



Ohsho Food Service

TSE 1st Section 9936 Industry: Food service, retail

November sales; Our thoughts on Omicron

Monthly data for November: Record high sales for November

Ohsho Food Service (9936, the company) disclosed monthly data for its directly-owned stores for November (on a preliminary basis). Sales were robust as the request for shorter hours was lifted in late October and many stores shifted to normal business hours. All-store sales for November totaled 6.642bn yen, setting a new record high for November.

Same-store sales were 100.5% vs. November 2020 (same month last year = 100%; 101.9% for October). The number of holidays (weekends and national holidays) was one less than in November 2020. The breakdown is as follows: number of customers 97.6% (97.7% for October); average spend per customer 103.0% (104.2% for October).

Same-store sales were 98.0% vs. November 2019 (our estimate; 102.6% for October). The number of holidays was the same as in November 2019.

In November, the company opened one new store (one directly-owned store) and closed one store (one franchised store), bringing the total number of directly-owned stores at the end of November to 532 (+1 MoM) and franchised stores to 201 (-1 MoM).

Our view on Omicron risk

The current concern for the market would be the risk of the spread of the Omicron variant. The WHO release ("Update on Omicron," November 28) only states that, at present, 1) the transmissibility is not yet clear, 2) the severity of disease is not yet clear, 3) the effectiveness of vaccines is still being tested, and 4) PCR testing remains effective.

If the infection spreads again, it is quite possible that food service companies will be asked to shorten their hours again. In such a case, as past experience suggests, it is highly likely that their in-store dining sales will be adversely affected, in our view. However, for those companies that are strong in take-out and delivery, the increase in take-out/delivery sales should be able to offset the decrease in in-store dining sales to some extent.

The impact on profits, however, should be considered separately from sales, because subsidies should be provided when shorter hours are requested. In the most recent quarter, when sufficient subsidies became available to large companies, all six of the food service companies we cover posted positive pre-tax profits (including subsidies) despite the spread of the Delta variant, and some of them even exceeded their pre-COVID profit levels (see charts on next page).

The situation of Ohsho Food Service at the time of the Delta spread was as follows: 1) strong demand for take-out and delivery covered to a large extent the decline in in-store dining, and 2) pretax profits were above the pre-COVID level due in part to subsidies. At this point, there is a great deal of uncertainty regarding the Omicron, but we believe that the government's response to food service companies (subsidies, etc.) is highly predictable. We continue to be bullish on the company, believing that it should be able to post solid profits regardless of whether or not the disease spreads.

Please refer to the report dated June 22, 2021 for the rationale of the rating and target price.

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Update

Rating
Buy

Target price (JPY)	7,250
Stock price (JPY) (Dec 2)	5,850
Market cap (JPYbn)	136.2

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	85.6	80.6	88.4	94.2	96.9
OP	JPYbn	7.7	6.1	7.5	8.8	9.1
RP	JPYbn	8.1	6.9	8.8	9.2	9.4
NP	JPYbn	5.3	4.3	5.5	5.9	6.1
EPS	JPY	283.0	228.4	295.1	315.9	323.9
BPS	JPY	2,681	2,821	3,016	3,212	3,396
DPS	JPY	120.0	100.0	120.0	140.0	150.0
PER	x	20.4	25.5	19.7	18.4	18.0
PBR	x	2.2	2.1	1.9	1.8	1.7
Div. yield	%	2.1	1.7	2.1	2.4	2.6
ROA	%	8.1	5.4	6.0	6.2	6.4
ROE	%	10.9	8.3	10.1	10.1	9.8

