



Kura Sushi

TSE 1st Section 2695 Industry: Food service, retail

FY10/21 RP exceeds the company's guidance

FY10/21 full-year results: RP exceeds guidance due to strong subsidy effect

Kura Sushi (2695, the company) announced FY10/21 results. Sales were 147.592bn yen (+8.7% YoY), OP was -2.678bn yen (vs. 350m yen in FY10/20), and RP was 3.174bn yen (+179.5% YoY). Compared to the company's guidance announced on September 10 (sales 147.160bn yen, OP -2.535bn yen, RP 2.510bn yen), sales and OP were in-line, and RP was higher. Compared to our forecast (sales 145.937bn yen, OP -2.650bn yen, RP 2.272 bn yen), sales and OP were in-line, and RP was higher. Same-store sales (Japan) fared well, +4.9% YoY and +0.4% from FY10/19. Subsidy income (non-operating income) was 5.2bn yen, higher than our forecast of 4.3bn yen. Segment RP was 4.451bn yen for Japan (+50.7% YoY), -1.079bn yen for North America (vs. -1.743bn yen in FY10/20), -136m yen for Asia (vs. -17m yen in FY10/20). The company opened 48 new stores (Japan 30 stores, North America 7 stores, and Asia 11 stores). The number of stores at the end of FY10/21 was 567 (Japan 495 stores, North America 32 stores, and Asia 40 stores). The reason for the low operating profit margin despite solid sales appears to be that the company has been making investments in new store openings and store IT systems, both in Japan and overseas. Overall, there appears to be no surprises.

4Q results: Sales recovery underway in Japan, U.S. and Taiwan

4Q OP was -1.668bn yen, and RP was 1.762bn yen. In Japan (Aug - Oct), sales were 32.059bn yen (-11.9% YoY, -1.3% QoQ) and RP was 2.166bn yen. The business environment was extremely severe, as the number of areas requesting shortened hours of operation increased due to the spread of coronavirus infection, but it turned to a recovery trend in October. In addition, subsidy income of 3.254bn yen was recorded in RP. In North America (Jun-Aug), sales were 3.028bn yen and RP was -90m yen. Sales recovered quickly as operating restrictions were significantly eased (quarterly sales in USD terms were +405% YoY and +51% QoQ). On the other hand, the burden of personnel costs became heavier in the process of rebuilding the business operations, resulting in a loss. In Asia (Jul-Sep), sales were 1.926bn yen and RP was -252m yen. Sales were sluggish until July due to the operating restrictions, but have been recovering significantly since August (quarterly sales in TWD terms were -30% YoY and +27% QoQ).

FY10/22 guidance: Reflecting the company's aggressive stance

The company's FY10/22 guidance is for sales of 188.869bn yen (+28.0% YoY), OP of 2.827bn yen, and RP of 4.955bn yen (+56.1% YoY). Our forecast for FY10/22 is for sales of 176.695bn yen, OP of 5.512bn yen, and RP of 6.173bn yen. We believe that the company continues to be aggressive in opening new stores and investing in existing stores.

Please refer to the report dated October 20, 2021 for the rationale of the rating and target price.

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Update

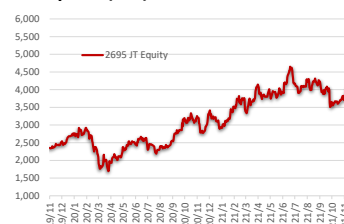
Rating Buy

Target price (JPY)	5,000
Stock price (JPY) (Dec 7)	3,725
Market cap (JPYbn)	154.2

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		10/20	10/21E	10/22E	10/23E	10/24E
Sales	JPYbn	135.8	145.9	176.7	198.8	223.4
OP	JPYbn	0.4	-2.6	5.5	8.0	10.6
RP	JPYbn	1.1	2.3	6.2	8.7	11.3
NP	JPYbn	-0.3	1.3	3.9	5.6	7.2
EPS	JPY	-6.6	33.4	98.4	140.4	181.9
BPS	JPY	1,116.1	1,202.0	1,280.4	1,396.8	1,548.7
DPS	JPY	20.0	20.0	24.0	30.0	40.0
PER	x	NA	109.3	37.1	26.0	20.1
PBR	x	2.8	3.0	2.9	2.6	2.4
Div. yield	%	0.6	0.5	0.7	0.8	1.1
ROA	%	-0.3	1.5	4.0	5.2	6.2
ROE	%	-0.6	2.9	7.9	10.5	12.4

