



Komeda Holdings

TSE 1st Section 3543 Industry: Food service, wholesale, retail

Robust earnings and store openings

3Q FY2/22 results: 1-3Q OP progress rate 81%; record high OP in 3Q

Komeda Holdings (3543) announced 3Q FY2/22 results (IFRS). The impression continues to be positive.

1-3Q (Mar-Nov) consolidated sales were 24.652bn yen (+16.1% YoY, +6.5% vs. 1-3Q FY2/20), OP was 5.847bn yen (+36.8% ditto, -1.0% ditto), and NP was 3.943bn yen (+38.1% ditto, -1.5% ditto). The subsidy income included in OP was only 282m yen (subsidies for shortening hours at directly-owned stores). The company is focused on franchise business, and subsidy income received by franchise stores is not reflected in the company's earnings. The progress rate toward the full-year OP guidance (7.25bn yen) is 81%, which continues to be positive, in our view.

3Q (Sep-Nov) OP was 2.048bn yen (+9.5% YoY, +14.2% QoQ), and OPM was 24.8% (22.0% for 2Q). Subsidy income included in OP was 142m yen. OP excluding the subsidy income (adjusted OP) was 1.906bn yen, up from 1.744bn yen for 2Q. Profit margins have been improving apparently due to a recovery in the number of customers on the back of a decrease in the number of infections with the new coronavirus. It should be noted that 3Q OP was the record high.

Monthly data announced by the company shows that the positive trend of wholesale sales continued in December (which is included in 4Q).

Store openings ahead of company plan; Successful overseas store openings

The total number of stores at the end of 3Q (end of November) was 949 (922 domestic stores and 27 overseas stores), up 35 stores from the end of FY2/21. The breakdown is 43 stores opened and 8 stores closed. Of the new stores, 9 were overseas: 5 in Taiwan and 4 in Shanghai.

In addition, the company opened 4 new stores in December (3 domestic stores and one overseas store), bringing the total number of stores to 953 (925 domestic stores and 28 overseas stores). We believe that the expansion of the store network in Taiwan is an important growth driver for the company.

Our impression is that store openings are progressing ahead of the company's plan of 940-950 total stores at the end of FY2/22.

Please refer to the report dated July 8, 2021 for the rationale of the rating and target price.

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Update

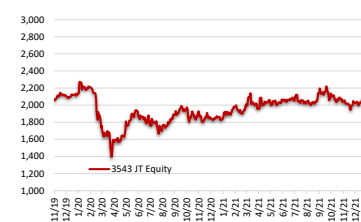
Rating
Buy

Target price (JPY)	3,000
Stock price (JPY) (Jan 12)	2,041
Market cap (JPYbn)	94.2

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

IFRS		2/20	2/21	2/22E	2/23E	2/24E
Sales	JPYbn	31.2	28.8	33.6	36.4	39.6
OP	JPYbn	7.9	5.5	7.3	8.1	9.0
Pre-tax Profit	JPYbn	7.8	5.4	7.2	8.0	8.9
NP	JPYbn	5.4	3.6	4.8	5.4	6.0
EPS	JPY	116.7	77.9	105.0	117.2	130.2
BPS	JPY	720	755	821	887	955
DPS	JPY	51.0	39.0	51.0	62.0	68.0
PER	x	15.7	24.4	19.4	17.4	15.7
PBR	x	2.5	2.5	2.5	2.3	2.1
Div. yield	%	2.8	2.1	2.5	3.0	3.3
ROA	%	6.5	3.5	4.4	4.8	5.2
ROE	%	17.2	10.6	13.3	13.7	14.1

Source: Company data, Mita Securities

Company profile

Komeda HD, based in Aichi Prefecture, operates "Komeda's Coffee" through franchise system nationwide. The company has 914 stores at the end of February 2021 and is the largest full-service coffee shop operator in Japan. FY2/21 sales were 28.8bn yen.