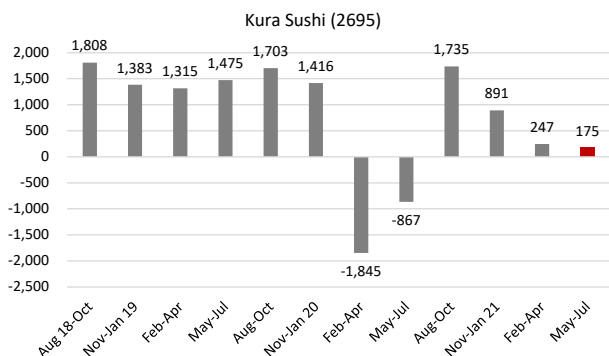
Source: Company data, Mita Securities

Company profile

Ohsho Food Service is a Kyoto-based restaurant company that operates the largest Chinese restaurant chain "Gyoza no Ohsho" nationwide. 734 restaurants (528 directly owned, 206 franchised) at the end of FY3/21. Sales of 80.6bn yen in FY3/21. Take-out and delivery sales are strong.

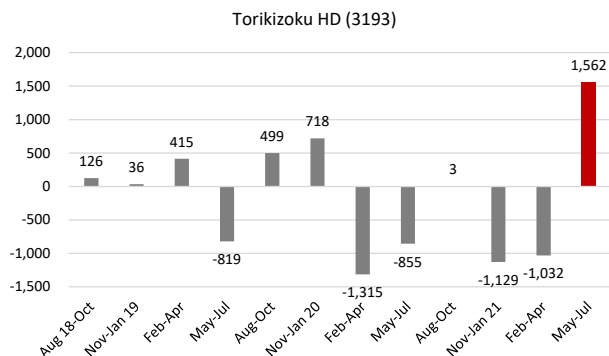
Pre-tax profits for food service companies covered by Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



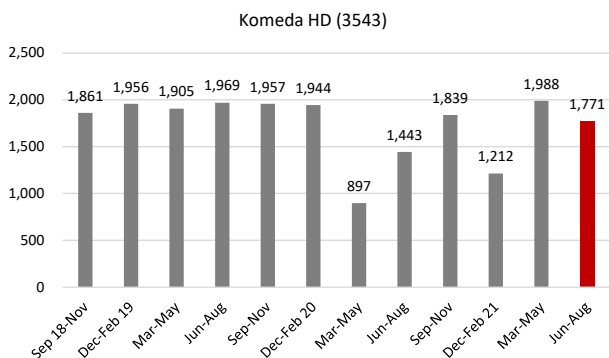
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



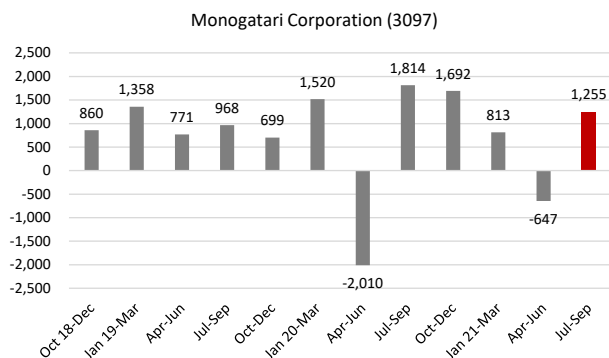
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



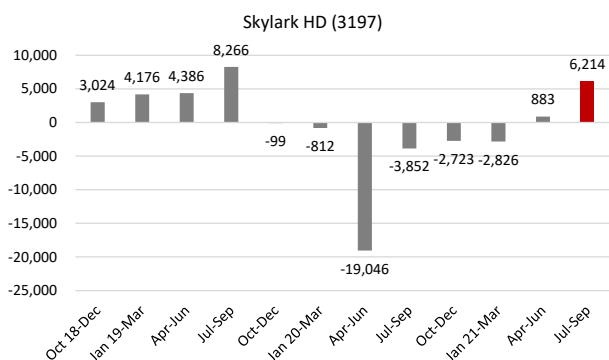
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



