



IBJ

TSE 1st Section 6071 Industry: Consumer services

Neutral impression on the results. Investing to meet the demand of singles waiting for dating

FY12/21 full-year results: slight increase in effective OP

IBJ (6071, the company) announced FY12/21 full-year consolidated results. Sales were 14.081bn yen (+7.7% YoY), and OP was 1.516bn yen (-6.4% YoY). The results were above the company guidance (sales 14.052bn yen and OP 1.473bn yen). Compared to our forecast (sales 14.118bn yen and OP 1.677bn yen), sales were in line, but OP was slightly lower. The company seems to have been more aggressive in its upfront investments than we had expected. The impression is neutral. It should be noted that after adjusting for SG&A expenses posted as extraordinary losses, the effective OP slightly increased to 1.446bn yen (+0.3% YoY).

4Q (Oct-Dec): Directly-owned store business drove QoQ profit growth. Significant increase in the number of new franchisees as well

4Q (Oct-Dec) results were sales of 3.706bn yen (+4.4% YoY, +2.4% QoQ), and OP of 448m yen (-9.6% YoY, +16.6% QoQ). QoQ profit growth was driven by an increase in profit for the directly-owned store business. The profit for the party business also increased from 3Q.

The number of franchisees at end-4Q was 3,039 (+15.1% YoY, +5.0% QoQ). The number of new franchisees increased significantly (154 in 3Q to 220 in 4Q) due to the introduction of a new franchise fee plan. The number of party participants improved QoQ to 139 thousand (+18.8% QoQ). On the other hand, the number of paying members for the app business at end-4Q declined to 38 thousand (-7.3% QoQ).

FY12/22 guidance: Showing aggressive stance toward medium- to long-term growth

FY12/22 guidance is for sales of 16.004bn yen (+13.7% YoY), OP of 1.701bn yen (+12.2% YoY), and OPM of 10.6% (-0.1ppt YoY). OPM forecast is lower than our forecast (sales 16.255bn yen, OP 2.495bn yen, and OPM 15.3%). This is due to the company's aggressive investment stance for mid-to-long term growth, including plans to increase advertising investment in the franchise opening support business.

Sale of unprofitable businesses look positive

In December 2021, the company sold two consolidated subsidiaries, Kamome and IBJ Wedding, and exited from the travel business of Kamome and the magazine advertising business of IBJ Wedding. These businesses have been strongly affected by the COVID-19 pandemic. In addition, the profitability of these businesses has been weak, and in our view, their contribution to profits in the post-pandemic period should be limited. We have a positive impression on the business portfolio restructuring.

Expecting increased marriage activity going forward. Many singles waiting for dating

The number of marriages declined under the COVID-19 pandemic, but we expect this to rebound going forward. The recovery in the number of party participants on quarterly basis shows a potential strong demand of unmarried people for matchmaking. Although the number of party participants may be declining from January due to the rapid increase in the number of cases of the new coronavirus, we believe that as the number of cases of infection peaks out and foot traffic recovers, marriage activities should become more active again, and the number of participants in the company's parties should increase further.

Please refer to the report dated September 17, 2021 for the rationale of the rating and target price.

MITA SECURITIES Co., Ltd.
Junichi Shimizu
Chief Analyst, Head of Research

jshimizu@mitasec.com

Update

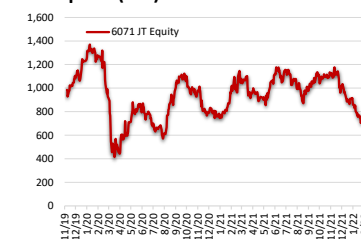
Rating
Buy

Target price (JPY)	1,450
Stock price (JPY) (Feb 9)	785
Market cap (JPYbn)	33.0

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		12/19	12/20	12/21E	12/22E	12/23E
Sales	JPYbn	15.3	13.1	14.1	16.3	21.0
OP	JPYbn	2.3	1.6	1.7	2.5	3.5
RP	JPYbn	2.3	1.5	1.6	2.4	3.4
NP	JPYbn	1.5	0.7	1.0	1.6	2.3
EPS	JPY	38.0	17.1	24.9	40.2	57.9
BPS	JPY	123.1	131.4	150.3	182.4	228.3
DPS	JPY	9.0	6.0	8.0	12.0	14.0
PER	x	32.7	45.7	30.9	19.2	13.3
PBR	x	10.1	6.0	5.1	4.2	3.4
Div. yield	%	0.7	0.8	1.0	1.6	1.8
ROA	%	16.2	5.5	7.2	11.1	13.7
ROE	%	36.0	13.5	17.7	24.1	28.2

