



Fast Fitness Japan

TSE Mothers 7092 Industry: Leisure & amusement

1H OP progress strong at 59%; Membership recovery continues

1H OP progress strong at 59% of full-year guidance

Fast Fitness Japan (7092, the company) announced 1H consolidated results. Sales were 6.350bn yen (+31.4% YoY), and OP was 1.531bn yen (+105.0% YoY). Progress rates toward the full-year guidance (Sales 13.0bn yen, OP 2.6bn yen) were strong at 49% for sales and at 59% for OP. The company said that 1H sales and profits were above its targets. The company maintained its full-year guidance.

2Q (Jul-Sep) sales were 3.239bn yen (+9.0% YoY, +4.1% QoQ), and OP was 763m yen (+26.8% YoY, -2.9% QoQ). The YoY increase in OP was mainly due to higher sales at directly-owned stores and higher royalty income.

Downward revision of new store opening target

Number of stores at end-2Q was 951 stores (+27 stores QoQ), with 795 FC stores (+22 stores QoQ) and 156 directly-owned stores (+5 stores QoQ).

The company opened 17 new FC stores in 1Q and 22 stores in 2Q, for a total of 39 stores in 1H. The company revised its full-year store opening target from 145 to 105 stores. The company said that franchise owners became more cautious about opening new stores due to the prolonged COVID-19 infection. However, the company expects the number of new store openings in 2H to recover due to the addition of new franchise owners.

The company opened one new directly-owned store in 1Q and 5 stores in 2Q, for a total of 6 stores in 1H. The company maintained its full-year store opening target of 15 stores.

Number of members continues to recover

Number of members was 622 thousand at end-2Q (+27 thousand QoQ), with 526 thousand for FC stores (+22 thousand QoQ) and 95 thousand for directly-owned stores (+5 thousand QoQ).

The number of FC store members per store is on a recovery trend, with 630 members at end-4Q FY3/21, 652 at end-1Q FY3/22, and 662 at end-2Q. The number of directly-owned store members per store is also on a recovery trend, with 589 members at end-4Q, 596 at end-1Q, and 609 at end-2Q.

Overall view on the results

The fact that the number of members per store is continuing to recover in this fiscal year is a positive sign. Our understanding is that the number of members per store at its competitors has yet to overcome the downward trend. The company may have an advantage over its peers in terms of customer attributes. Although the company has revised downward its new store opening plan for franchised stores, if the number of cases of COVID-19 infection remains low, it should be easier for franchise owners to recover their motivation to open new stores.

Please refer to the report dated September 29, 2021 for the rationale of the rating and target price.

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Update

Rating
Buy

Target price (JPY)	5,600
Stock price (JPY) (Nov 11)	3,155
Market cap (JPYbn)	59.0

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		3/20	3/21	3/22E	3/23E	3/24E
Sales	JPYbn	11.3	11.2	13.1	14.9	17.0
OP	JPYbn	2.8	2.3	2.8	3.4	4.0
RP	JPYbn	2.8	2.3	2.8	3.4	4.0
NP	JPYbn	1.6	0.9	1.4	1.8	2.2
EPS	JPY	112.8	49.2	74.6	98.4	118.1
BPS	JPY	230.0	434.7	502.6	591.1	698.3
DPS	JPY	1.9	7.1	10.0	10.8	11.7
PER	x	NA	59.8	42.1	31.9	26.6
PBR	x	NA	6.8	6.2	5.3	4.5
Div. yield	%	NA	0.2	0.3	0.3	0.4
ROA	%	12.3	5.0	6.1	7.1	7.7
ROE	%	64.6	16.1	15.9	18.0	18.3

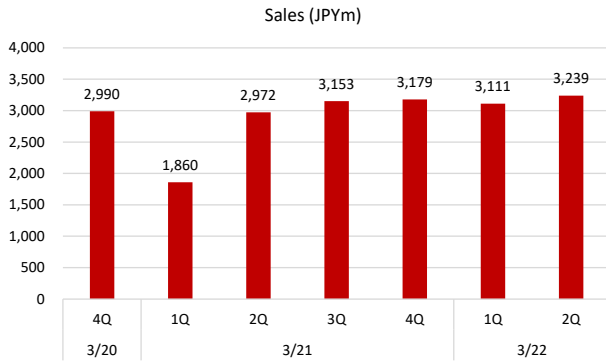
Source: Company data, Mita Securities

Company profile

FFJ operates the 24-hour machine-focused fitness club Anytime Fitness mainly through a franchise system, with 924 stores and 595,000 members as of June 30, 2021.