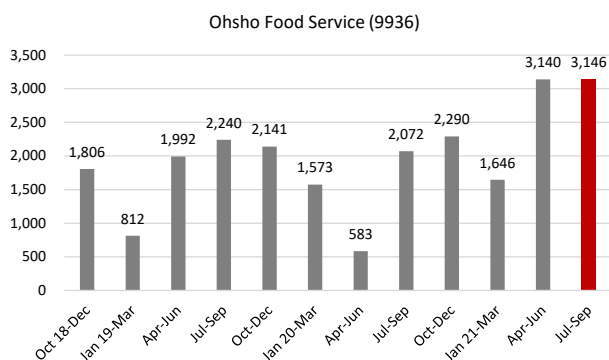
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

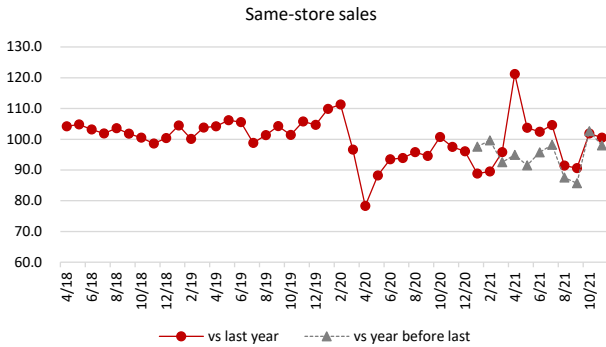
Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

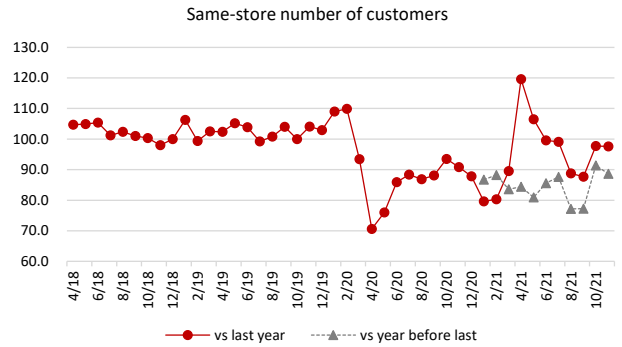
Monthly data for Ohsho Food Service

Figure: Directly-owned, same-store sales



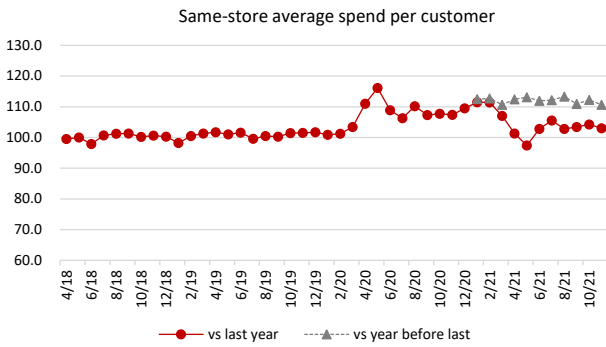
Source: Company data, Mita Securities Note: Same month last year or year before last = 100

Figure: Directly-owned, same-store number of customers



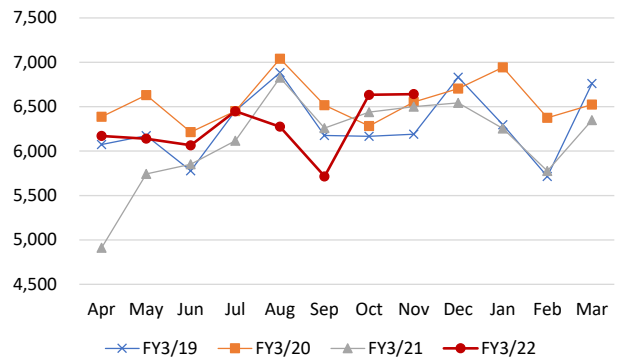
Source: Company data, Mita Securities Note: Same month last year or year before last = 100

