



Kura Sushi

TSE 1st Section 2695 Industry: Food service, retail

Relay from Demon Slayer to BTS. Winning with entertainment value

January SSS: 109.5% vs. 2019, 104.5% vs. 2020

On February 3, Kura Sushi (2695, the company) disclosed monthly data for January (on a preliminary basis). Same-store sales were 123.7% vs. January 2021 (117.6% for December), 104.5% vs. January 2020, and 109.5% vs. January 2019. The number of holidays (weekends and national holidays) was the same as in January 2021, 2020, and 2019. Compared to January 2021, the guest count was 118.8% (111.9% for December), and the average check was 104.1% (105.1% for December).

The company ran a special fair using high-end ingredients in early January and has been running a "BT21" campaign from January to February.

BT21 is a globally popular character brand created through a collaboration between LINE FRIENDS and BTS (Bangtan Sonyeondan). BT21's characters are well-known for being used in free LINE stamps. In this campaign, for every 2,500 yen spent, a BT21 clear file and other prizes are to be distributed during the first (Jan. 7-), second (Jan. 21-), third (Feb. 10-), and fourth (Feb. 25-) campaign periods. BT21 goods are also used as prizes for "Bikkura Pon!" It appears that the BT21 goods are very popular among BTS fans (ARMY).

In light of the recent surge in the number of cases of the new coronavirus, it is highly likely that restaurant operators' sales will be sluggish in February, in our view. However, in the past period of infection spread, Kura Sushi was able to attract customers to its stores and had strong take-out demand. We believe that there is little need to be overly concerned about the company's earnings.

No rival to follow

January same-store sales for its competitors vs. January 2019 were as follows: Sushiro (Food & Life Companies) 97.7%, and Genki Sushi 97.5%. Although they performed relatively well among the food service industry, they clearly underperformed Kura Sushi's large sales growth. Our interpretation is that the entertainment value of Kura Sushi has given it an edge over its competitors.

However, it is important to keep in mind that competitors may try to recover ground through large-scale advertising and special fairs going forward. Although the revolving sushi restaurants have been performing relatively well in the food service industry, we have the impression that the competition among peers is fierce.

New store openings also strong

The number of stores at the end of January was as follows: 504 stores in Japan (+3 MoM); 35 stores in the U.S. (+/-0 MoM); and 43 stores in Taiwan (+1 MoM).

Please refer to the report dated October 20, 2021 for the rationale of the rating and target price.

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Update

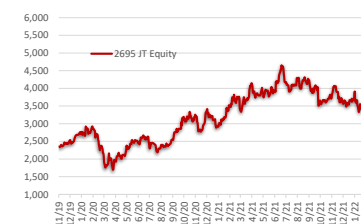
Rating
Buy

Target price (JPY)	5,000
Stock price (JPY) (Feb 3)	3,515
Market cap (JPYbn)	145.5

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		10/20	10/21	10/22E	10/23E	10/24E
Sales	JPYbn	135.8	147.6	176.7	198.8	223.4
OP	JPYbn	0.4	-2.7	5.5	8.0	10.6
RP	JPYbn	1.1	3.2	6.2	8.7	11.3
NP	JPYbn	-0.3	1.9	3.9	5.6	7.2
EPS	JPY	-6.6	47.9	98.4	140.4	181.9
BPS	JPY	1,116.1	1,216.4	1,280.4	1,396.8	1,548.7
DPS	JPY	20.0	20.0	24.0	30.0	40.0
PER	x	NA	73.3	35.7	25.0	19.3
PBR	x	2.8	2.9	2.7	2.5	2.3
Div. yield	%	0.6	0.6	0.7	0.9	1.1
ROA	%	-0.3	2.1	4.0	5.2	6.2
ROE	%	-0.6	4.1	7.9	10.5	12.4

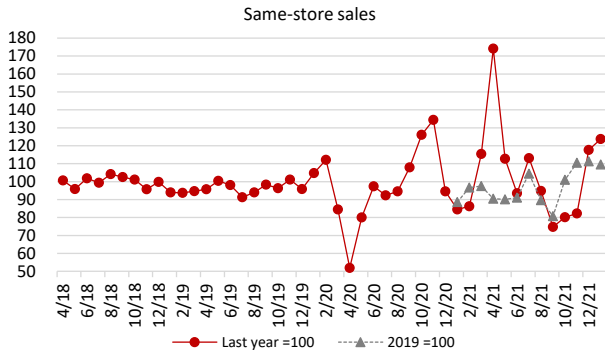
Source: Company data, Mita Securities

Company profile

Kura Sushi is an Osaka-based restaurant company that operates the "Kura Sushi" revolving sushi bar chain nationwide. The company is also active in overseas business and has listed subsidiaries in the US and Taiwan. As of end-July 2021, the company had 556 stores (31 in the US and 35 in Taiwan). Sales in FY10/20 were 135.8bn yen.

