



Torikizoku Holdings

TSE 1st Section 3193 Industry: Food service, retail

1Q FY7/22 results. Substantial subsidy effect

Substantial surplus in 1Q RP due to subsidies

Torikizoku Holdings (3193, the company) announced its 1Q FY7/22 (Aug-Oct) results. As in the 4Q FY7/21 (May-Jul), the results were harsh at OP level, but RP, including subsidy income (subsidies for shortened hours of operation, etc.), was substantially in the black. The prolonged emergency measures during the summer resulted in a large RP for the company (3.1bn yen for the May-Oct period). We do not expect any surprises for the 1Q results.

Sales were 2.137bn yen (-65.7% YoY, +58.6% QoQ), OP was -1.725bn yen (vs. -167m yen in 1Q FY7/21, -2.074bn yen in 4Q FY7/21), and RP was 1.346bn yen (vs. 19m yen in 1Q FY7/21, 1.712bn yen in 4Q FY7/21). RP includes subsidy income of 3.075bn yen (vs. 3.793bn yen in 4Q FY7/21). Same-store sales at directly-owned stores declined -66.1% YoY.

The company set business hours and alcohol serving hours within the limits requested by each local government. Many stores were closed in August and September, and restarted operations in October. Even so, many stores were subject to shortened hours until mid to late October, and as such, sales during the late-night hours did not fully recover.

Business model of the izakaya formats to be tested as subsidies disappear going forward

Same-store sales at directly-owned stores in November were -24.6% from November 2019, compared to -37.9% in October. This shows that sales have been recovering in 2Q (Nov-Jan), but still remain weak compared to pre-pandemic levels.

Going forward, the company should not be able to obtain subsidies for shortened hours of operation unless a state of emergency is declared again, so it should not be able to cover its operating losses with subsidy income. The izakaya industry as a whole is likely to face an increasingly difficult time, in our view. However, we believe that the company is likely to achieve a relatively quick recovery in sales within the izakaya industry.

The company is undecided on its FY7/22 guidance. Our FY7/22 earnings forecast is for sales of 17.682bn yen (+13.4% YoY), OP of -3.544bn yen (vs. -4.663bn yen in FY7/21), and RP of -575m yen (vs. -315m yen in FY7/21). Our forecast assumes 3.0bn yen of subsidy income.

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

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Update

Rating
Hold

Target price (JPY)	2,100
Stock price (JPY) (Dec 10)	1,691
Market cap (JPYbn)	19.7

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		7/20	7/21	7/22E	7/23E	7/24E
Sales	JPYbn	27.5	15.6	17.7	28.4	33.8
OP	JPYbn	1.0	-4.7	-3.5	0.6	1.3
RP	JPYbn	1.0	-0.3	-0.6	0.6	1.3
NP	JPYbn	-0.8	-0.5	-0.5	0.6	1.2
EPS	JPY	-65.9	-40.3	-46.6	49.0	103.9
BPS	JPY	489.1	450.6	404.0	453.0	552.8
DPS	JPY	4.0	0.0	0.0	4.0	8.0
PER	x	NA	NA	NA	34.5	16.3
PBR	x	2.5	3.8	4.2	3.7	3.1
Div. yield	%	0.3	0.0	0.0	0.2	0.5
ROA	%	-4.1	-2.5	-3.3	3.2	6.0
ROE	%	-12.5	-8.6	-10.9	11.4	20.7

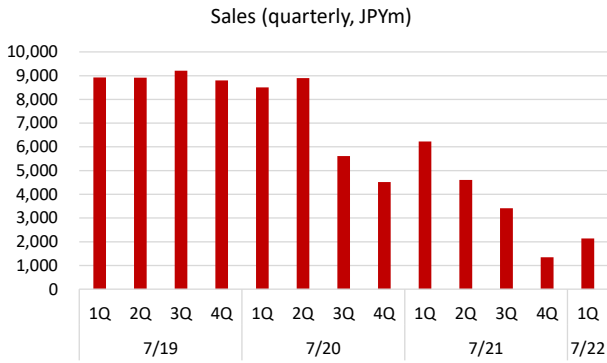
Source: Company data, Mita Securities

Company profile

Torikizoku HD is a restaurant company based in Osaka Prefecture that operates one of Japan's largest izakaya (Japanese style pub) chains "Yakitori-ya Torikizoku." Torikizoku had 615 stores (383 directly-owned stores and 232 franchise stores) as of the end of FY7/21. Sales in FY7/21 were 15.6bn yen, and the peak of sales before the COVID-19 pandemic was 35.8bn yen in FY7/19.

