



AB Hotel

TSE (JASDAQ) Standard

6565

Industry: Leisure and amusement

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Significant margin recovery in 3Q

Substantial recovery to 26% OPM in 3Q

AB Hotel (6565, the company) posted 1-3Q FY3/22 parent sales of 4.723bn yen (+34.6% YoY) and OP of 667m yen (+757.0% YoY). Progress rate toward the full-year guidance (sales 6.4bn yen, OP 0.9bn yen) was 74% for sales and 74% for OP.

The average occupancy rate of 27 comparable stores in 1-3Q was 87.1% (YoY+20.0ppt). The number of stores at the end of 3Q was 32 (+1 from end-FY3/21). The company opened only one store in 1Q.

3Q (October-December) sales were 1.821bn yen (1.398bn yen for 1Q, 1.504bn yen for 2Q), OP was 467m yen (37m yen for 1Q, 164m yen for 2Q), and OPM was 25.6% (2.6% for 1Q, 10.9% for 2Q). In 3Q, the number of cases of the new coronavirus remained at a low level, which boosted demand for accommodation. It appears that the average daily room rate recovered significantly in 3Q.

Rich earnings supported by niche locations

Since the company's hotels are mainly located near manufacturing bases in regional areas, there appears to be solid demand for accommodation. Although the current business environment for the hotel industry is likely to be deteriorating again in 4Q, the company's earnings are unlikely to worsen as drastically as those of business hotels located mainly in central Tokyo. The company achieved a high OPM of 10.9% even in 2Q, when the infection spread rapidly.

Please refer to the report dated April 21, 2021 for the rationale of the rating and target price.

Update

Rating

Buy

Target price (JPY)	1,400
Stock price (JPY) (Jan 31)	1,126
Market cap (JPYbn)	16.0

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

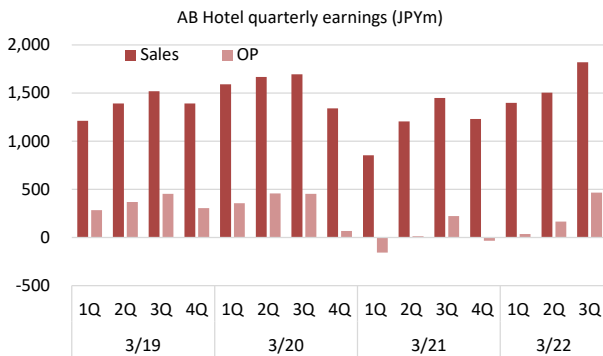
		3/19	3/20	3/21	3/22E	3/23E
Sales	JPYbn	5.5	6.3	4.7	6.1	7.0
OP	JPYbn	1.4	1.3	0.0	0.7	1.4
RP	JPYbn	1.4	1.3	0.0	0.6	1.3
NP	JPYbn	0.9	0.9	0.0	0.4	0.8
EPS	JPY	62.6	62.9	0.7	28.9	59.3
BPS	JPY	370.8	427.7	422.4	455.6	508.9
DPS	JPY	6.0	6.0	1.0	4.0	6.0
PER	x	32.0	14.4	1,620.1	36.8	18.0
PBR	x	5.4	2.1	2.7	2.3	2.1
Div. yield	%	0.3	0.7	0.1	0.4	0.6
ROA	%	5.6	4.9	0.1	1.9	3.8
ROE	%	18.3	15.7	0.2	6.5	12.3

Source: Company data, Mita Securities

Company profile

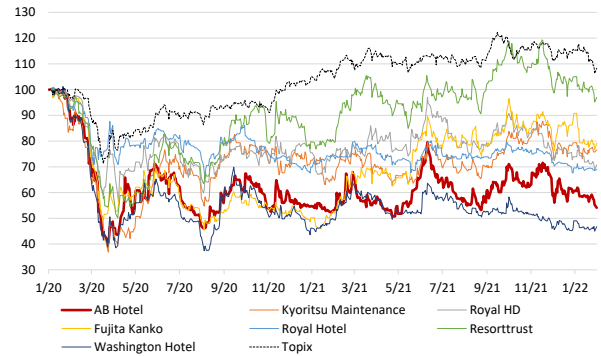
AB Hotel is based in Aichi Prefecture and operates 31 business hotels specializing in lodging under the AB Hotel brand (at end-FY3/21). The company is actively involved in the store design stage to reduce initial investment, and achieves low-cost front desk operations through the outsourcing method. AB Hotel is a consolidated subsidiary of Tocho (8920).

Figure: Quarterly earnings



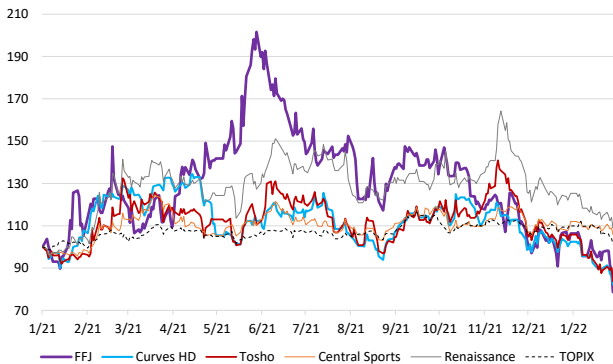
Source: Company data, Mita Securities

Figure: Stock price trends for hotel operators



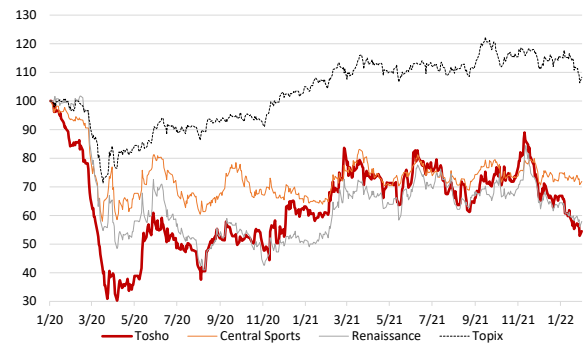
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends for fitness club operators



