



Koshidaka Holdings

TSE 1st Section 2157 Industry: Leisure and amusement

1Q sales and OP beat the company target

1Q FY8/22: Recovery in karaoke demand exceeded the company assumptions

Koshidaka Holdings (2157, the company) announced its 1Q (Sep-Nov) FY8/22 results. Sales were 6.372bn (-2.7% YoY, +60.3% QoQ), OP was -1.131bn yen (vs. -983m yen in 1Q FY8/21, and -2.685bn in 4Q), and RP was -196m yen (vs. -795m yen, and 339m yen). Subsidy income included in RP was 936m yen (vs. 2.717bn yen in 4Q).

Compared to the 1H company guidance (sales 17.063bn yen, OP 29m yen, and RP 1.806bn yen), sales made progress of 37%. The company said that sales and OP exceeded its 1Q target. Same-store sales vs. 2019 were 15.7% for September, 91.7% for October, and 88.5% for November. The company had assumed around 70% SSS for the October-November period. As 1Q is an off season for the company, the negative OP was not a surprise. The negative RP was due to the fact that the subsidy income in 1Q was only 936m yen. The company said that it still has a little over 1.5bn yen left in subsidies, which are expected to be booked in 2Q or later.

The total number of stores in the karaoke business segment (domestic and overseas consolidated) was 581 at the end of 1Q (+18 stores from 563 at end-FY8/21). The number of Manekineko karaoke stores increased by 20 stores. The net increase includes 12 karaoke stores acquired from Daisyo. Throughout the period of the COVID-19 pandemic, the company's relative position in the karaoke room market has strengthened. In the medium term, we believe that the karaoke room market will be increasingly dominated by major players, including Koshidaka Holdings' Manekineko.

Issues for 2Q and beyond

We estimate that sales at karaoke rooms continued to recover in December, in line with the increase in foot traffic. Since the beginning of January, however, the number of infections with the new coronavirus has been increasing rapidly, and we believe that it is possible that an increasing number of areas might request karaoke facilities to shorten their opening hours.

The company's full-year OP guidance is 2.7bn yen, while our forecast is 1.9bn yen. We are somewhat cautious in our estimate of the risk of possible infection spreads and reduced foot traffic.

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

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Update

Rating
Buy

Target price (JPY)	820
Stock price (JPY) (Jan 13)	617
Market cap (JPYbn)	50.8

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		8/20	8/21	8/22E	8/23E	8/24E
Sales	JPYbn	43.3	20.8	36.7	42.7	46.0
OP	JPYbn	1.1	-7.6	1.9	3.3	4.1
RP	JPYbn	1.7	-3.1	3.5	3.6	4.4
NP	JPYbn	-0.2	-4.1	3.0	3.1	3.0
EPS	JPY	-2.8	-50.8	36.4	37.8	37.0
BPS	JPY	281.0	223.0	255.4	285.2	313.2
DPS	JPY	12.0	4.0	8.0	9.0	12.0
PER	x	NA	NA	17.1	16.5	16.8
PBR	x	1.6	2.8	2.4	2.2	2.0
Div. yield	%	2.6	0.6	1.3	1.4	1.9
ROA	%	-0.4	-9.6	6.7	6.3	5.8
ROE	%	-0.8	-20.2	15.2	14.0	12.4

Source: Company data, Mita Securities

Company profile

Koshidaka HD is a major karaoke room operator that operates "Karaoke Manekineko" stores nationwide. The total number of stores as of the end of February 2021 was 546. In March 2020, it spun off the Curves business and is concentrating its management resources on the karaoke business.

Figure: Comparison of valuations for karaoke companies (reference)

Company name	Ticker	PX	Mkt cap	Net D/E	Sales YOY	EBITDA Mgn	ROE	ROE	ROE	PER	PER	PER	PBR	EV/EBITDA	EV/Sales	Div yield	1M	3M	1YR
		1/12	JPYbn	Last	LTM	LTM	LTM	Cur E	Nxt E	LTM	Cur E	Nxt E	Last	Cur E	Cur E	Cur E	Chg	Chg	Chg
KOSHIDAKA HOLDINGS CO LTD (TP 820 Buy)	2157	623	51.3	0.6	-52.0	-25.4	-20.2	15.7	12.9	NA	16.6	18.0	2.8	10.7	1.6	1.3	-2.4	-4.2	55.8
TETSUJIN INC	2404	371	5.1	11.2	-5.3	-6.0	-83.4	NA	NA	NA	NA	NA	25.7	NA	NA	NA	-11.7	17.0	47.2
ROUND ONE CORP	4680	1,306	124.7	1.1	5.6	5.9	-18.9	13.8	15.2	NA	20.2	15.8	2.7	9.2	1.6	1.5	-10.9	-10.9	66.4
DAIICHIKOSHO CO LTD	7458	3,530	193.2	-0.2	-23.7	6.7	-14.4	5.9	9.6	NA	37.7	22.7	1.9	9.3	1.9	3.2	-2.8	-11.4	0.0
Average				3.2	-18.8	-4.7	-34.2	11.8	12.6	NA	24.8	18.9	8.3	9.8	1.7	2.0	-6.9	-2.4	42.3
Median				0.9	-14.5	-0.1	-19.6	13.8	12.9	NA	20.2	18.0	2.7	9.3	1.6	1.5	-6.8	-7.5	51.5