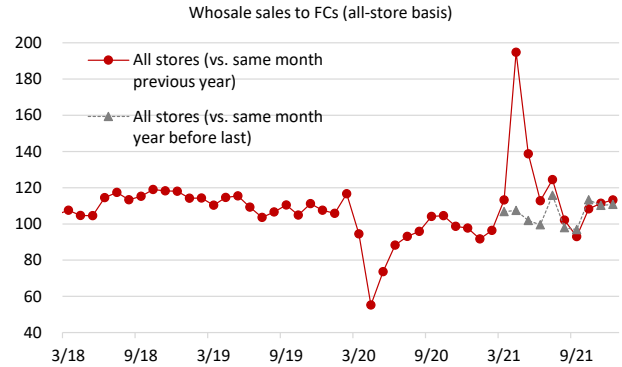
Komeda Holdings monthly wholesale sales data

Figure: Wholesale sales to FCs (same-store basis)



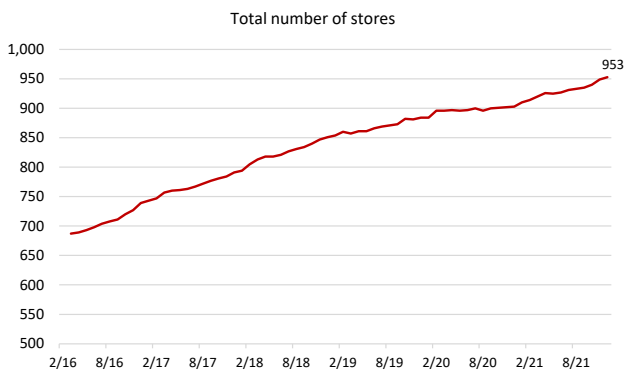
Source: Company data, Mita Securities Note: Same month last year or year before last = 100

Figure: Wholesale sales to FCs (all-store basis)



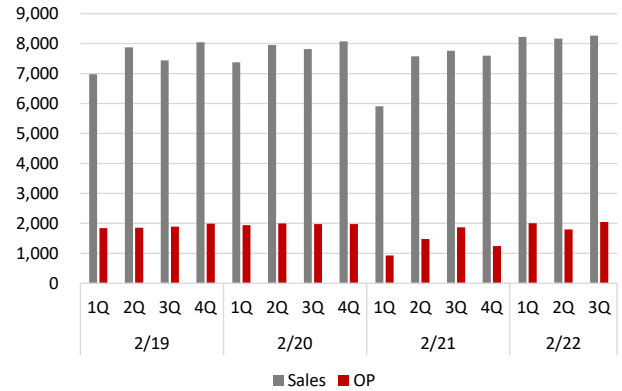
Source: Company data, Mita Securities Note: Same month last year or year before last = 100

Figure: Store count



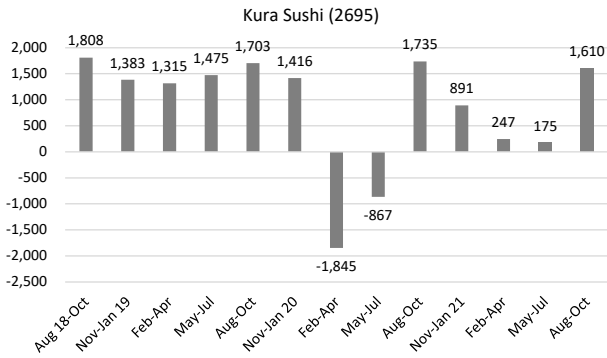
Source: Company data, Mita Securities

Figure: Quarterly earnings (JPYm)



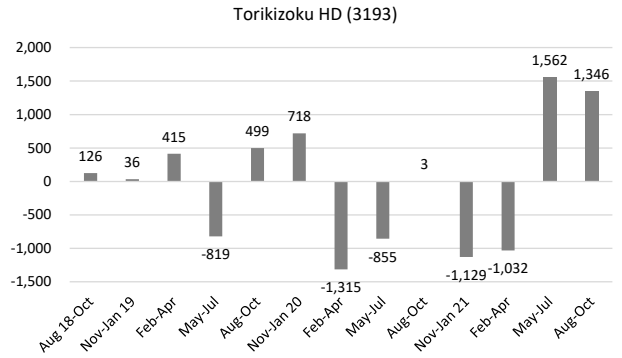
Pre-tax profits for food service companies covered by Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