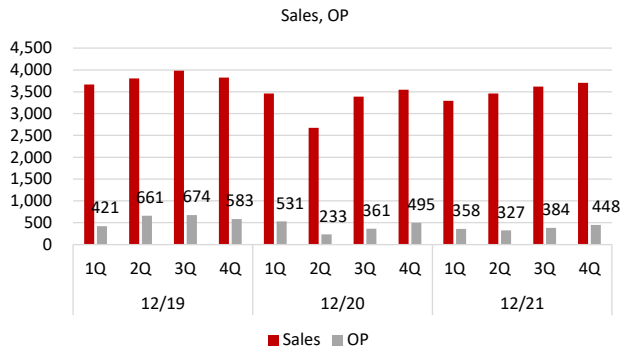
Source: Company data, Mita Securities

Company profile

IBJ operates its marriage agency business both directly and through its franchisees. The Japan Marriage Consulting Federation, which the company manages, has over 70,000 members, making it one of the largest in Japan. As of the end of December 2021, the company had 3,039 franchisees. The company's strength lies in its counseling services that focus on marriage, and it is also active in M&As.

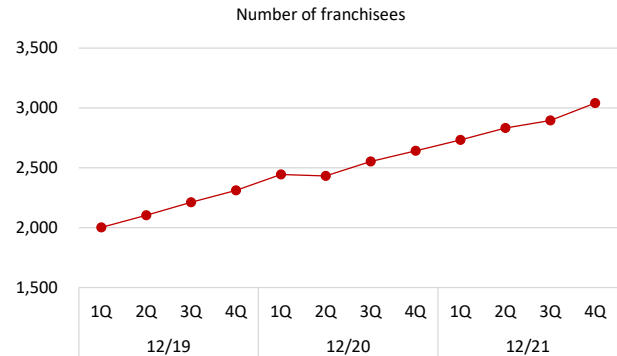
IBJ's earnings and KPIs

Figure: Quarterly earnings



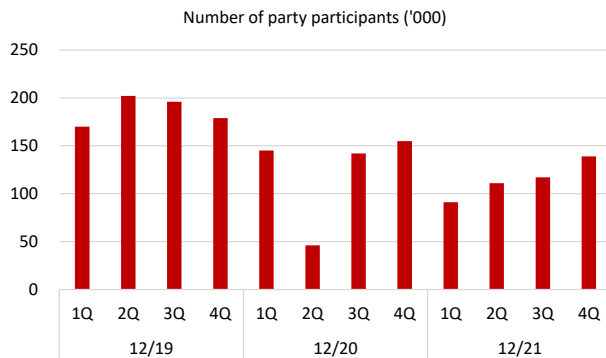
Source: Company data, Mita Securities

Figure: Number of franchisees



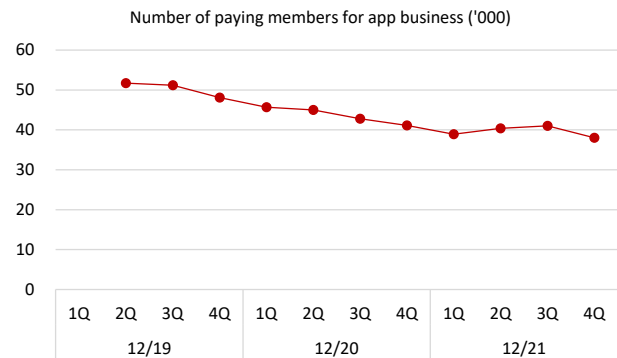
Source: Company data, Mita Securities

Figure: Number of party participants



Source: Company data, Mita Securities

Figure: Number of paying user for app business



Source: Company data, Mita Securities

Comparison of valuations with peers (reference)

Figure: Comparison of valuations for franchise business operators

Company name	Ticker	PX 8-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
KOBE BUSSAN CO LTD	3038	3,550	971.3	-0.3	6.2	8.6	28.5	25.6	25.3	39.2	36.7	32.1	9.9	26.3	2.4	0.6	-9.6	-13.7	17.2
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,152	99.3	1.5	10.0	24.0	13.3	13.5	13.7	21.2	19.8	18.3	2.7	15.9	4.3	2.4	5.9	5.1	8.9
IBJ INC (TP 1,450 Buy)	6071	770	32.3	-0.2	4.3	17.1	18.3	16.4	22.7	31.6	32.7	19.9	5.4	NA	2.2	0.9	-7.2	-30.3	-23.2
CURVES HOLDINGS CO LTD	7085	708	66.5	0.8	8.3	NA	19.3	21.8	31.8	41.9	31.9	18.9	7.3	NA	2.8	1.1	-5.6	-24.4	-23.6
FAST FITNESS JAPAN INC (TP 5,600 Buy)	7092	2,096	39.2	-0.2	NA	29.1	NA	15.9	18.0	21.1	28.1	21.3	4.3	NA	2.8	0.5	-17.7	-33.6	-30.9
WORKMAN CO LTD	7564	4,930	403.5	-0.4	10.2	24.0	19.4	NA	NA	22.3	22.1	20.8	4.1	NA	NA	1.4	-6.5	-24.3	-42.2
Average				0.2	7.8	20.6	19.8	18.6	22.3	29.6	28.6	21.9	5.6	21.1	2.9	1.1	-6.8	-20.2	-15.7
Median				-0.2	8.3	24.0	19.3	16.4	22.7	27.0	30.0	20.4	4.9	21.1	2.8	1.0	-6.8	-24.4	-23.4

Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

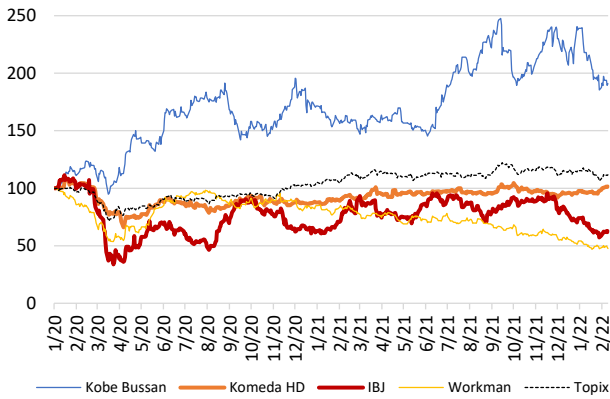
Figure: Comparison of valuations for matchmaking-related companies

Company name	Ticker	PX 8-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
BENEFIT ONE INC	2412	2,919	467.0	-0.9	1.5	33.1	42.7	38.5	39.9	53.7	54.1	49.1	20.4	34.5	11.6	1.3	-27.0	-49.6	-5.1
LINKBAL INC	6046	209	4.1	-1.0	-41.2	-48.5	-20.0	NA	NA	NA	NA	NA	2.3	NA	NA	NA	-13.3	-38.3	-32.1
IBJ INC (TP 1,450 Buy)	6071	770	32.3	-0.2	4.3	17.1	18.3	16.4	22.7	31.6	32.7	19.9	5.4	NA	2.2	0.9	-7.2	-30.3	-23.2
RECRUIT HOLDINGS CO LTD	6098	5,728	9,714.5	-0.1	15.5	16.2	20.3	25.5	22.1	40.1	32.1	30.1	7.4	19.2	3.4	0.5	-10.2	-26.9	11.9
NET MARKETING CO LTD	6175	432	6.5	-1.1	-12.4	6.4	13.6	NA	NA	16.0	NA	NA	2.1	NA	NA	NA	9.6	-20.1	-37.8
TAMENY INC	6181	84	2.1	-9.6	-4.5	-15.2	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-12.5	-12.5	-47.5
Average				-2.1	-6.1	1.5	15.0	26.8	28.2	35.3	39.6	33.0	7.5	26.8	5.7	0.9	-10.1	-29.6	-22.3
Median				-0.9	-1.5	11.3	18.3	25.5	22.7	35.9	32.7	30.1	5.4	26.8	3.4	0.9	-11.4	-28.6	-27.7

Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

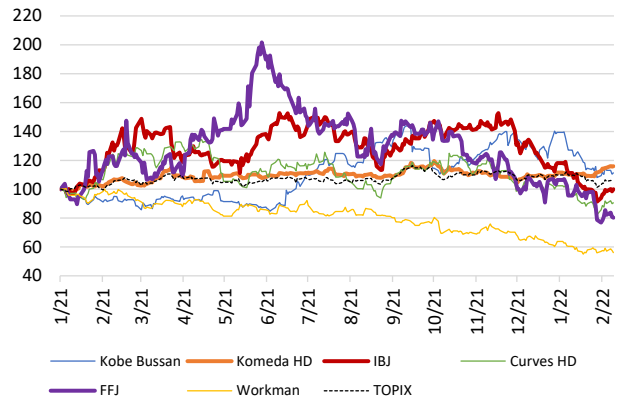
Comparison of stock price trends (reference)

Figure: Stock price trends for franchise business operators



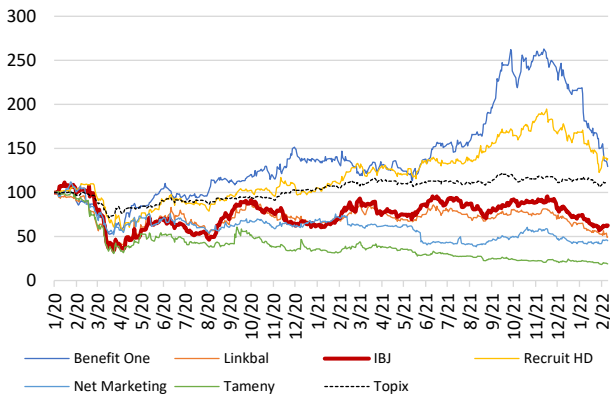
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends for franchise business operators



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

Figure: Stock price trends for matchmaking-related companies



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

APPENDIX

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