBJ

TSE 1st Section 6071 Industry: Consumer services

Disposal of unprofitable businesses gives favorable impression

Revised guidance is largely in-line with our forecast, no surprise

IBJ (6071, the company) announced 1-3Q FY12/21 results. Sales were 10.375bn yen (+8.9% YoY), and OP was 1.068bn yen (-5.0% YoY). After adjusting for SG&A expenses posted as extraordinary losses, the effective OP was +2.8% YoY at 1.008bn yen.

The company revised the full-year guidance as follows: sales 15.248bn yen to 14.052bn yen; OP 2.074bn yen to 1.473bn yen. The old guidance was issued in February, and we are not surprised by the downward revision, given the volatile business environment since then. The new guidance is largely in-line with our full-year forecast (sales of 14.118bn yen, OP of 1.677bn yen).

3Q (Jul-Sep) results were sales of 3.620bn yen (+6.7% YoY, +4.6% QoQ), OP 384m yen (+6.4% YoY, +17.5% QoQ). Earnings improved slightly from 2Q.

The number of franchisees at end-3Q was 2,895 (+13.5% YoY, +2.2% QoQ). The number of party participants in 3Q was 116 thousand (-19.5% YoY, +4.5% QoQ). The number of paying members for the app business at end-3Q was 41 thousand (-4.7% YoY, +1.5% QoQ). These KPIs improved slightly from 2Q.

Announced restructuring of business portfolio through the sale of unprofitable businesses, etc.

The company announced its intention to 1) sell off some of its wedding and travel businesses by the end of December, and 2) make its insurance business a wholly owned subsidiary (currently 70% owned by the company). The wedding business and travel business have been strongly affected by the COVID-19 pandemic. In addition, the original profitability of these businesses is low, and in our view, their contribution to profits in the post-pandemic period should not be significant. We have a positive impression on the business portfolio restructuring.

Expecting increased marriage activity going forward

The number of marriages declined under the COVID-19 pandemic, but we expect this to rebound going forward. We believe that as the flow of people recovers, marriage activities should become more active again, and the number of participants in the company's parties should increase further.

Please refer to the report dated September 17, 2021 for the rationale of the rating and target price.

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Update

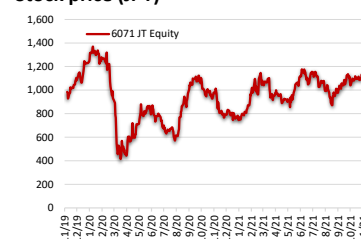
Rating
Buy

Target price (JPY)	1,450
Stock price (JPY) (Nov 12)	1,097
Market cap (JPYbn)	46.1

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		12/19	12/20	12/21E	12/22E	12/23E
Sales	JPYbn	15.3	13.1	14.1	16.3	21.0
OP	JPYbn	2.3	1.6	1.7	2.5	3.5
RP	JPYbn	2.3	1.5	1.6	2.4	3.4
NP	JPYbn	1.5	0.7	1.0	1.6	2.3
EPS	JPY	38.0	17.1	24.9	40.2	57.9
BPS	JPY	123.1	131.4	150.3	182.4	228.3
DPS	JPY	9.0	6.0	8.0	12.0	14.0
PER	x	32.7	45.7	43.7	27.1	18.8
PBR	x	10.1	6.0	7.2	6.0	4.8
Div. yield	%	0.7	0.8	0.7	1.1	1.3
ROA	%	16.2	5.5	7.2	11.1	13.7
ROE	%	36.0	13.5	17.7	24.1	28.2

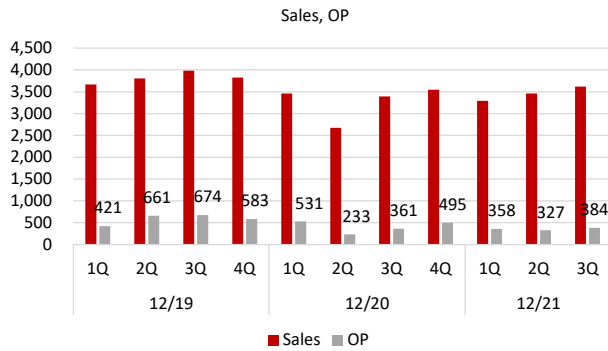
Source: Company data, Mita Securities

Company profile

IBJ operates its marriage agency business both directly and through its franchisees. The Japan Marriage Consulting Federation, which the company manages, has over 70,000 members, making it one of the largest in Japan. As of the end of June 2021, the company had 2,832 franchisees. The company's strength lies in its counseling services that focus on marriage, and it is also active in M&As.