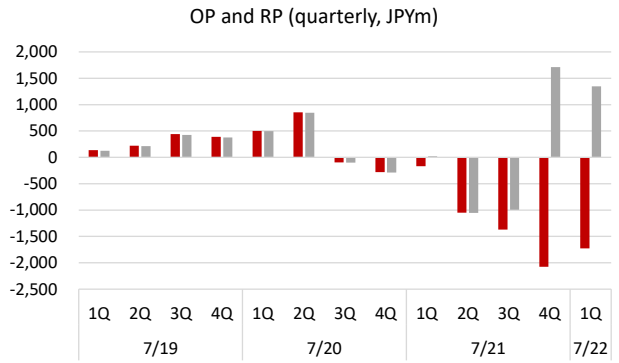
Quarterly results for Torikizoku Holdings

Figure: Sales (JPYm)



Source: Company data, Mita Securities

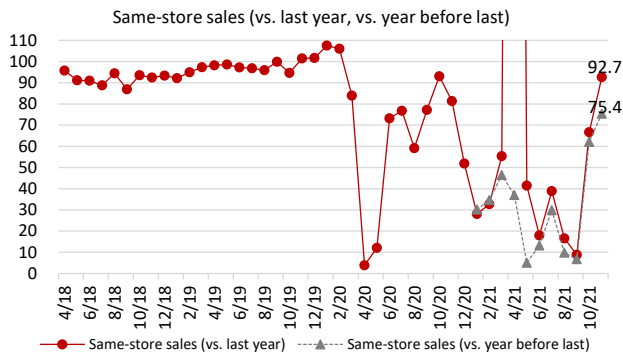
Figure: Operating profit and recurring profit (JPYm)



Source: Company data, Mita Securities

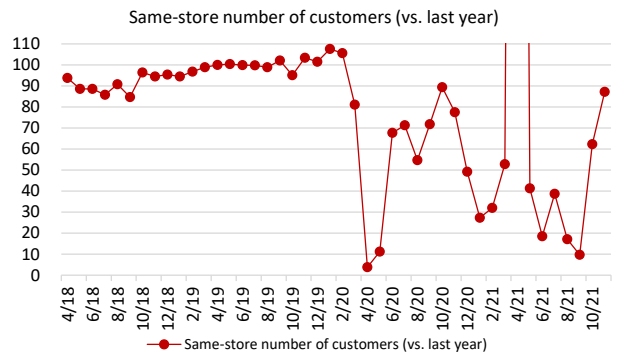
Monthly data for Torikizoku Holdings

Figure: Same-store sales (%)



Source: Company data, Mita Securities

Figure: Same-store number of customers (%)



