



Skylark Holdings

TSE 1st Section 3197 Industry: Food service, retail

Negative impression on missing FY12/21 DPS guidance (revised version)

FY12/21 OP missed the guidance. Missing DPS guidance should be negative for stock price
 Skylark Holdings (3197, the company) announced FY12/21 consolidated sales of 264.6bn yen (-8.3% YoY), and OP of 18.2bn yen (vs. -23.0bn yen loss in FY12/20) (IFRS). OP of 18.2bn yen includes 42.7bn yen of subsidies for shortened operating hours. OP excluding the subsidies was a loss of -24.5bn yen.

Compared to the company's guidance (sales 260.0bn yen and OP 21.0bn yen), sales were in line, but OP was lower. Also, compared to our forecast (sales 264.0bn yen and OP 22.5bn yen), sales were in line, and OP was lower. The main reasons for the shortfall in OP guidance are: 1) higher cost of potatoes and other ingredients, 2) advanced booking of some costs, and 3) impairment losses. DPS of 12 yen was below the company's guidance and our forecast of 14 yen. Missing the DPS guidance announced in November should have a negative impact on the stock price.

4Q: OP excluding subsidies improved QoQ, without impairment loss

4Q (Oct-Dec) results were sales of 75.0bn yen (+0.2% YoY, +19.2%QoQ), and OP of 10.8bn yen (vs. -1.9bn yen loss in 4Q FY12/20, +55.0% QoQ). OP excluding subsidies was -5.2bn yen in 1Q, -5.3bn yen in 2Q, -5.3bn yen in 3Q, and -8.6bn yen in 4Q. 4Q deterioration was mainly due to impairment loss of 4.4bn yen. Without the impairment loss, the OP excluding subsidies improved QoQ.

The number of stores at the end of 4Q was 3,098 stores (-28 YoY, -7 QoQ). Compared to end-3Q, Bamiyan increased by 4 stores, Jonathan's decreased by 7 stores, and Steak Gusto decreased by 3 stores.

FY12/22 sales guidance appears challenging

FY12/22 guidance is for sales of 336.0bn yen (+27.0% YoY) and OP of 10.0bn yen (-45.1% YoY). Excluding the subsidies, the OP guidance is 5.0bn yen (vs. -24.5bn yen in FY12/21). The company assumes same-store sales at 90% vs. 2019 (FY12/21 SSS were 71% vs. 2019). DPS guidance is 6 yen.

Compared to our forecast (sales 311.8bn yen, OP 10.4bn yen, subsidies 12.0bn yen, DPS 10 yen), the company's sales guidance looks optimistic. The OP guidance is in line, but excluding the subsidy assumption of 5.0bn yen, it is more optimistic than our forecast (our OP forecast excluding subsidies is -1.6bn yen). It appears that the company plans to recover sales by implementing its current product pricing strategy, brushing up core products, enhancing promotions, and reinforcing delivery sales.

Please refer to the report dated January 20, 2022 for the rationale of the rating and target price.

This is a revised version of the report published on February 14, 2022. We have revised the title and the text of the third paragraph. There is no change to our rating or target price.

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Update

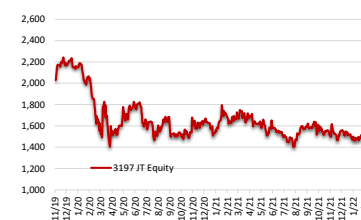
Rating
Hold

Target price (JPY)	1,600
Stock price (JPY) (Feb 14)	1,535
Market cap (JPYbn)	349.2