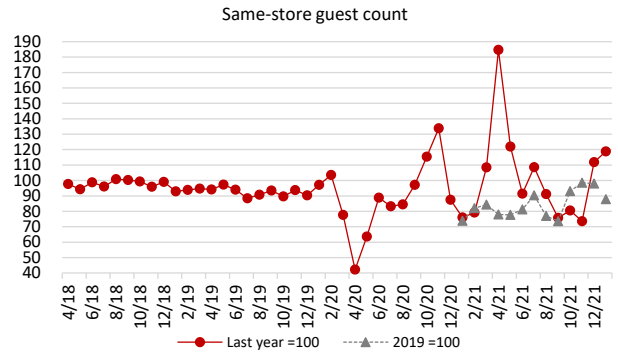
Monthly data for Kura Sushi

Figure: Same-store sales (%)



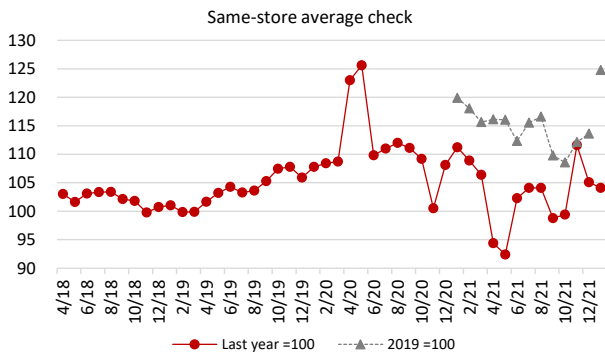
Source: Company data, Mita Securities

Figure: Same-store number of customers (%)



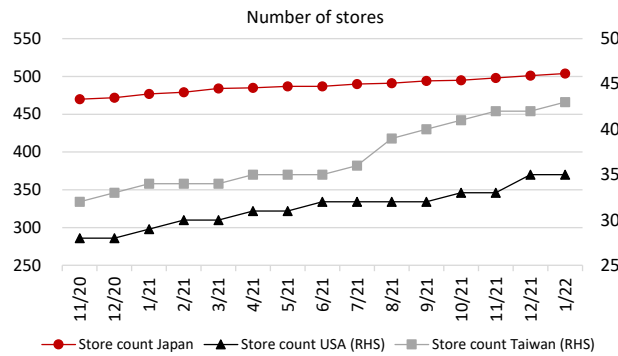
Source: Company data, Mita Securities

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



Source: Company data, Mita Securities

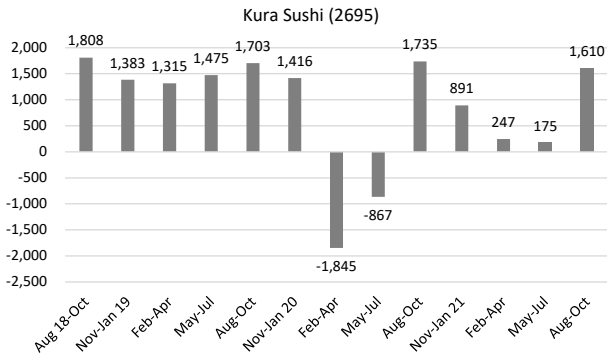
Figure: Number of stores



Source: Company data, Mita Securities

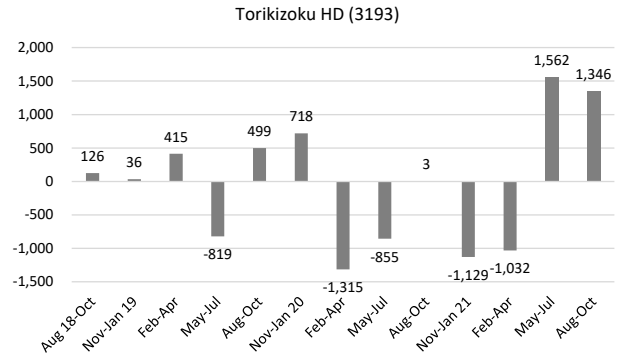
Pre-tax profits for food service companies covered by Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



