



# Fast Fitness Japan

TSE 1st Section 7092 Industry: Leisure & amusement

## OP progress strong at 89%. Store opening plan remain an issue

### 1-3Q OP progress strong at 89% of full-year guidance

Fast Fitness Japan (7092, the company) announced 3Q FY3/22 consolidated results. 1-3Q sales were 9.614bn yen (+20.4% YoY), and OP was 2.311bn yen (+52.0% YoY).

Progress rate toward the full-year guidance (Sales 13.0bn yen and OP 2.6bn yen) was strong at 74% for sales and 89% for OP. Although the company maintained its full-year guidance, we believe that it is highly likely that OP will exceed the guidance.

3Q (Oct-Dec) sales were 3.264bn yen (+3.5% YoY, +0.8% QoQ), and OP was 781m yen (+0.9% YoY, +2.3% QoQ).

### Number of stores: Downward revision of new store opening plan

Number of stores at end-3Q was 975 stores (+24 stores QoQ), with 813 FC stores (+18 stores QoQ) and 162 directly-owned stores (+6 stores QoQ).

As for franchise stores, the company opened 17 stores in 1Q, 22 stores in 2Q, and 21 stores in 3Q, for a total of 60 stores in 1-3Q. The company lowered its full-year store opening plan from 105 to 85 stores. The company said that main reasons for the revision were the prolonged effects of the COVID-19 pandemic, construction delays due to supply chain disruptions, and the lack of properties available for store openings.

As for directly-owned stores, the company opened one store in 1Q, 5 stores in 2Q, and 6 stores in 3Q, for a total of 12 stores in 1-3Q. The company maintained its full-year store opening plan of 15 stores.

The company expects to open 100 new stores per year even under the COVID-19 pandemic, which suggests an excellent business model for Anytime Fitness. However, the fact that the company has repeatedly revised its store opening plans downward leaves issues in terms of communication with the market, in our view.

### Number of members per store down QoQ due to seasonal factors

Number of members was 622 thousand at end-3Q (flat QoQ), with 527 thousand for FC stores (+1 thousand QoQ) and 95 thousand for directly-owned stores (flat QoQ).

The number of FC store members per store declined QoQ, with 630 members at end-4Q FY3/21, 652 at end-1Q FY3/22, 662 at end-2Q, and 648 at end-3Q. The decrease from 2Q is not a surprise as in the sports club industry membership tends to decrease in 3Q due to seasonal factors.

The number of directly-owned store members per store was also on a similar trend, with 589 members at end-4Q FY3/21, 596 at end-1Q FY3/22, 609 at end-2Q, and 586 at end-3Q.

Please refer to the report dated September 29, 2021 for the rationale of the rating and target price.

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## Update

Rating  
**Buy**

Target price (JPY)	5,600
Stock price (JPY) (Feb 14)	2,059
Market cap (JPYbn)	38.5

### Key changes

Rating	No
Target price	No
Earnings forecast	No

### Stock price (JPY)



Source: Bloomberg Finance LP

### Earnings

		3/20	3/21	3/22E	3/23E	3/24E
Sales	JPYbn	11.3	11.2	13.1	14.9	17.0
OP	JPYbn	2.8	2.3	2.8	3.4	4.0
RP	JPYbn	2.8	2.3	2.8	3.4	4.0
NP	JPYbn	1.6	0.9	1.4	1.8	2.2
EPS	JPY	112.8	49.2	74.6	98.4	118.1
BPS	JPY	230.0	434.7	502.6	591.1	698.3
DPS	JPY	1.9	7.1	10.0	10.8	11.7
PER	x	NA	59.8	29.0	22.0	18.4
PBR	x	NA	6.8	4.3	3.7	3.1
Div. yield	%	NA	0.2	0.5	0.5	0.5
ROA	%	12.3	5.0	6.1	7.1	7.7
ROE	%	64.6	16.1	15.9	18.0	18.3

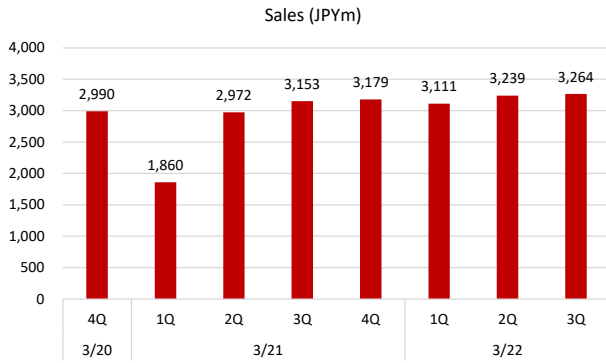
Source: Company data, Mita Securities

### Company profile

FFJ operates the 24-hour machine-focused fitness club Anytime Fitness mainly through a franchise system, with 924 stores and 595,000 members as of June 30, 2021.