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

IFRS		12/20	12/21E	12/22E	12/23E	12/24E
Sales	JPYbn	288.4	264.0	311.8	342.8	359.1
OP	JPYbn	-23.0	22.5	10.4	12.0	18.6
Pre-tax Profit	JPYbn	-26.4	18.7	7.6	9.2	16.0
NP	JPYbn	-17.2	11.5	4.8	5.9	10.7
EPS	JPY	-87.2	50.7	21.2	26.1	46.9
BPS	JPY	576	739	746	762	797
DPS	JPY	0.0	14.0	10.0	12.0	20.0
PER	x	NA	30.1	72.3	58.6	32.6
PBR	x	2.8	2.1	2.0	2.0	1.9
Div. yield	%	0.0	0.9	0.7	0.8	1.3
ROA	%	-3.8	2.5	1.0	1.2	2.2
ROE	%	-14.0	8.2	2.8	3.5	6.0

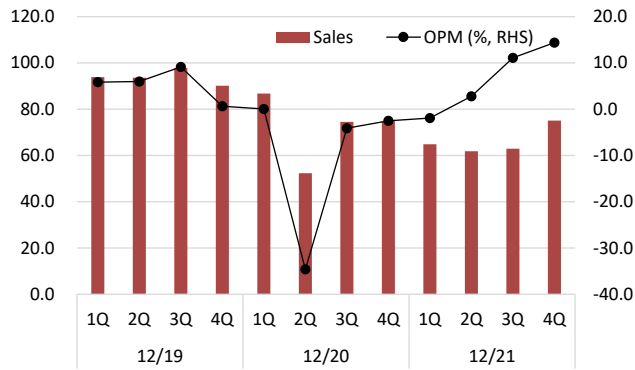
Source: Company data, Mita Securities

Company profile

Skylark HD is Japan's largest operator of family restaurants, including "Gusto," and "Bamiyan." The company had 3,098 stores at the end of December 2021. FY12/21 sales were 264.6bn yen.

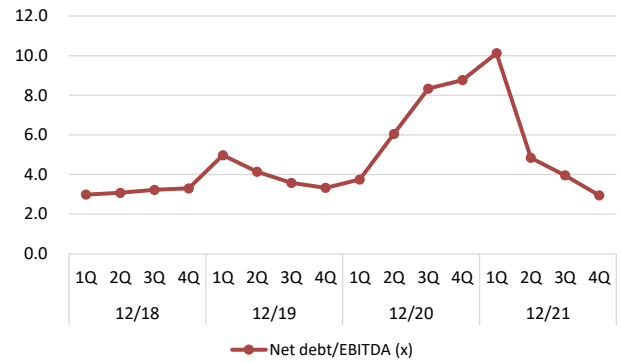
Quarterly data for Skylark Holdings

Figure: Quarterly earnings (JPYbn)



Source: Company data, Mita Securities

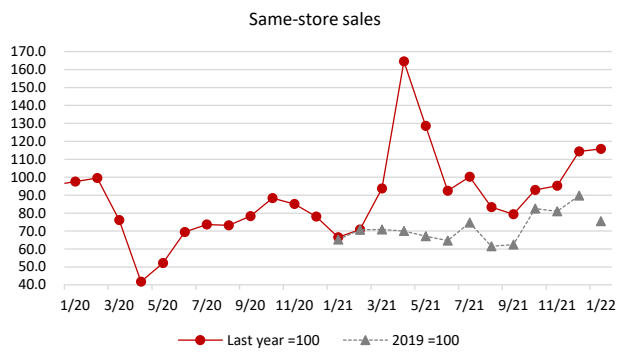
Figure: Net debt/EBITDA (x, quarterly basis)