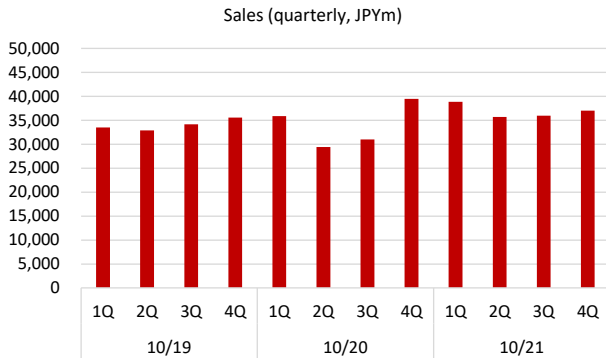
Source: Company data, Mita Securities

Company profile

Kura Sushi is an Osaka-based restaurant company that operates the "Kura Sushi" revolving sushi bar chain nationwide. The company is also active in overseas business and has listed subsidiaries in the US and Taiwan. As of end-October 2021, the company had 567 stores (32 in the US and 40 in Taiwan). Sales in FY10/21 were 147.6bn yen.

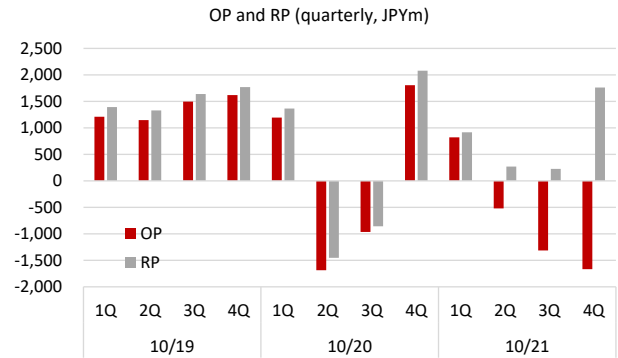
Quarterly results for Kura Sushi

Figure: Sales (JPYm)



Source: Company data, Mita Securities

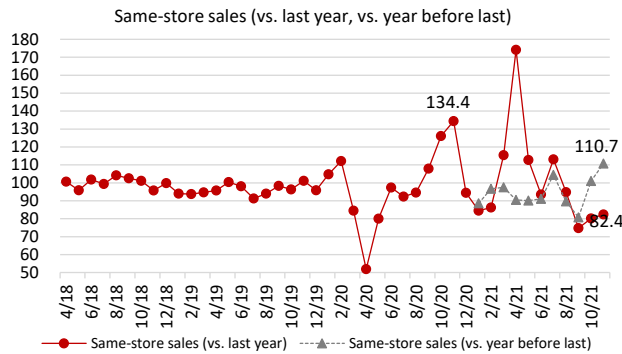
Figure: Operating profit and recurring profit (JPYm)



Source: Company data, Mita Securities

Monthly data for Kura Sushi

Figure: Same-store sales (%)



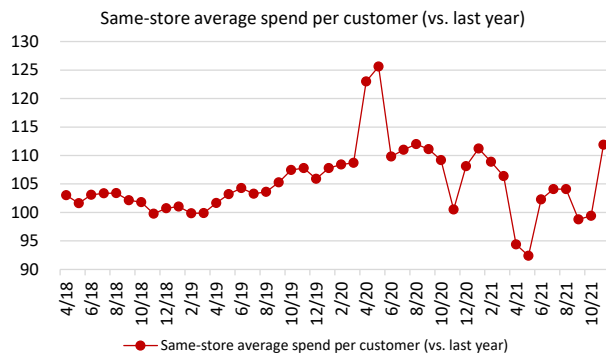
Source: Company data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Same-store number of customers (%)



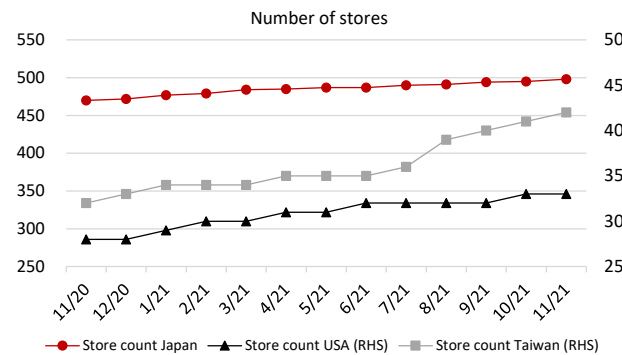
Source: Company data, Mita Securities

Figure: Same-store average spend per customers (%)