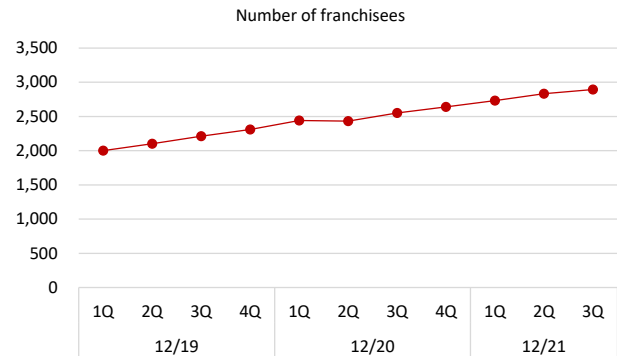
IBJ's earnings

Figure: Quarterly earnings



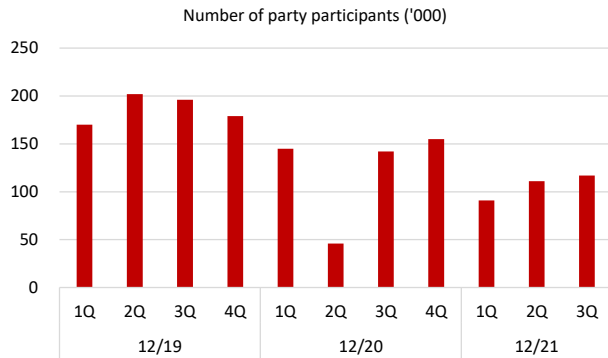
Source: Company data, Mita Securities

Figure: Number of franchisees



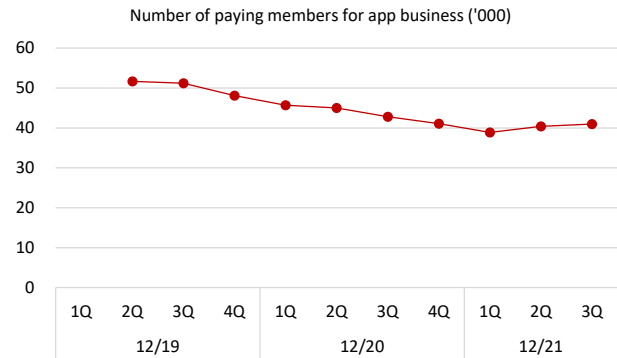
Source: Company data, Mita Securities

Figure: Number of party participants



Source: Company data, Mita Securities

Figure: Number of paying user for app business



Source: Company data, Mita Securities

Comparison of valuations with peers (reference)

Figure: Comparison of valuations for franchise business operators

Company name	Ticker	PX 11/11	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
KOBE BUSSAN CO LTD	3038	4,175	1,142.3	-0.3	3.0	8.6	28.5	31.3	28.7	49.4	45.0	40.5	12.5	33.8	3.1	0.5	14.5	5.6	36.0
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,041	94.2	1.5	8.1	23.7	13.0	13.5	13.7	20.7	19.1	17.6	2.6	15.6	4.2	2.5	-2.9	-0.1	7.4
IBJ INC (TP 1,450 Buy)	6071	1,088	45.7	-0.2	-1.8	17.5	16.5	13.0	18.9	51.8	58.2	34.9	8.0	NA	3.2	0.6	-0.3	8.0	12.0
CURVES HOLDINGS CO LTD	7085	895	84.0	0.8	-1.6	NA	13.1	21.8	31.8	74.5	40.3	23.9	9.2	NA	3.4	0.9	-6.6	11.0	22.8
FAST FITNESS JAPAN INC (TP 5,600 Buy)	7092	3,155	59.0	-0.2	NA	NA	NA	15.9	18.0	NA	42.3	32.0	6.9	14.2	4.4	0.3	-13.7	-2.3	NA
WORKMAN CO LTD	7564	6,520	533.6	-0.4	13.4	24.1	20.4	NA	NA	30.1	29.1	26.0	5.7	NA	NA	1.1	4.7	-14.1	-28.4
Average				0.2	4.2	18.5	18.3	19.1	22.2	45.3	39.0	29.1	7.5	21.2	3.7	1.0	-0.7	1.4	9.9
Median				-0.2	3.0	20.6	16.5	15.9	18.9	49.4	41.3	29.0	7.5	15.6	3.4	0.7	-1.6	2.7	12.0

Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

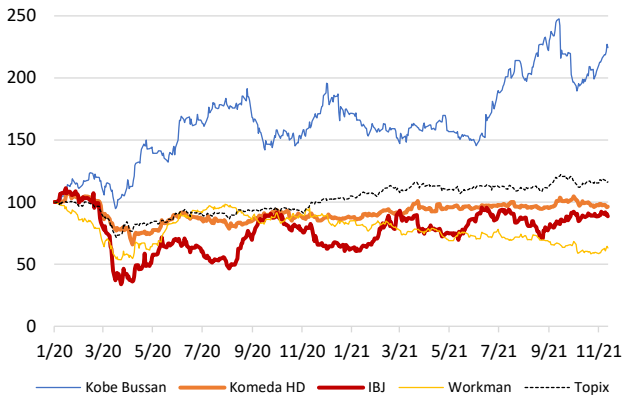
Figure: Comparison of valuations for matchmaking-related companies

Company name	Ticker	PX 11/11	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
BENEFIT ONE INC	2412	5,930	948.6	-0.9	7.9	33.1	46.5	41.0	40.7	110.7	110.5	96.7	45.8	69.1	23.9	0.6	2.8	59.4	111.6
LINKBAL INC	6046	344	6.7	-1.0	-53.1	-48.5	-20.0	NA	NA	NA	NA	NA	3.8	NA	NA	NA	4.2	11.3	11.7
IBJ INC (TP 1,450 Buy)	6071	1,088	45.7	-0.2	-1.8	17.5	16.5	13.0	18.9	51.8	58.2	34.9	8.0	NA	3.2	0.6	-0.3	8.0	12.0
RECRUIT HOLDINGS CO LTD	6098	7,803	13,233.6	-0.1	7.8	14.2	17.3	21.3	19.9	68.5	50.1	46.4	10.9	30.4	4.8	0.4	9.9	35.2	67.3
NET MARKETING CO LTD	6175	541	8.1	-1.1	-2.5	4.4	11.7	NA	NA	23.8	NA	NA	2.7	NA	NA	NA	6.1	39.8	-12.3
TAMENY INC	6181	92	2.0	-9.6	-24.7	-25.4	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-9.8	-24.6	-48.3
Average				-2.1	-11.1	-0.8	14.4	25.1	26.5	63.7	72.9	59.3	14.2	49.8	10.6	0.5	2.2	21.5	23.7
Median				-0.9	-2.1	9.3	16.5	21.3	19.9	60.2	58.2	46.4	8.0	49.8	4.8	0.6	3.5	23.3	11.9

Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

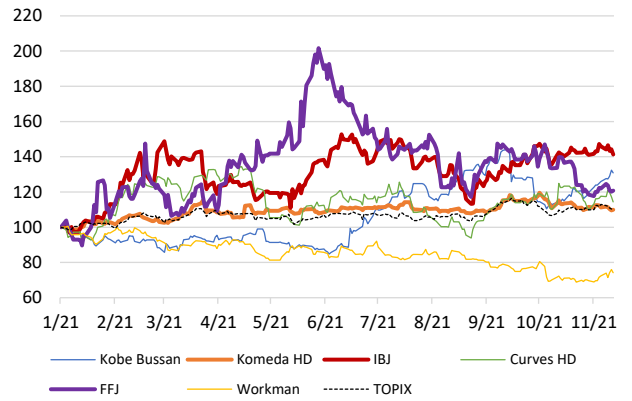
Comparison of stock price trends (reference)

Figure: Stock price trends for franchise business operators



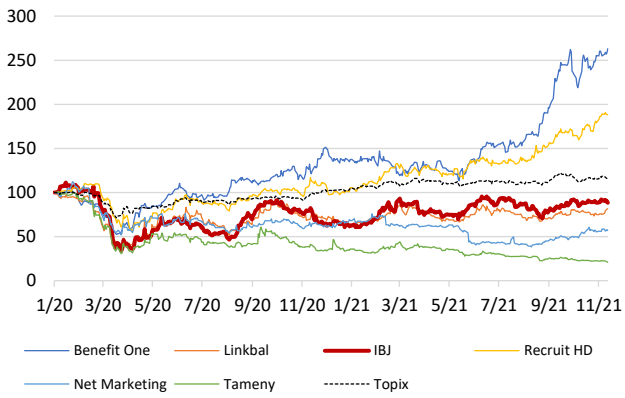
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends for franchise business operators



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

Figure: Stock price trends for matchmaking-related companies



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

APPENDIX

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