Source: Company data, Mita Securities

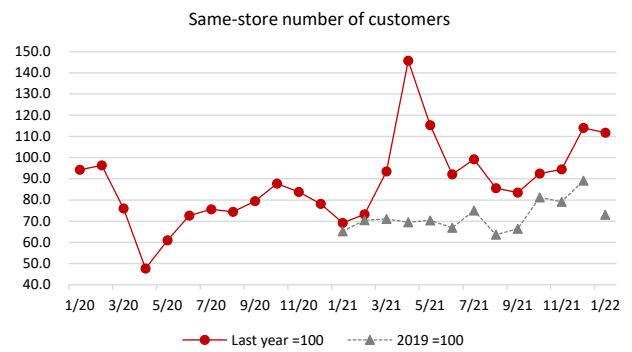
Monthly data for Skylark Holdings

Figure: Same-store sales



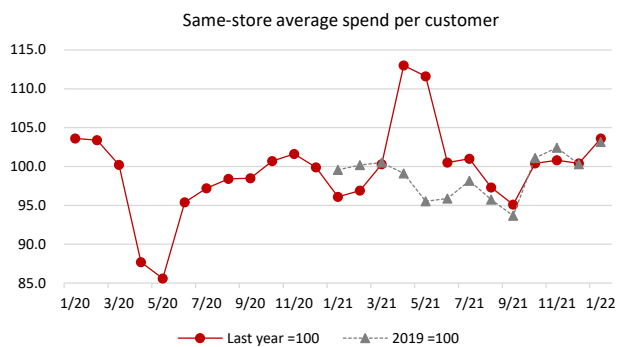
Source: Company data, Mita Securities

Figure: Same-store guest count



Source: Company data, Mita Securities

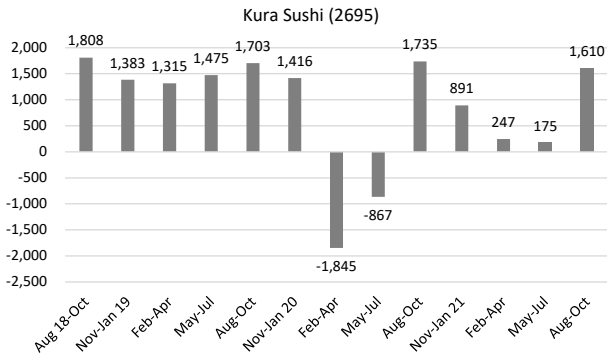
Figure: Same-store average check



Source: Company data, Mita Securities

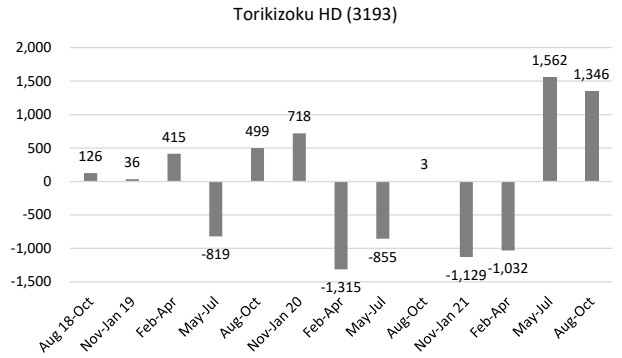
Pre-tax profits for food service companies covered by Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



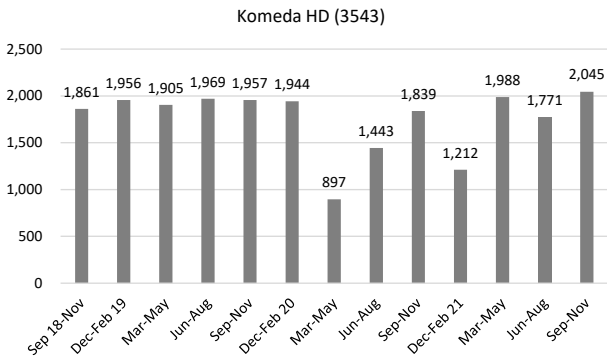
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



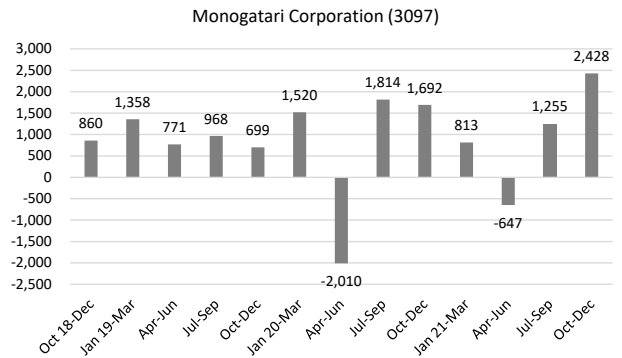
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