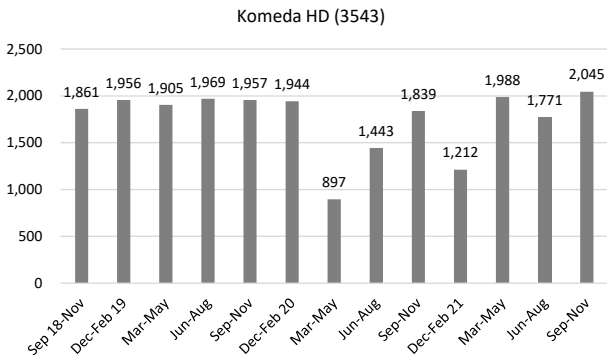
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



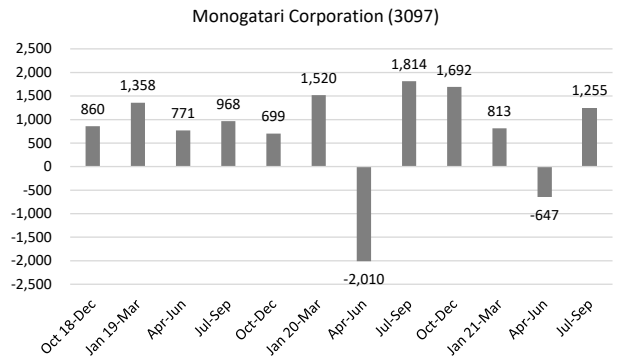
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



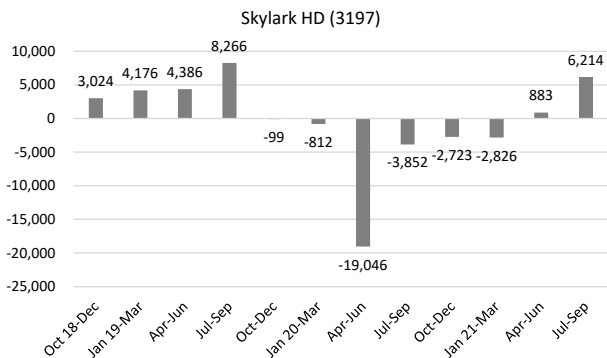
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



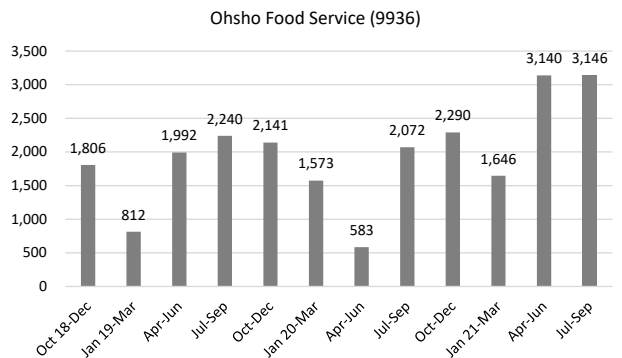
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

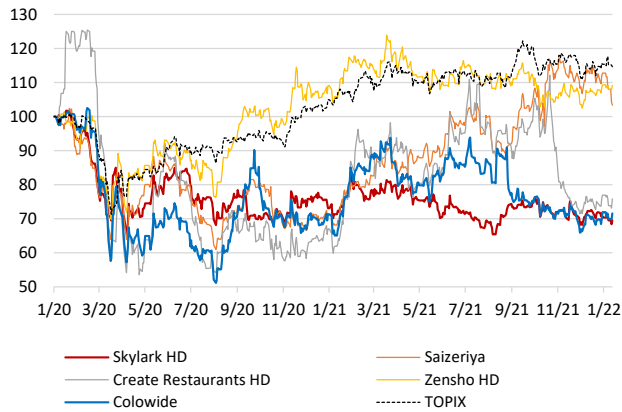
Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