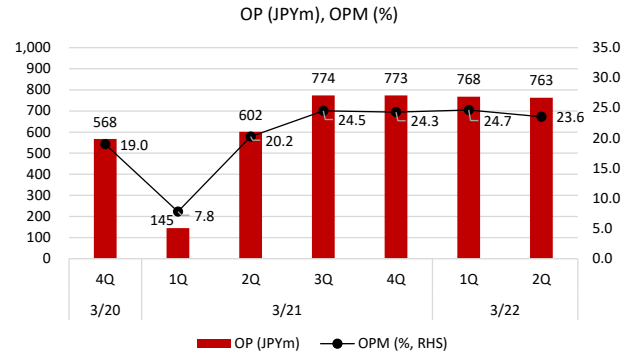
Quarterly earnings, KPIs

Figure: Sales



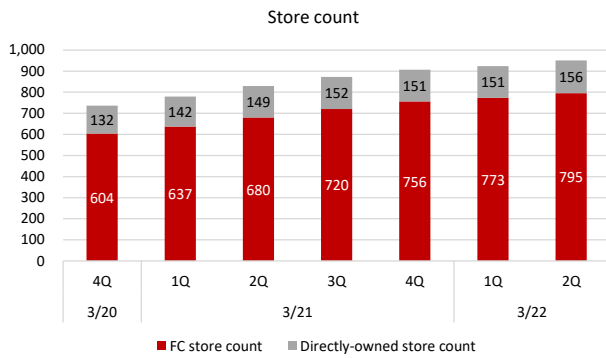
Source: Company data, Mita Securities

Figure: OP



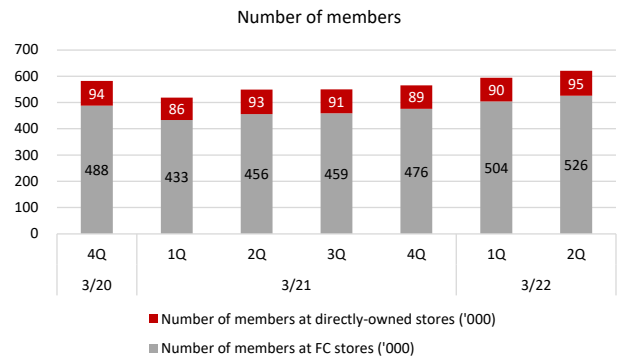
Source: Company data, Mita Securities

Figure: Store count



Source: Company data, Mita Securities

Figure: Number of members



Source: Company data, Mita Securities

Comparison of valuations with peers (reference)

Figure: Comparison of valuations for fitness club operators

Company name	Ticker	PX 11/10	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	1,451	31.7	-1.7	1.8	-8.4	-45.0	NA	NA	NA	NA	NA	2.9	NA	NA	NA	22.0	28.0	63.1
RIZAP GROUP INC	2928	189	106.2	1.3	-2.3	8.7	18.0	NA	NA	25.8	NA	NA	3.8	NA	NA	NA	2.1	-5.9	32.6
CENTRAL SPORTS CO LTD	4801	2,599	29.8	0.3	-2.9	10.2	7.4	NA	NA	17.8	NA	NA	1.3	NA	NA	NA	4.9	8.5	9.7
CURVES HOLDINGS CO LTD	7085	917	84.7	0.8	-1.6	NA	13.1	21.8	31.8	76.4	41.3	24.5	9.2	NA	3.4	0.9	-7.7	8.9	20.7
FAST FITNESS JAPAN INC (TP 5,600 Buy)	7092	3,140	60.0	-0.2	NA	NA	NA	15.9	18.0	NA	42.1	31.9	7.0	14.5	4.5	0.3	-12.1	-3.8	NA
TOSHIO CO LTD (TP 2,400 Buy)	8920	2,186	84.5	0.4	-31.2	19.9	2.0	4.2	10.0	121.6	55.9	30.1	2.4	16.0	4.6	0.2	13.1	21.3	57.3
Average				0.7	-7.2	7.6	-0.9	14.0	19.9	60.4	46.4	28.8	4.4	15.2	4.2	0.5	3.7	9.5	36.7
Median				0.6	-2.3	9.5	7.4	15.9	18.0	51.1	42.1	30.1	3.3	15.2	4.5	0.3	3.5	8.7	32.6