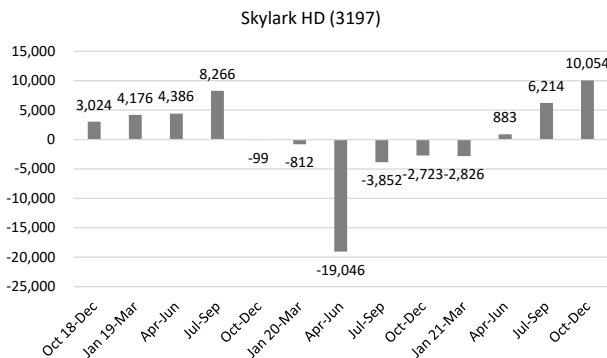
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



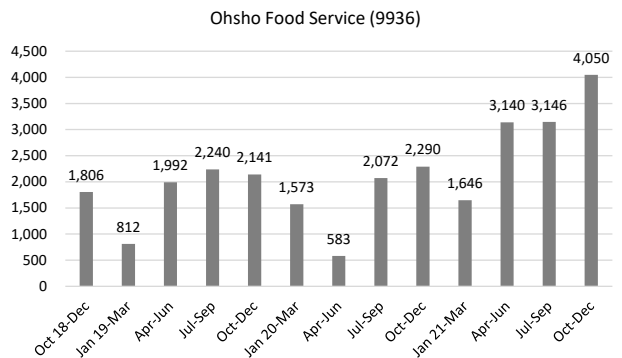
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