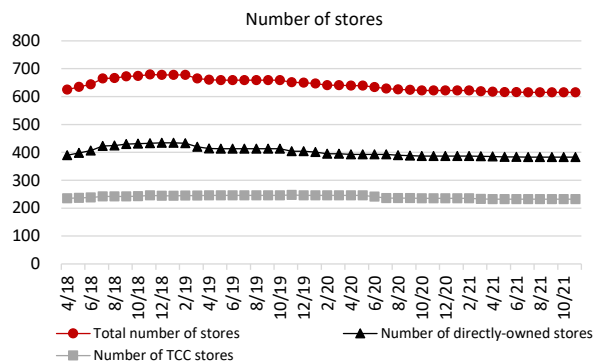
Source: Company data, Mita Securities

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



Source: Company data, Mita Securities

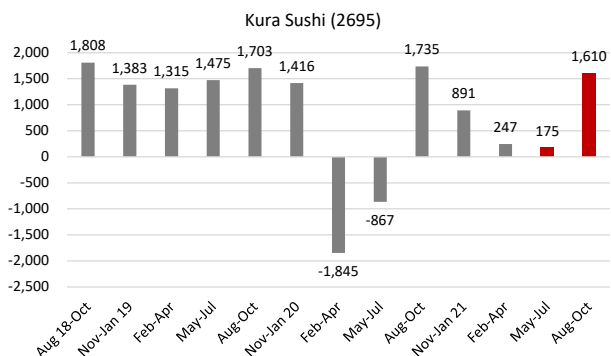
Figure: Number of stores



Source: Company data, Mita Securities

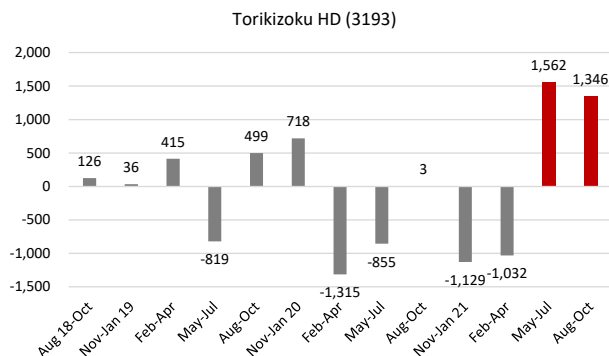
Pre-tax profits for food service companies covered by Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



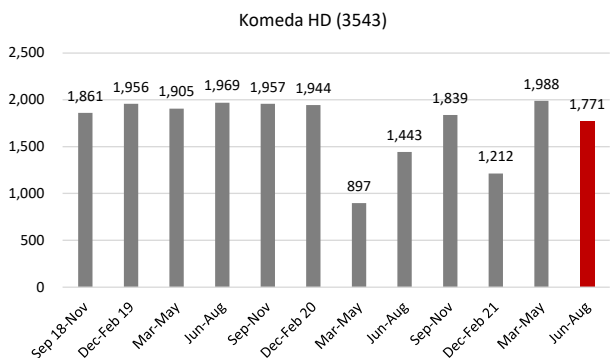
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



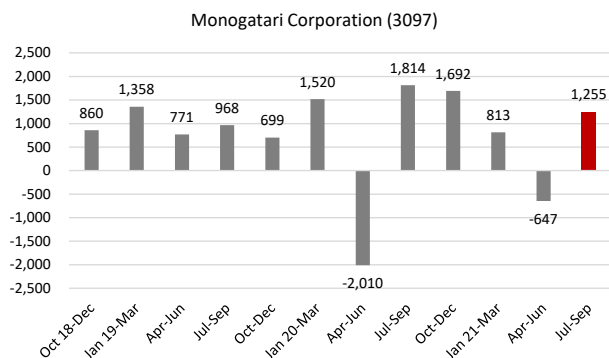
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



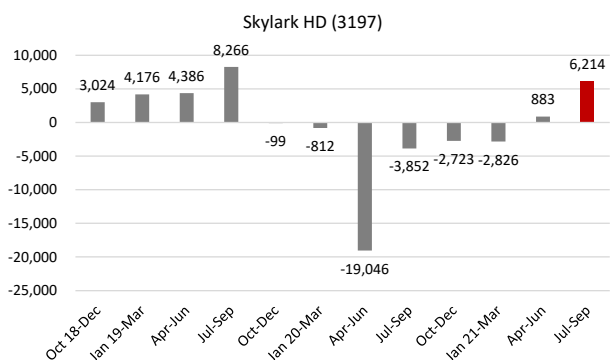
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



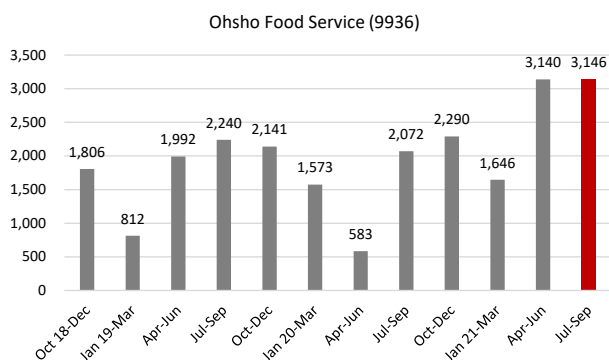
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

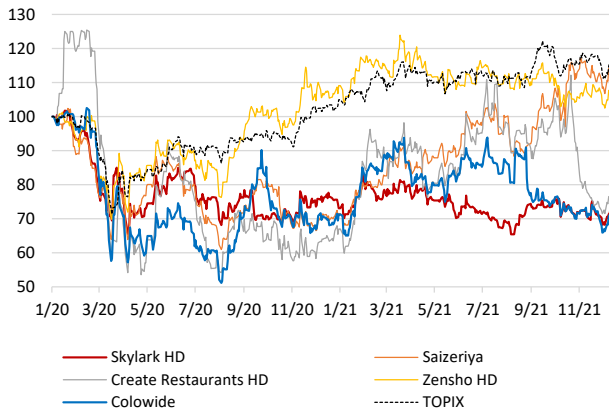
Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