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

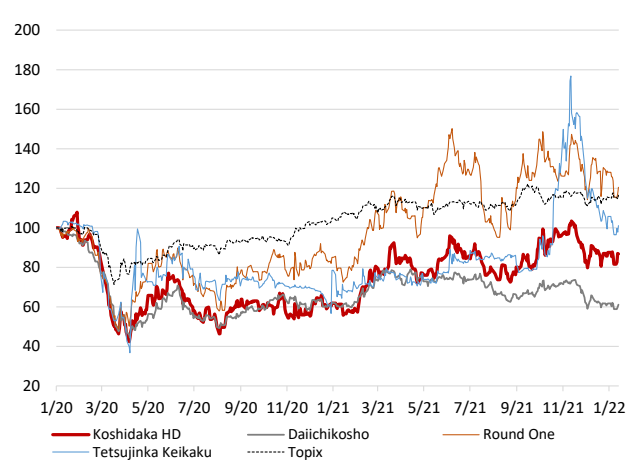
Figure: Comparison of valuations for amusement companies (reference)

Company name	Ticker	PX	Mkt cap	Net D/E	Sales YOY	EBITDA Mgn	ROE	ROE	ROE	PER	PER	PER	PBR	EV/EBITDA	EV/Sales	Div yield	1M	3M	1YR
		1/12	JPYbn	Last	LTM	LTM	LTM	Cur E	Nxt E	LTM	Cur E	Nxt E	Last	Cur E	Cur E	Cur E	Chg	Chg	Chg
ORIENTAL LAND CO LTD	4661	18,580	6,757.4	0.0	-24.0	6.4	-5.0	-0.9	10.6	NA	NA	78.7	8.2	153.5	26.7	0.1	-1.6	4.9	15.0
BANDAI NAMCO HOLDINGS INC	7832	8,774	1,947.8	-0.3	12.0	15.0	11.0	12.7	14.2	34.0	26.7	22.9	3.4	13.9	2.2	1.9	-4.9	7.1	-6.5
SANRIO CO LTD	6071	2,433	216.7	0.2	6.9	7.7	2.0	7.9	12.1	237.1	72.7	58.5	4.8	55.0	3.8	0.7	-3.3	-2.2	67.2
FUJII KYUKO CO LTD	9010	4,075	223.7	1.9	-1.1	20.9	-0.9	3.7	NA	NA	244.0	86.6	9.1	NA	7.2	0.2	-4.7	-8.0	-6.0
KONAMI HOLDINGS CORP	9766	5,630	807.9	-0.3	14.8	17.3	15.3	15.6	14.6	16.3	15.7	14.4	2.3	7.3	2.3	1.9	-3.8	-9.9	-12.0
Average				0.3	1.7	13.5	4.5	7.8	12.9	95.8	89.8	52.2	5.6	57.5	8.4	1.0	-3.7	-1.6	11.5
Median				0.0	6.9	15.0	2.0	7.9	13.1	34.0	49.7	58.5	4.8	34.5	3.8	0.7	-3.8	-2.2	-6.0

Source: Bloomberg Finance LP data, Mita Securities

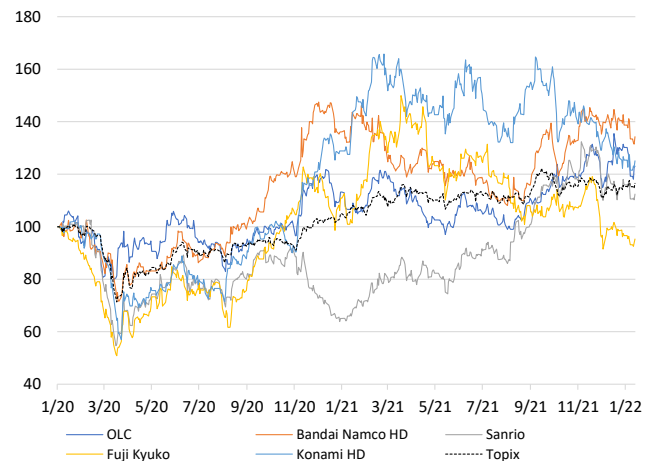
Note: Forecasts are based on Bloomberg consensus

Figure: Stock price trends for karaoke companies



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

Figure: Stock price trends for amusement companies



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

APPENDIX

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