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2020

Figure: Stock price trends for fitness club operators



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2020

Figure: Comparison of valuations for fitness club operators

Company name	Ticker	PX 28-Jan	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
RENAISSANCE INC	2378	1,016	22.1	1.7	1.8	-8.4	-45.0	3.9	NA	NA	47.9	26.7	2.0	NA	1.0	0.6	-7.4	-15.4	10.8
RIZAP GROUP INC	2928	144	82.3	1.4	-8.4	9.4	16.5	NA	NA	21.3	NA	NA	3.0	NA	NA	NA	-6.3	-19.1	3.5
CENTRAL SPORTS CO LTD	4801	2,361	27.6	0.3	-2.9	10.2	7.4	NA	NA	16.2	NA	NA	1.2	NA	NA	NA	-1.8	-0.9	12.0
CURVES HOLDINGS CO LTD	7085	670	64.6	0.8	8.3	NA	19.3	21.8	31.8	39.6	30.2	17.9	7.1	NA	2.7	1.2	-13.4	-22.3	-17.4
FAST FITNESS JAPAN INC (TP 5,600 Buy)	7092	2,009	38.7	-0.2	NA	29.1	NA	15.9	18.0	20.2	26.9	20.4	4.3	NA	2.8	0.5	-25.9	-32.7	-30.6
TOSHIO CO LTD (TP 2,300 Buy)	8920	1,378	55.1	0.4	-31.2	19.9	2.0	3.3	NA	76.7	45.3	24.8	1.6	16.2	3.2	0.3	-13.6	-26.2	-6.4
Average				0.7	-6.5	12.0	0.0	11.2	24.9	34.8	37.6	22.4	3.2	16.2	2.5	0.6	-11.4	-19.4	-4.7
Median				0.6	-2.9	10.2	7.4	9.9	24.9	21.3	37.8	22.6	2.5	16.2	2.8	0.5	-10.4	-20.7	-1.5

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

Figure: Comparison of valuations for hotel operators

Company	Ticker	Share price 28-Jan	Mkt cap JPYbn	PER Last	PER LTM	PER Current E	PER Next E	PBR Last	EV/EBITDA Next E	EV/Sales Next E	ROE LTM	Sales growth LTM	EBITDA Mgn LTM	Div Yield Current E	1M Change	3M Change	1YR Change
RESORTTRUST INC	4681	1,800	195.3	NA	NA	29.0	24.1	1.9	10.8	1.6	-8.9	-2.2	-0.3	1.7	-4.2	-10.7	22.0
WASHINGTON HOTEL CORP	4691	633	7.7	NA	NA	NA	NA	1.8	NA	NA	-80.1	-44.2	-74.7	NA	-3.8	-9.3	-5.2
AMAZE CO LTD	6076	843	12.8	32.9	32.9	NA	NA	1.1	NA	NA	3.3	4.5	19.2	NA	-4.5	-8.9	3.9
GREENS CO LTD	6547	454	5.9	NA	NA	NA	11.5	NA	NA	0.8	NA	-6.0	-43.4	0.0	-10.5	-15.8	0.0
ABHOTEL CO LTD (TP 1,400 Buy)	6565	1,065	15.1	1,500.0	75.3	NA	NA	2.5	NA	NA	3.4	9.5	20.4	NA	-12.7	-14.4	1.4
ROYAL HOLDINGS CO LTD	8179	1,757	79.7	NA	NA	NA	43.5	2.8	11.3	1.2	-47.6	-15.6	-10.7	0.0	-7.4	-15.0	-5.0
KYORITSU MAINTENANCE CO	9616	3,990	156.5	NA	NA	357.6	35.6	2.3	20.7	1.6	-11.8	0.4	-2.9	0.5	-1.1	-6.3	18.2
IMPERIAL HOTEL LTD	9708	1,827	108.5	NA	NA	NA	98.8	2.6	15.7	1.7	-21.1	-2.5	-24.1	0.2	-1.7	-3.3	-6.0
ROYAL HOTEL LTD/THE	9713	1,134	11.6	NA	NA	NA	NA	NA	NA	NA	NA	-35.9	-27.3	NA	-3.1	-9.8	-6.4
FUJITA KANKO INC	9722	2,245	27.4	NA	2.1	NA	NA	0.8	NA	NA	64.3	-23.1	71.5	NA	-9.1	-6.9	52.1
KYOTO HOTEL LTD/THE	9723	618	7.5	NA	NA	NA	NA	5.4	NA	NA	-73.0	-28.8	-6.3	NA	-0.2	-3.3	7.3
Average				766.4	36.8	193.3	42.7	2.4	14.6	1.4	-19.1	-13.1	-7.2	0.5	-5.3	-9.4	7.5

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

APPENDIX

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