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 franchise business operators

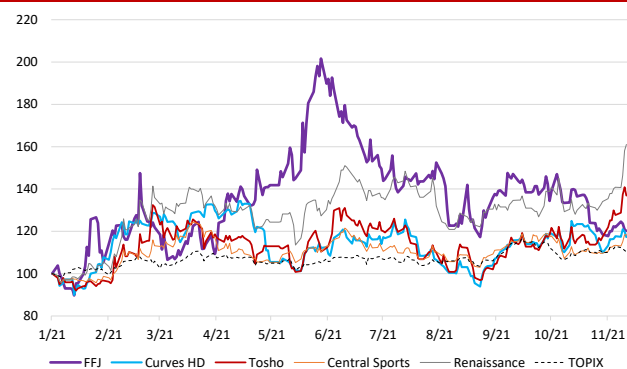
Company name	Ticker	PX 11/10	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
KOBE BUSSAN CO LTD	3038	4,225	1,145.0	-0.3	3.0	8.6	28.5	31.3	28.7	50.0	45.5	41.0	12.5	33.9	3.1	0.5	13.1	7.9	39.5
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,033	93.6	1.5	8.1	23.7	13.0	13.6	13.7	20.6	18.9	17.6	2.6	15.5	4.2	2.6	-5.1	-0.5	5.2
IBJ INC (TP 1,450 Buy)	6071	1,111	46.3	-0.2	-1.8	17.5	16.5	13.0	18.9	52.9	59.4	35.6	8.1	NA	3.2	0.5	0.5	6.0	10.9
CURVES HOLDINGS CO LTD	7085	917	84.7	0.8	-1.6	NA	13.1	21.8	31.8	76.4	41.3	24.5	9.2	NA	3.4	0.9	-7.7	8.9	20.7
FAST FITNESS JAPAN INC (TP 5,600 Buy)	7092	3,140	60.0	-0.2	NA	NA	NA	15.9	18.0	NA	42.1	31.9	7.0	14.5	4.5	0.3	-12.1	-3.8	NA
WORKMAN CO LTD	7564	6,670	542.6	-0.4	13.4	24.1	20.4	NA	NA	30.8	29.7	26.6	5.8	NA	NA	1.0	4.4	-13.0	-27.3
Average				0.2	4.2	18.5	18.3	19.1	22.2	46.1	39.5	29.5	7.6	21.3	3.7	1.0	-1.1	0.9	9.8
Median				-0.2	3.0	20.6	16.5	15.9	18.9	50.0	41.7	29.2	7.6	15.5	3.4	0.7	-2.3	2.7	10.9

Source: Bloomberg Finance LP data, Mita Securities

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

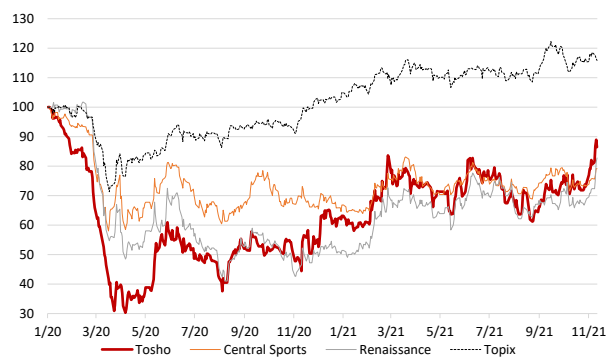
Comparison of stock price trends (reference)

Figure: Stock price trends for fitness club companies



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

Figure: Stock price trends for fitness club companies



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

APPENDIX

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