Figure: Directly-owned, same-store ave spend per customer



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

Figure: Directly-owned, all-store sales (JPYm)



Source: Company data, Mita Securities

Comparison of valuations with peers

Figure: Comparison of valuations for food service companies

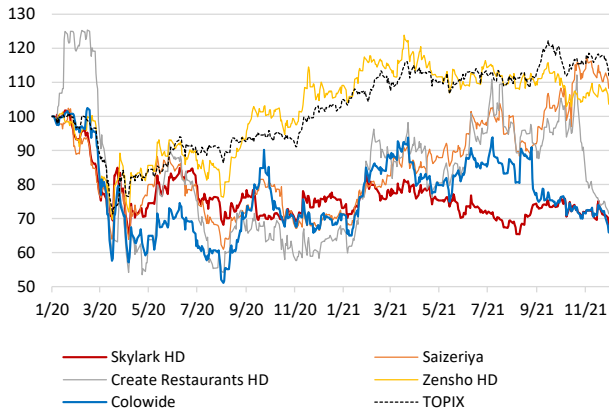
Company name	Ticker	PX	Mkt cap	Net D/E	Sales YoY	EBITDA Mn	ROE	ROE	ROE	PER	PER	PER	PBR	EV/EBITDA	EV/Sales	Div yield	1M	3M	1YR
		1-Dec	JPYbn	Last	LTM	LTM	LTM	Cur E	Nxt E	LTM	Cur E	Nxt E	Last	Cur E	Cur E	Cur E	Chg	Chg	Chg
KURA SUSHI INC (TP 5,000 Buy)	2695	3,765	155.9	-0.1	13.7	4.6	4.9	3.2	10.1	70.0	104.1	31.8	3.3	48.9	1.1	0.5	1.8	-11.0	27.4
MCDONALD'S HOLDINGS CO JAPAN	2702	5,030	668.8	-0.2	9.1	14.4	12.3	12.0	12.0	30.4	29.7	26.4	3.6	12.5	1.9	0.7	-1.4	-5.1	-0.8
OOTOYA HOLDINGS CO LTD	2705	2,543	18.4	0.2	-12.1	6.0	NA	NA	NA	36.0	NA	NA	NA	NA	NA	NA	-6.9	-10.5	8.4
FUJIO FOOD GROUP INC	2752	1,357	60.5	3.6	-12.3	8.8	-12.7	15.7	NA	NA	74.6	35.4	11.0	NA	2.6	0.0	-2.9	0.4	-5.2
AMIYAKI TEI CO LTD	2753	2,831	19.4	-0.1	-16.2	-13.9	0.2	NA	NA	529.2	37.3	10.3	1.0	NA	0.5	0.0	-7.5	-2.6	-0.4
HIRAMATSU INC	2764	197	14.7	4.1	9.1	-25.3	-67.3	NA	NA	NA	NA	NA	2.3	NA	NA	NA	-8.4	-2.0	5.9
PEPPER FOOD SERVICE CO LTD	3053	391	15.4	2.4	NA	-6.2	NA	NA	NA	NA	NA	NA	10.2	NA	NA	NA	1.6	5.4	36.2
CHOSHIMARU CO LTD	3075	1,106	16.1	-0.8	-0.6	2.8	7.2	NA	NA	31.5	NA	NA	2.2	NA	NA	NA	-5.8	-6.8	10.0
ARCLAND SERVICE HOLDINGS CO	3085	2,255	74.6	-0.6	21.1	12.9	19.4	19.4	12.5	16.6	15.8	22.5	3.0	10.8	1.4	1.3	-0.5	-0.5	9.3
DOUTOR NICHIRETS HOLDINGS CO	3087	1,532	69.9	-0.3	-2.7	3.3	-3.2	4.2	1.6	NA	16.8	23.8	0.7	9.7	0.4	1.6	-6.4	-6.8	5.8
BRONCO BILLY CO LTD	3091	2,283	34.4	-0.3	-12.6	6.8	4.4	NA	NA	44.5	NA	NA	1.9	NA	NA	0.7	-6.8	-5.9	-4.4
MONOGATARI CORP (TP 9,100 Buy)	3097	7,210	87.1	0.1	7.4	9.7	11.7	16.4	16.2	38.3	25.1	22.0	4.3	11.5	1.2	0.9	-0.4	12.5	22.5
CHIMNEY CO LTD	3178	1,247	24.1	0.8	-61.2	-34.0	-43.7	NA	NA	NA	NA	NA	3.6	NA	NA	NA	-16.3	-13.7	0.2
TORIKIZOKU HOLDINGS CO LTD (TP 2,100 Hold)	3193	1,653	19.2	0.6	NA	NA	NA	1.7	11.4	NA	116.0	22.0	3.7	NA	1.1	0.0	-13.8	-8.9	16.7