Comparison of valuations with peers

Figure: Comparison of valuations for food service companies

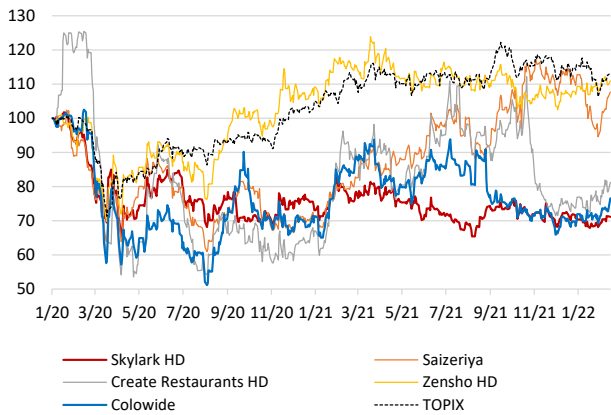
Company name	Ticker	PX 10-Feb	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
KURA SUSHI INC (TP 5,000 Buy)	2695	3,695	153.0	0.1	8.7	2.3	4.1	8.4	10.7	77.0	37.4	26.0	3.0	13.0	0.9	0.6	3.1	-5.3	6.3
MCDONALD'S HOLDINGS CO JAPAN	2702	4,945	657.5	-0.3	10.2	14.0	13.0	11.4	11.5	27.5	27.9	25.9	3.4	11.2	1.8	0.8	0.0	-3.6	-5.8
OOTOYA HOLDINGS CO LTD	2705	2,829	20.5	0.2	-0.4	6.0	NA	NA	NA	14.9	NA	NA	7.8	NA	NA	NA	3.4	3.9	15.0
FUJIO FOOD GROUP INC	2752	1,366	61.0	3.6	-12.3	8.8	-12.7	21.2	21.2	NA	51.7	37.2	11.1	NA	2.7	0.0	6.8	-1.7	2.2
AMIYAKI TEI CO LTD	2753	2,944	20.2	-0.1	-14.5	-13.9	2.0	2.6	NA	49.6	38.8	37.3	1.0	NA	0.5	0.3	1.1	-3.3	-0.9
HIRAMATSU INC	2764	195	14.6	4.1	9.1	-25.3	-67.3	NA	NA	NA	NA	NA	2.3	NA	NA	NA	9.6	-3.5	10.8
PEPPER FOOD SERVICE CO LTD	3053	359	14.1	2.4	NA	-6.2	NA	NA	NA	NA	NA	NA	9.4	NA	NA	NA	0.6	-3.0	29.1
CHLOUSHIMARU CO LTD	3075	1,121	16.3	-0.8	-1.7	1.3	10.2	NA	NA	21.4	NA	NA	2.1	NA	NA	0.5	1.1	0.1	2.5
ARCLAND SERVICE HOLDINGS CO	3085	2,221	73.5	-0.6	14.4	12.9	19.4	12.3	11.8	16.4	21.3	20.4	3.0	9.8	1.3	1.4	2.7	-3.2	0.0
DOUTOR NICHIRE HOLDINGS CO	3087	1,611	73.5	-0.3	3.3	5.0	-2.2	4.5	1.3	NA	16.5	50.5	0.7	16.1	0.4	1.6	5.0	-1.5	-4.2
BRONCO BILLY CO LTD	3091	2,279	34.4	-0.3	-8.7	8.0	5.4	NA	NA	36.0	NA	NA	1.9	NA	NA	0.7	-1.8	-6.4	-1.0
MONOGATARI CORP (TP 9,100 Buy)	3097	6,430	77.7	0.1	6.8	9.7	11.7	17.1	16.4	34.2	20.4	18.6	3.8	NA	1.1	1.1	5.1	-14.7	6.8
CHIMNEY CO LTD	3178	1,172	22.7	0.8	-50.5	-34.0	-8.9	NA	NA	NA	NA	NA	3.3	NA	NA	NA	2.8	-17.1	-16.2
TORIKIZOKU HOLDINGS CO LTD (TP 2,100 Hold)	3193	1,882	21.9	0.6	NA	NA	NA	17.6	11.4	NA	NA	38.4	3.6	NA	1.2	0.0	6.1	-3.2	10.5
HOTLAND CO LTD	3196	1,292	27.9	0.6	5.8	4.5	15.8	22.3	NA	23.3	15.9	27.0	3.3	NA	1.1	0.4	5.0	-3.8	4.5
SKYLARK HOLDINGS CO LTD (TP 1,600 Hold)	3197	1,529	347.9	2.1	-12.9	28.6	-0.2	6.3	5.2	NA	37.7	54.6	2.2	6.9	1.7	1.0	4.7	2.1	-7.9