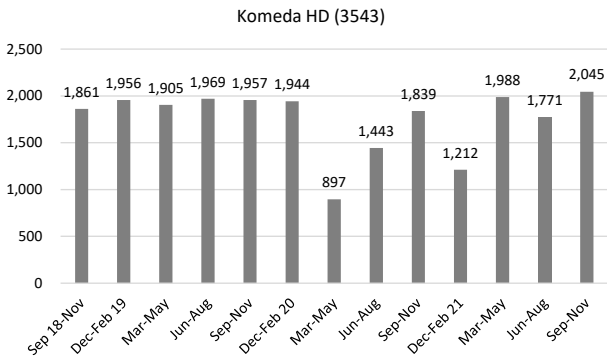
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



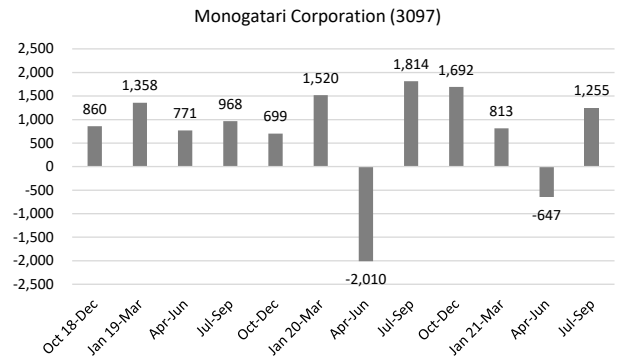
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



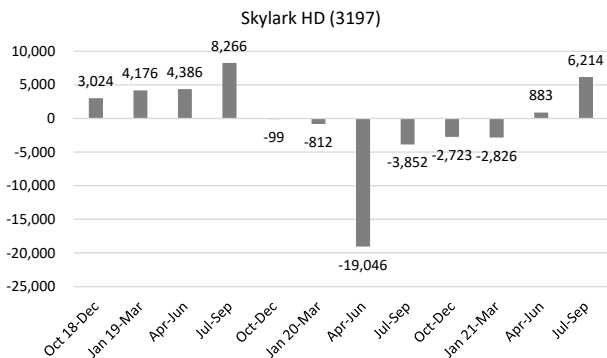
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



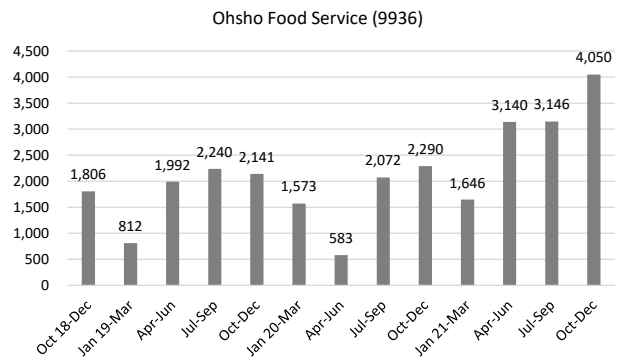
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

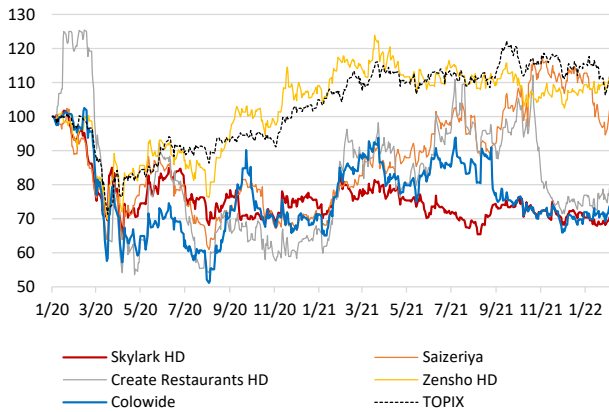
Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

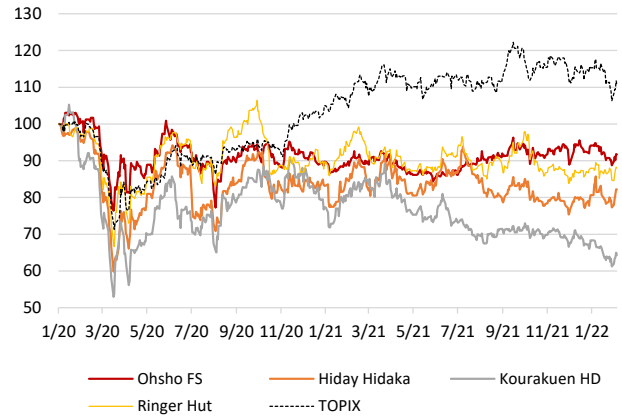
Stock price trends for food service companies