HOTLAND CO LTD	3196	1,295	27.9	0.6	5.8	5.2	9.1	16.1	NA	42.1	23.8	27.1	3.6	NA	1.0	0.4	-6.5	-1.4	2.4
SKYLARK HOLDINGS CO LTD (TP 1,550 Hold)	3197	1,483	337.4	2.1	-12.9	28.6	-0.2	2.6	3.8	NA	67.8	47.5	2.1	7.1	1.6	1.0	-4.7	-5.4	-9.1
SFP HOLDINGS CO LTD	3198	1,292	33.3	-0.1	-53.8	-1.0	-19.2	14.4	NA	NA	18.5	22.2	2.9	NA	2.2	0.0	-12.7	-5.0	1.2
CREATE RESTAURANTS HOLDINGS	3387	686	144.8	3.5	-28.7	21.7	0.8	27.2	NA	1,106.5	20.4	31.2	6.0	NA	2.5	0.7	-9.9	-17.1	17.5
SAINT MARC HOLDINGS CO LTD	3395	1,409	32.1	-0.2	-7.3	-6.1	-22.2	-6.2	2.8	NA	NA	34.5	1.0	NA	0.5	3.1	-8.8	-8.5	-1.1
TORIDOLL HOLDINGS CORP	3397	2,363	206.9	3.0	5.7	12.5	5.1	8.3	6.0	123.6	55.1	43.6	5.9	10.9	2.1	0.3	-18.6	-0.2	66.6
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	1,982	91.5	1.5	8.1	23.7	13.0	13.5	13.7	20.1	18.3	16.8	2.5	15.3	4.1	2.6	-5.0	-2.8	3.8
KUSHIKATSU TANAKA HOLDINGS C	3547	1,904	17.8	0.3	-38.7	-22.6	-36.9	2.7	31.4	NA	248.9	34.5	13.2	NA	3.9	0.4	-15.6	-2.3	22.6
CHIKARANOMOTO HOLDINGS CO LT	3561	605	16.4	3.7	-14.9	6.6	-15.0	NA	NA	NA	NA	NA	5.3	NA	NA	NA	-4.4	0.0	-0.8
FOOD & LIFE COMPANIES LTD	3563	4,870	565.3	2.2	17.5	16.2	23.0	21.9	23.3	42.9	38.8	30.4	8.9	15.7	2.3	0.5	-4.5	1.5	47.6
ATOM CORP	7412	750	145.2	0.2	-19.3	1.6	-10.9	NA	NA	NA	NA	NA	18.4	NA	NA	NA	-4.6	-5.1	-9.4
KAPPA CREATE CO LTD	7421	1,341	66.3	0.4	0.9	3.7	8.2	NA	NA	75.9	NA	NA	6.0	NA	NA	NA	-3.5	-3.0	-6.0
WATAMI CO LTD	7522	863	36.8	3.5	-18.0	-7.4	-75.2	NA	NA	NA	NA	NA	2.7	NA	NA	NA	-13.6	-11.1	-4.2
ZENSHO HOLDINGS CO LTD	7550	2,583	400.0	2.2	4.3	7.2	12.4	17.1	12.9	37.1	24.3	29.9	4.3	11.7	0.8	0.9	-3.3	-6.8	-5.0
KOURAKUEN HOLDINGS CORP	7554	1,428	24.0	1.1	-14.4	4.7	13.5	13.6	NA	48.5	43.0	2,040.0	6.1	NA	1.0	0.4	-4.4	-4.9	-21.4
ANRAKUTEI CO LTD	7562	5,990	12.8	1.6	27.2	-4.7	2.7	NA	NA	112.1	NA	NA	3.0	NA	NA	NA	0.2	-1.8	21.7
SAIZERIYA CO LTD	7581	2,904	151.8	-0.2	-0.3	6.3	2.2	9.8	6.8	80.0	18.8	22.2	1.7	7.7	0.9	0.6	-6.8	11.2	58.5
HIDAY HIDAKA CORP	7611	1,593	60.8	-0.3	-23.8	-10.2	-7.0	NA	NA	NA	NA	NA	2.9	NA	NA	1.5	-2.9	-4.2	-9.0
COLOWIDE CO LTD	7616	1,544	134.2	3.6	-7.6	12.0	-16.2	NA	NA	NA	NA	NA	3.8	NA	NA	NA	-7.7	-10.6	-2.5
UKAI CO LTD	7621	3,020	15.8	1.5	-3.1	-8.0	-40.6	NA	NA	NA	NA	NA	7.1	NA	NA	NA	0.3	-2.3	-0.5