SFP HOLDINGS CO LTD	3198	1,448	37.3	-0.1	-58.6	17.7	0.3	14.4	NA	928.2	20.7	53.2	2.9	NA	3.4	0.0	6.1	-0.7	-2.4
CREATE RESTAURANTS HOLDINGS	3387	768	163.4	3.5	-24.0	28.2	10.2	16.9	NA	62.4	24.1	41.3	4.1	NA	2.0	0.6	12.1	6.8	-12.7
SAINT MARC HOLDINGS CO LTD	3395	1,605	36.6	-0.2	0.0	-6.4	-16.6	-12.9	2.8	NA	NA	59.0	1.0	NA	0.5	2.7	9.8	7.5	2.4
TORIDOLL HOLDINGS CORP	3397	2,393	209.6	3.0	5.7	12.5	5.1	8.3	6.0	125.2	58.6	47.2	6.0	11.7	2.1	0.3	1.8	-14.8	49.0
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,161	99.7	1.5	10.0	24.0	13.3	13.5	13.7	21.3	19.9	18.4	2.7	15.9	4.3	2.4	5.4	5.1	8.1
KUSHIKATSU TANAKA HOLDINGS C	3547	2,119	19.9	1.6	-42.8	-50.3	-38.2	51.1	35.2	NA	26.8	27.1	16.4	21.9	1.7	0.7	12.0	-6.8	14.0
CHIKARANOMOTO HOLDINGS CO LT	3561	569	15.4	3.7	-14.9	6.6	-15.0	NA	NA	NA	NA	NA	5.0	NA	NA	NA	0.7	-7.8	-6.7
FOOD & LIFE COMPANIES LTD	3563	3,615	419.6	2.2	21.1	15.1	21.4	20.4	22.9	33.6	31.2	22.7	6.6	13.1	1.8	0.6	-2.4	-26.6	-16.8
ATOM CORP	7412	775	150.0	0.2	-13.6	-6.6	-8.5	NA	NA	NA	NA	NA	15.5	NA	NA	NA	0.8	-1.8	-17.0
KAPPA CREATE CO LTD	7421	1,394	68.9	0.4	2.6	3.7	6.3	NA	NA	103.0	NA	NA	6.3	NA	NA	NA	5.7	-1.8	-7.7
WATAMI CO LTD	7522	932	39.8	3.5	-18.0	-7.4	-75.2	NA	NA	NA	NA	NA	2.9	NA	NA	NA	6.6	-4.0	-9.0
ZENSHO HOLDINGS CO LTD	7550	2,768	428.7	2.2	6.8	6.8	18.1	16.6	5.7	26.4	27.2	43.8	4.3	15.3	0.9	0.8	3.7	4.8	-4.7
KOURAKUEN HOLDINGS CORP	7554	1,398	23.5	1.1	-14.4	4.7	13.5	13.6	NA	47.5	42.1	1,997.1	5.9	NA	1.0	0.4	3.3	-7.0	-21.2
ANRAKUTEI CO LTD	7562	6,360	13.6	1.6	5.1	-4.7	2.7	NA	NA	119.0	NA	NA	3.2	NA	NA	NA	-1.9	6.4	22.5
SAIZERIYA CO LTD	7581	2,899	151.5	-0.2	5.0	7.9	4.8	10.6	7.0	35.6	15.2	21.1	1.7	7.3	0.8	0.6	4.1	-3.3	35.5
HIDAY HIDAKA CORP	7611	1,764	67.3	-0.3	-24.5	-12.0	-1.2	NA	NA	NA	NA	NA	3.1	NA	NA	0.7	6.5	6.8	-5.5
COLOWIDE CO LTD	7616	1,765	153.4	3.6	-4.4	12.0	-16.2	NA	NA	NA	NA	NA	4.4	NA	NA	NA	6.8	7.9	-9.2
UKAI CO LTD	7621	3,000	15.7	1.5	4.8	-8.0	-28.3	NA	NA	NA	NA	NA	6.1	NA	NA	NA	-0.3	-0.3	-1.6
GLOBAL-DINING INC	7625	328	3.4	0.9	68.9	7.0	25.6	NA	NA	5.1	NA	NA	1.1	NA	NA	NA	-4.1	-29.8	51.2