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



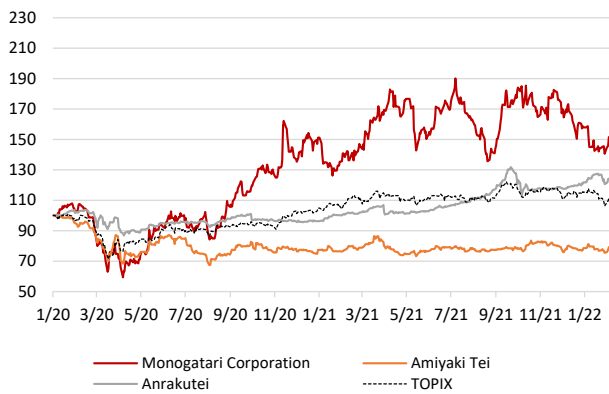
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



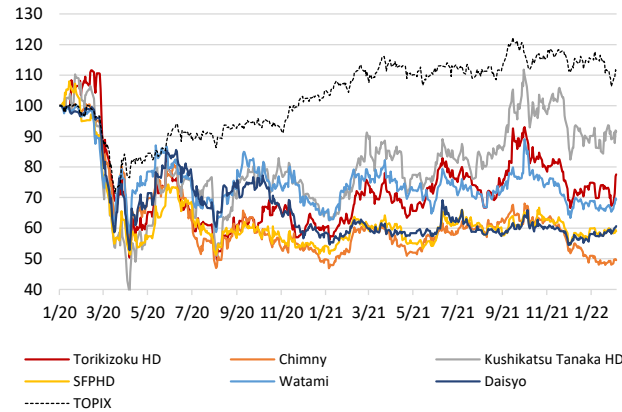
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



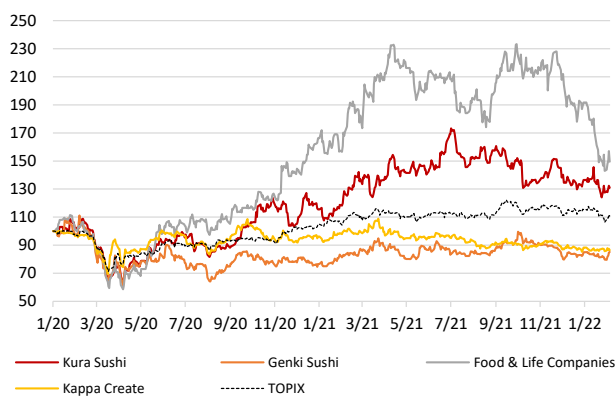
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



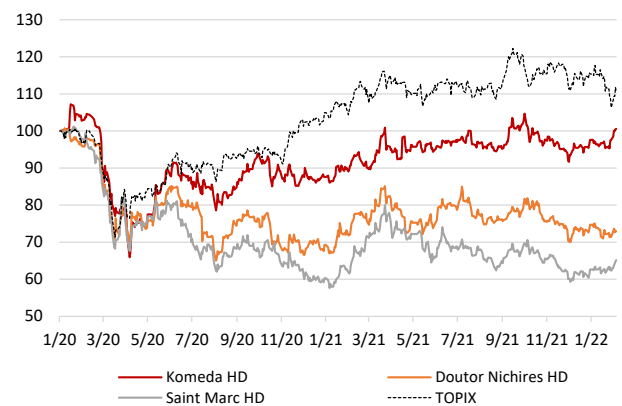
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

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

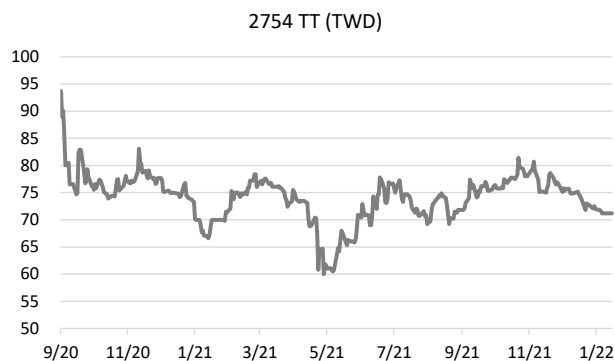
Stock price trends for overseas subsidiaries

Figure: Kura Sushi USA's stock price (USD)



Source: Bloomberg Finance LP data, Mita Securities

Figure: Kura Sushi Asia's stock price (TWD)



Source: Bloomberg Finance LP data, Mita Securities

APPENDIX

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