GLOBAL-DINING INC	7625	399	4.1	0.9	34.8	7.0	25.6	NA	NA	6.3	NA	NA	1.4	NA	NA	NA	-23.4	-11.5	121.7
ICHIBANYA CO LTD	7630	4,460	142.4	-0.5	-5.4	9.4	8.5	8.9	NA	55.2	52.7	37.4	4.7	NA	2.8	1.8	-4.2	-7.0	-13.1
ASAKUMA CO LTD	7678	1,529	8.2	-0.4	-22.5	-22.4	-29.2	NA	NA	NA	NA	NA	3.2	NA	NA	NA	-1.1	-1.0	1.4
MOS FOOD SERVICES INC	8153	3,075	98.4	-0.2	12.3	10.5	8.1	6.3	NA	25.8	31.9	30.7	2.0	NA	1.1	0.9	-4.1	-7.1	13.6
KISQII CO LTD	8160	2,092	55.3	0.0	-12.5	NA	-13.7	NA	NA	NA	NA	NA	2.3	NA	NA	NA	-3.5	-7.7	-11.5
SRS HOLDINGS CO LTD	8163	750	29.0	0.5	-0.7	8.0	8.8	NA	NA	28.5	NA	NA	2.2	NA	NA	NA	-2.6	-10.4	-13.4
ROYAL HOLDINGS CO LTD	8179	1,842	83.6	2.3	-15.6	-10.7	-47.6	-13.8	10.9	NA	NA	45.6	3.0	NA	1.5	0.0	-12.7	-5.1	-1.3
RINGER HUT CO LTD	8200	2,173	56.6	1.0	-14.1	-2.2	-13.0	6.3	NA	NA	86.2	213.0	5.1	NA	1.9	0.5	-3.3	-3.6	-2.5
GIFT INC	9279	2,633	26.2	0.2	23.2	6.0	22.4	23.0	NA	33.0	25.4	20.8	6.7	NA	2.0	0.6	-8.6	19.8	52.7
GENKI SUSHI CO LTD	9828	2,393	21.3	0.6	6.7	5.8	6.3	NA	NA	40.6	NA	NA	2.5	NA	NA	NA	-12.0	-9.3	-1.2
GOURMET KINEYA CO LTD	9850	987	22.6	1.5	-20.1	6.3	-16.2	NA	NA	NA	NA	NA	2.7	NA	NA	NA	-1.8	0.4	-0.2
GINZA RENOIR CO LTD	9853	823	5.1	0.1	-25.9	-39.4	-37.8	NA	NA	NA	NA	NA	1.6	NA	NA	NA	-0.6	0.0	0.6
YOSHINOYA HOLDINGS CO LTD	9861	2,201	143.4	0.8	-14.9	8.1	3.2	11.6	2.5	106.8	28.5	129.2	3.3	16.5	1.1	0.0	-5.1	6.3	13.5
KFC HOLDINGS JAPAN LTD	9873	2,863	64.2	-0.8	11.3	8.6	16.5	NA	NA	16.0	NA	NA	2.5	NA	NA	NA	-1.3	-4.7	-2.0
MATSUYAFOODS HOLDINGS CO LTD	9887	3,455	65.9	0.3	-4.7	0.8	2.3	NA	NA	69.6	NA	NA	1.6	NA	NA	NA	-5.7	-5.1	1.6
SAGAMI HOLDINGS CORP	9900	1,017	30.8	-0.2	-6.9	-5.6	-5.7	NA	NA	NA	NA	NA	2.2	NA	NA	NA	-2.8	-1.8	-19.8
OHSHO FOOD SERVICE CORP (TP 7,250 Buy)	9936	5,820	135.5	-0.2	-0.3	11.6	12.8	13.8	NA	15.9	15.2	19.1	1.9	NA	1.4	1.9	-4.0	-1.9	-1.4
JOYFULL CO LTD	9942	805	25.7	4.9	-22.8	-6.6	105.9	NA	NA	9.9	NA	NA	6.0	NA	NA	NA	-0.6	-1.9	15.8
DAISYO CORP	9979	935	19.8	0.9	-21.0	3.0	-35.7	NA	NA	NA	NA	NA	1.8	NA	NA	NA	-9.4	-5.3	-3.6
Average				1.0	-6.5	1.5	-4.0	10.4	11.1	99.8	49.5	113.7	4.1	14.9	1.7	0.8	-6.0	-3.6	8.6
Median				0.5	-6.9	5.2	2.2	11.8	11.2	40.6	29.7	30.4	3.0	11.6	1.4	0.6	-4.6	-4.7	0.2