ICHIBANYA CO LTD	7630	4,735	151.2	-0.5	-3.7	9.2	8.7	8.9	NA	58.4	56.0	39.8	5.1	NA	3.0	1.7	3.5	1.5	-8.4
ASAKUMA CO LTD	7678	1,569	8.4	-0.4	-22.1	-22.4	-29.2	NA	NA	NA	NA	NA	3.3	NA	NA	NA	1.8	2.2	-0.8
MOS FOOD SERVICES INC	8153	3,070	98.3	-0.2	9.9	10.6	8.1	6.3	NA	25.7	31.9	30.6	2.0	NA	1.1	0.9	2.6	-2.1	-1.9
KISQII CO LTD	8160	2,253	60.4	0.0	0.1	NA	-13.7	NA	NA	NA	NA	NA	2.5	NA	NA	NA	2.9	2.9	-6.0
SRS HOLDINGS CO LTD	8163	828	32.4	0.5	-5.4	8.0	2.1	NA	NA	165.5	NA	NA	2.4	NA	NA	NA	7.5	6.3	-4.2
ROYAL HOLDINGS CO LTD	8179	1,957	88.8	2.3	-15.6	-10.7	-47.6	-13.8	-1.5	NA	NA	48.4	3.2	NA	1.6	0.0	9.6	-5.2	2.6
RINGER HUT CO LTD	8200	2,337	60.9	1.0	-10.6	-2.6	-6.8	6.3	NA	NA	92.7	229.1	5.1	NA	2.0	0.4	6.3	4.9	-7.4
GIFT INC	9279	2,442	24.3	0.0	22.7	9.0	29.8	28.0	NA	22.8	16.4	16.6	5.9	NA	1.4	1.0	-0.6	-18.1	19.2
GENKI SUSHI CO LTD	9828	2,564	22.8	0.6	10.6	6.1	13.5	NA	NA	19.5	NA	NA	2.5	NA	NA	NA	4.2	-4.4	1.7
GOURMET KINEYA CO LTD	9850	1,017	23.3	1.5	-8.2	6.3	-16.2	NA	NA	NA	NA	NA	2.8	NA	NA	NA	4.2	2.4	2.1
GINZA RENOIIR CO LTD	9853	832	5.2	0.1	-13.2	-39.4	-37.8	NA	NA	NA	NA	NA	1.7	NA	NA	NA	0.2	0.5	0.6
YOSHINOYA HOLDINGS CO LTD	9861	2,441	159.0	0.8	-14.3	11.3	9.5	18.0	2.8	38.0	19.3	71.7	3.4	17.4	1.1	0.0	4.4	4.7	10.4
KFC HOLDINGS JAPAN LTD	9873	2,940	65.9	-0.8	9.9	8.6	16.5	NA	NA	16.5	NA	NA	2.6	NA	NA	NA	2.7	0.9	0.1
MATSUYAFOODS HOLDINGS CO LTD	9887	3,660	69.8	0.3	-4.5	0.8	5.0	NA	NA	33.5	NA	NA	1.7	NA	NA	NA	3.2	0.4	-1.1
SAGAMI HOLDINGS CORP	9900	1,212	36.7	-0.2	-4.1	-5.6	-5.7	NA	NA	NA	NA	NA	2.6	NA	NA	NA	17.9	17.1	0.7
OHSO FOOD SERVICE CORP (TP 7,250 Buy)	9936	6,000	139.7	-0.2	0.9	11.0	14.8	13.1	10.1	13.9	15.5	19.1	2.0	NA	1.4	1.8	0.0	-1.3	1.4
JOYFULL CO LTD	9942	817	26.1	4.9	-22.8	-6.6	105.9	NA	NA	10.0	NA	NA	6.1	NA	NA	NA	1.0	0.4	15.2
DAISYO CORP	9979	1,050	22.3	0.9	-23.9	13.1	-10.6	NA	NA	NA	NA	NA	1.7	NA	NA	NA	8.0	2.8	0.4
Average				1.0	-4.4	1.5	-0.8	12.7	10.8	73.7	31.9	115.6	4.1	13.3	1.6	0.8	4.0	-2.0	2.7
Median				0.6	-3.7	6.1	3.4	13.1	10.4	33.5	27.0	37.3	3.2	13.1	1.4	0.7	3.5	-1.5	0.1