Source: Company data, Mita Securities

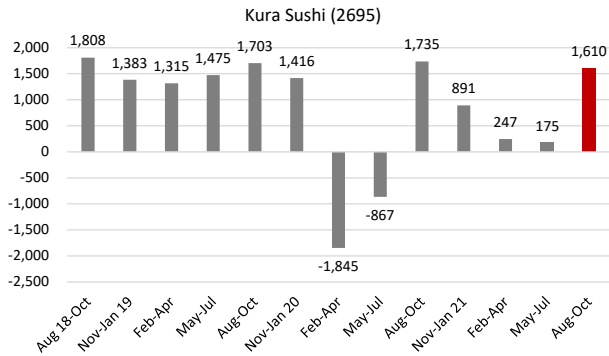
Figure: Number of stores



Source: Company data, Mita Securities

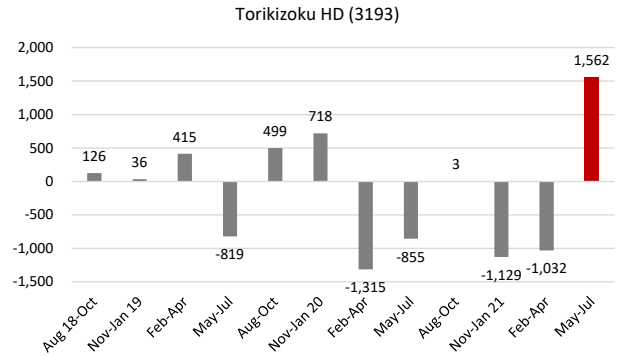
Pre-tax profits for food service companies covered by Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



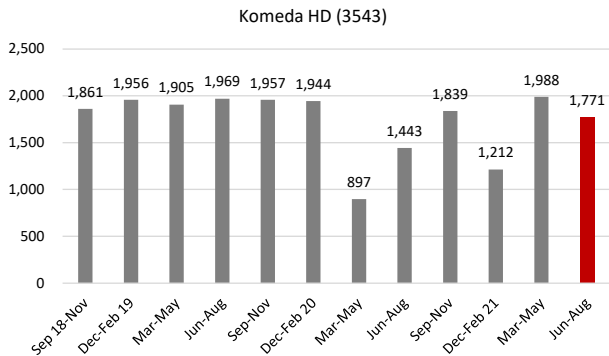
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



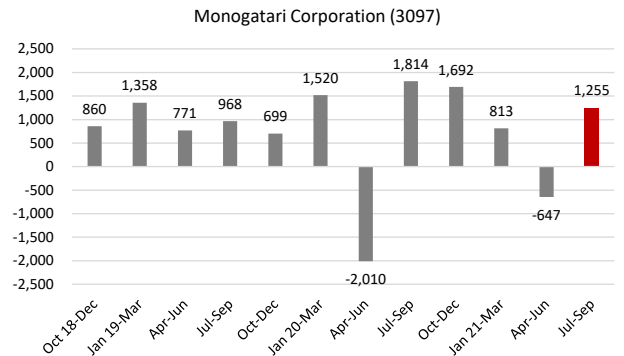
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



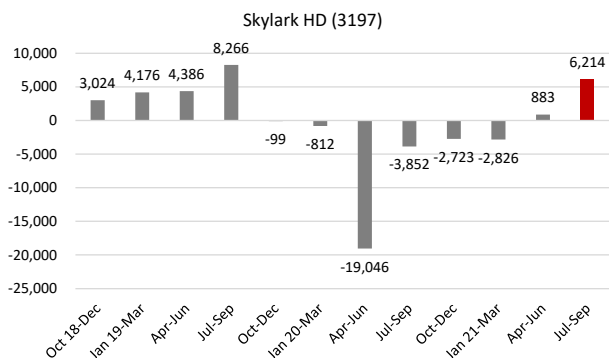
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



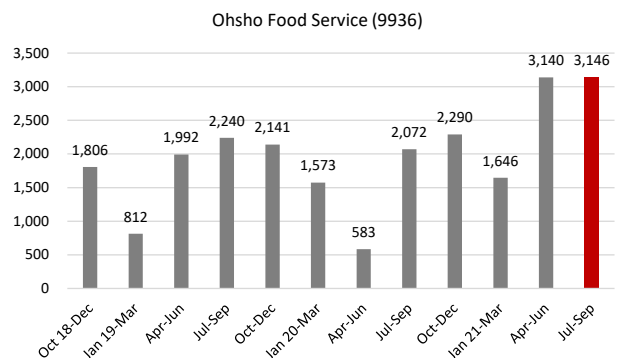
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

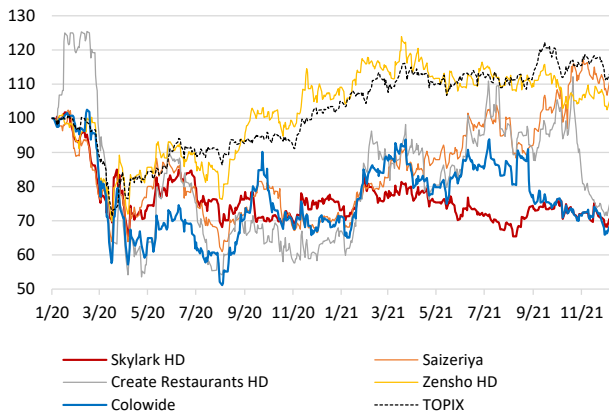
Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