Source: Bloomberg Finance LP data, Mita Securities

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

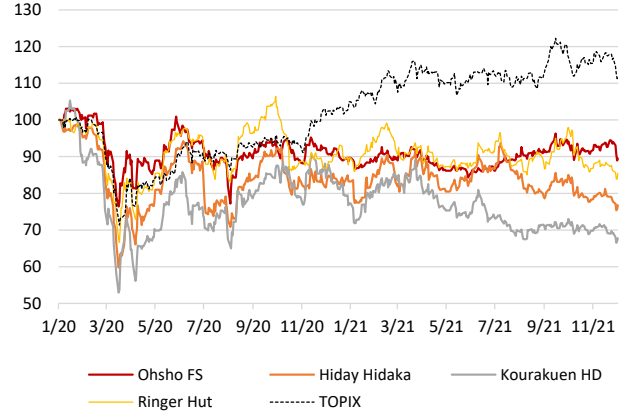
Stock price trends for food service companies

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



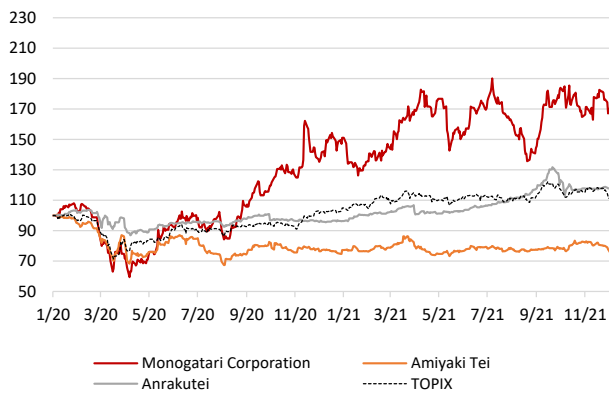
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