Source: Bloomberg Finance LP data, Mita Securities

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

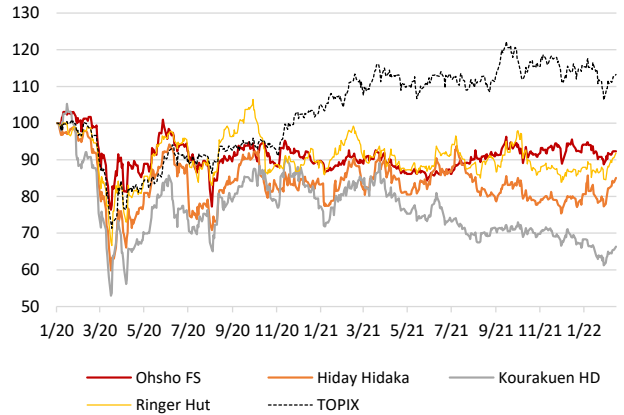
Stock price trends for food service companies

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



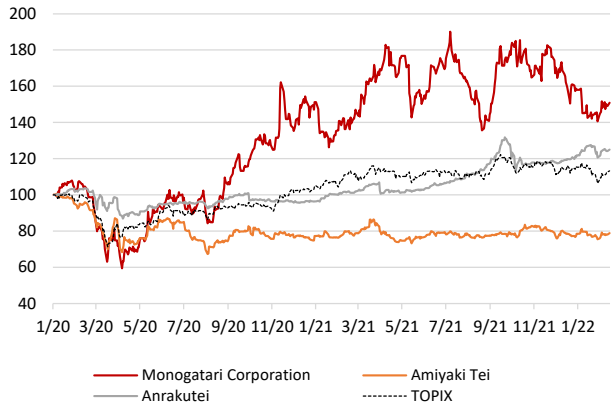
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



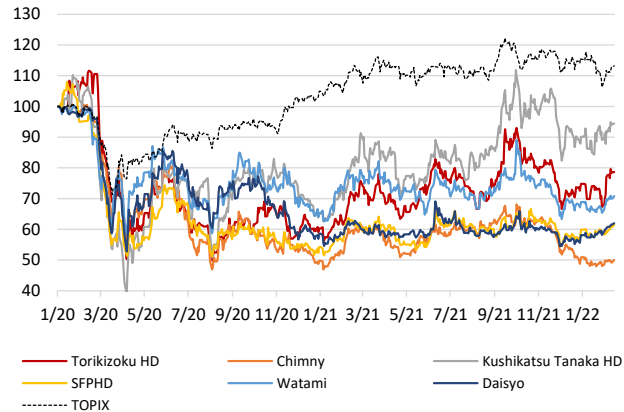
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



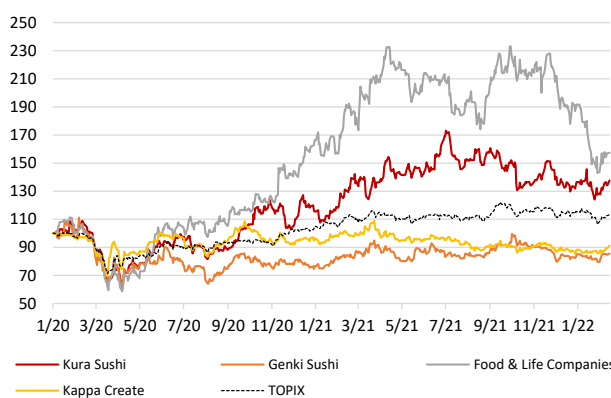
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



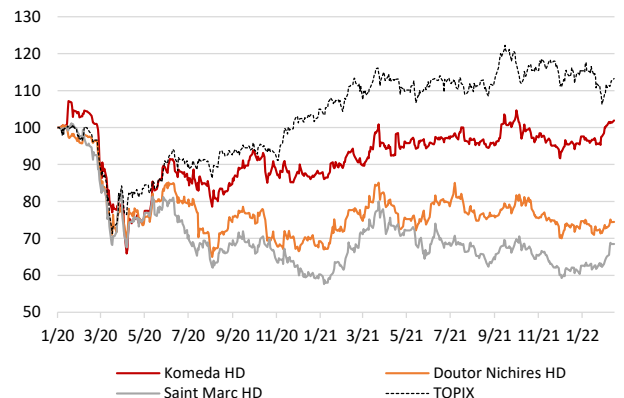
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

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%.

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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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