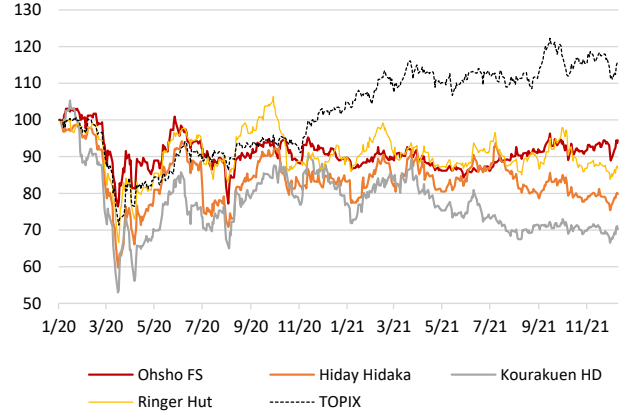
Stock price trends for food service companies

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



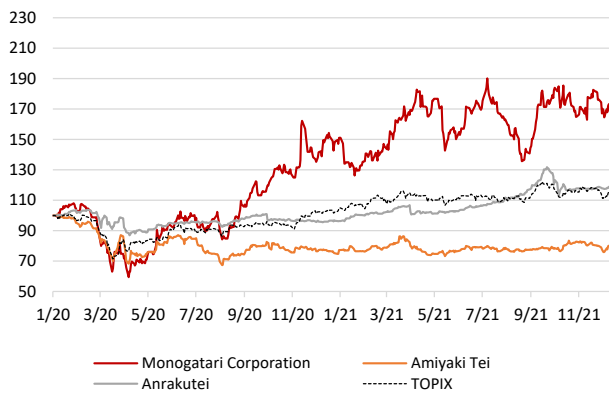
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



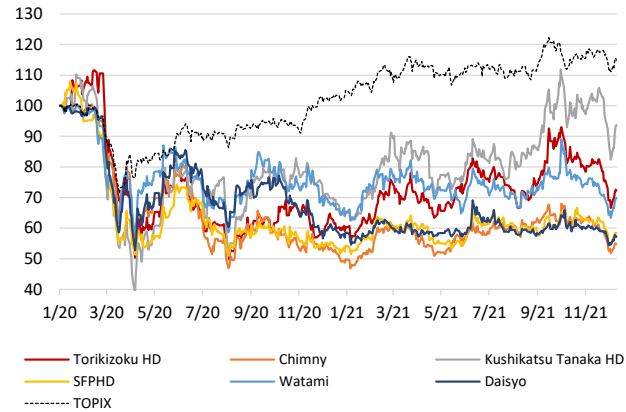
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



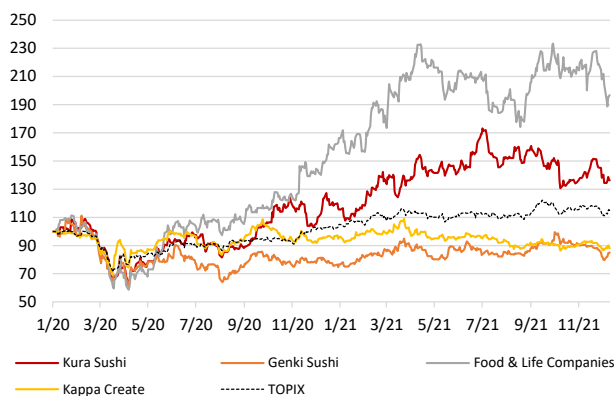
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



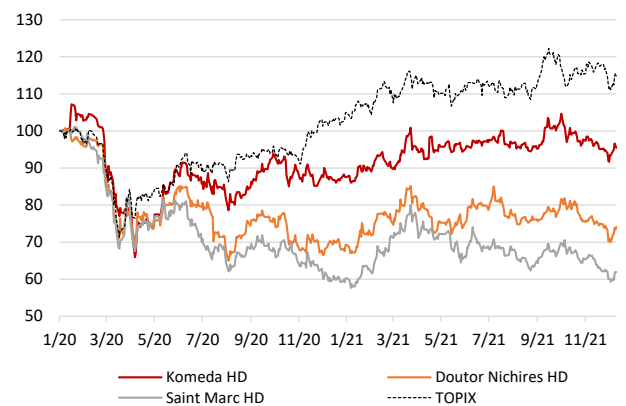
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

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

APPENDIX

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