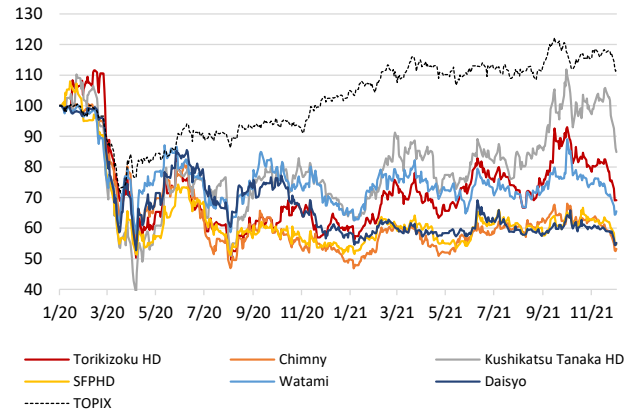
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



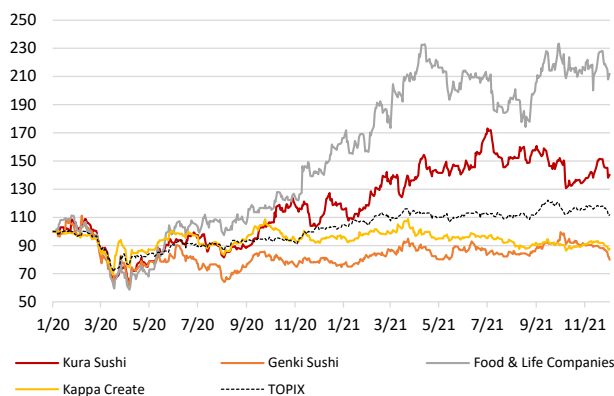
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



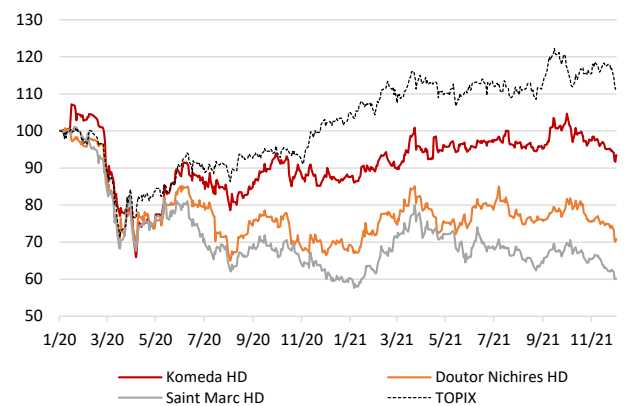
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

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

[Analyst Certification]

We hereby certify that the views on securities and issuers expressed in this report accurately reflect the personal views of the analyst(s) listed on the cover page of this report. The analyst(s) also certifies that the analyst(s) has not been compensated, directly or indirectly, or promised to be compensated, for expressing any particular view in this report.

[Ratings]

Ratings are based on the following definitions.

The target price and ratings are based on our views for the next 12 months or so.

Buy: Stocks whose total return (percentage change in share price from current price to projected target price plus projected dividend yield), as of the time the target price is set or changed, is expected to be 15% or more.

Hold: Stocks whose total return (percentage change in share price from current price to projected target price plus projected dividend yield), as of the time the target price is set or changed, is expected to be between -15% and +15%.

Sell: Stocks whose total return (percentage change in share price from current price to projected target price plus projected dividend yield), as of the time the target price is set or changed, is expected to be -15% or less.

RS: Rating Suspended - Stocks for which the target price and rating have been temporarily suspended.

NR: No Rating - Stocks for which no target price or rating is assigned.

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