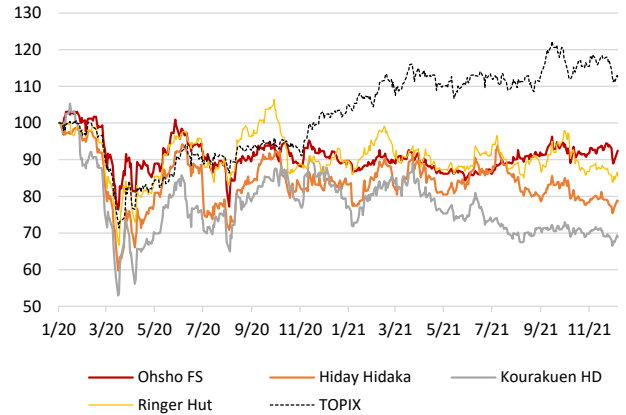
Stock price trends for food service companies

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



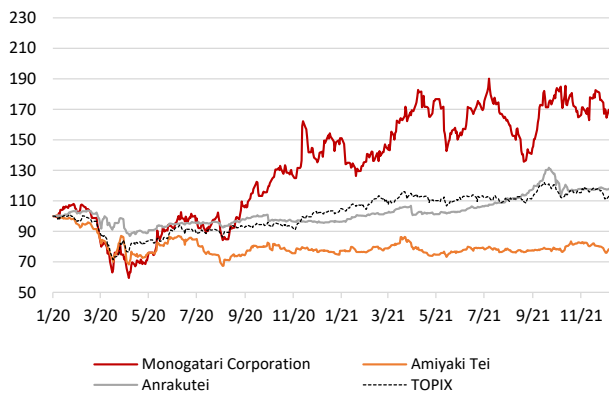
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



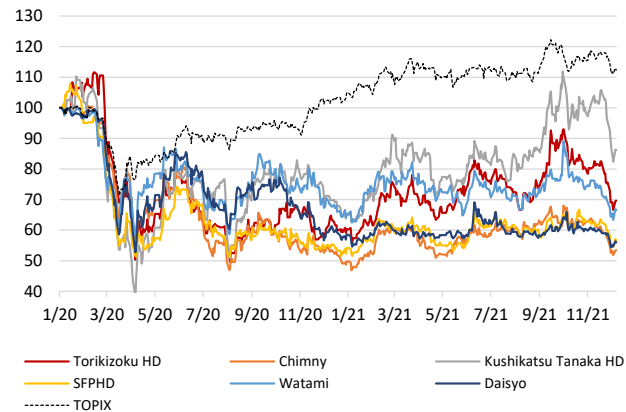
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



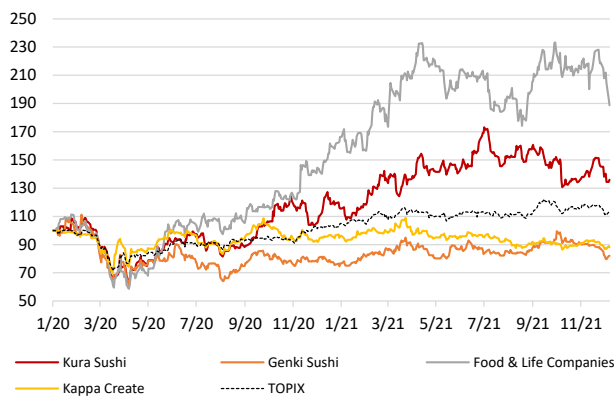
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



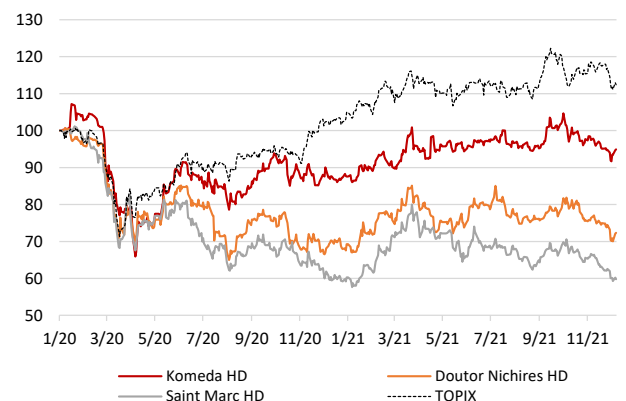
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

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

Stock price trends for overseas subsidiaries

Figure: Kura Sushi USA's stock price (USD)



Source: Bloomberg Finance LP data, Mita Securities

Figure: Kura Sushi Asia's stock price (TWD)



Source: Bloomberg Finance LP data, Mita Securities

APPENDIX

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