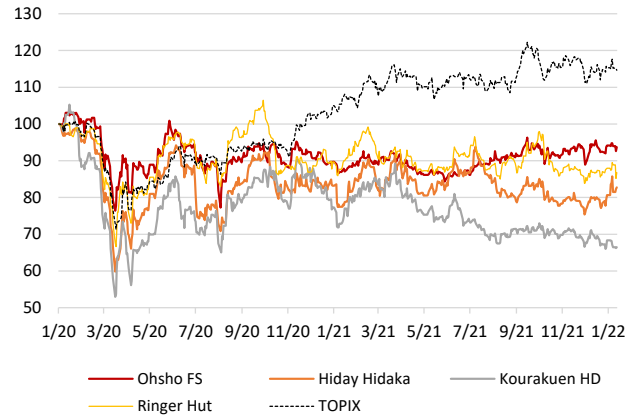
Stock price trends for food service companies

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



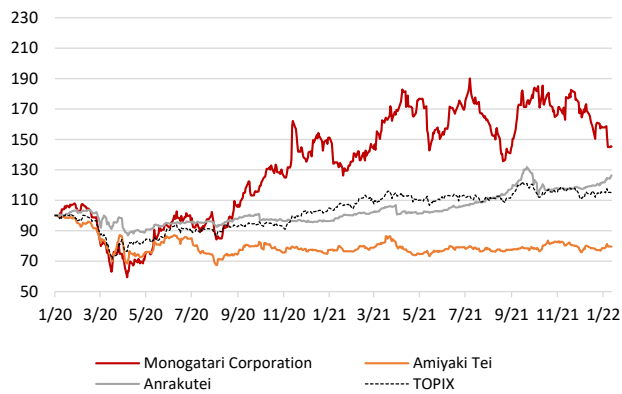
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



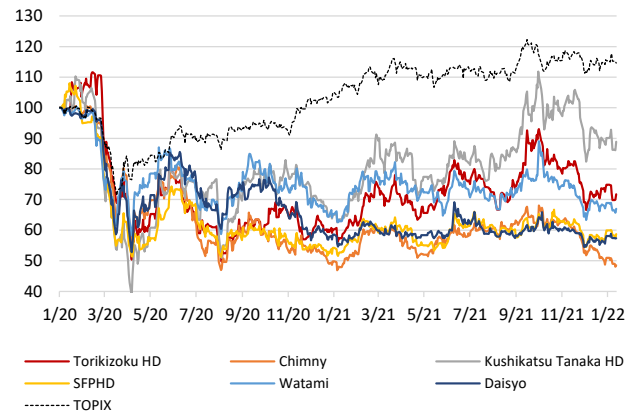
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



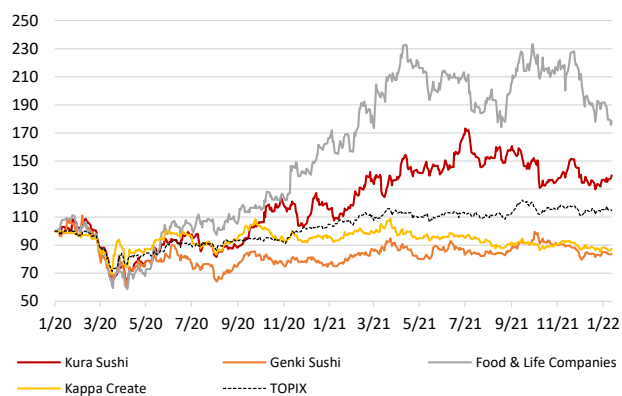
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



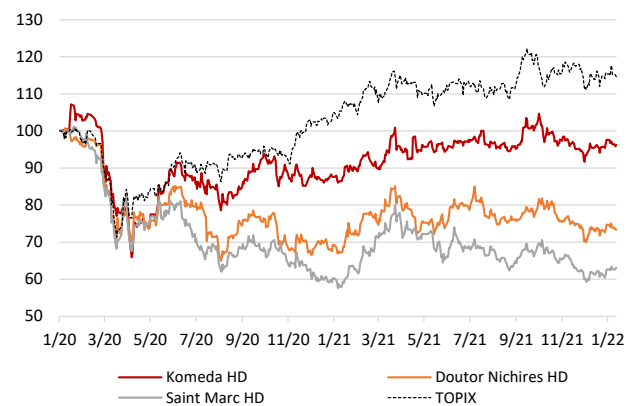
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

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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