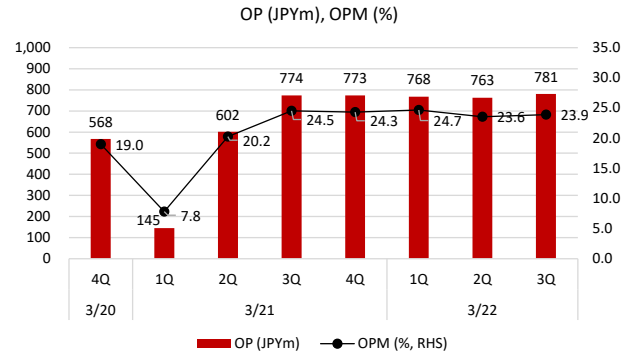
Quarterly earnings, KPIs

Figure: Sales



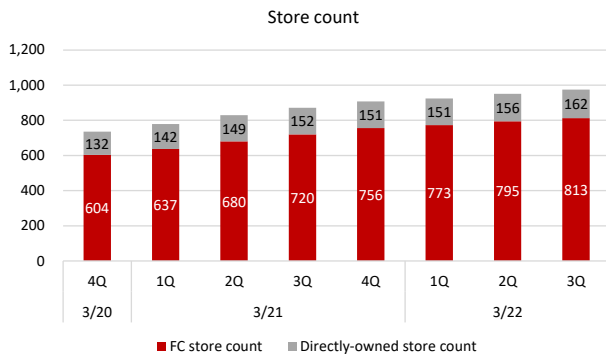
Source: Company data, Mita Securities

Figure: OP



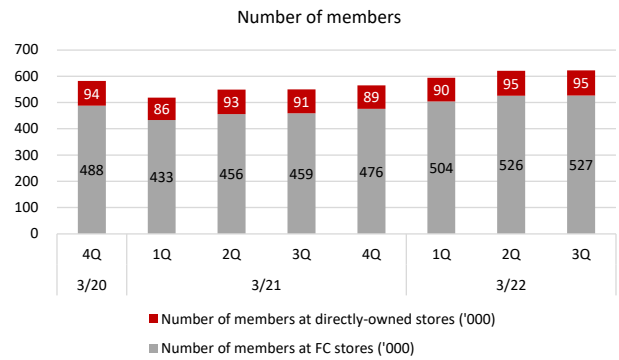
Source: Company data, Mita Securities

Figure: Store count



Source: Company data, Mita Securities

Figure: Number of members



Source: Company data, Mita Securities

Comparison of valuations with peers (reference)

Figure: Comparison of valuations for fitness club operators

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
RENAISSANCE INC	2378	1,105	23.6	1.7	13.5	-7.2	-37.0	3.9	NA	NA	52.1	29.0	2.0	NA	1.0	0.5	6.5	-20.9	-0.5
RIZAP GROUP INC	2928	171	95.1	1.4	-7.6	9.4	16.5	NA	NA	25.3	NA	NA	3.5	NA	NA	NA	8.9	-8.6	-5.0
CENTRAL SPORTS CO LTD	4801	2,451	28.1	0.3	4.4	10.2	6.6	NA	NA	18.6	NA	NA	1.2	NA	NA	NA	2.5	-4.3	2.6
CURVES HOLDINGS CO LTD	7085	719	67.5	0.8	8.3	NA	19.3	21.8	31.8	42.5	32.4	19.2	7.4	NA	2.8	1.1	2.0	-20.2	-25.7
<b>FAST FITNESS JAPAN INC (TP 5,600 Buy)</b>	<b>7092</b>	<b>2,168</b>	<b>40.6</b>	<b>-0.2</b>	<b>NA</b>	<b>29.1</b>	<b>NA</b>	<b>15.9</b>	<b>18.0</b>	<b>21.8</b>	<b>29.1</b>	<b>22.0</b>	<b>4.5</b>	<b>NA</b>	<b>2.9</b>	<b>0.5</b>	<b>-12.8</b>	<b>-22.4</b>	<b>-34.2</b>
TOSHIO CO LTD (TP 3,300 Buy)	8920	1,696	65.0	0.4	-24.0	NA	2.2	3.4	8.3	84.0	37.1	25.4	1.8	14.9	3.4	0.3	16.2	-20.9	-2.8
Average				0.7	-1.1	10.4	1.5	11.2	19.4	38.4	37.7	23.9	3.4	14.9	2.5	0.6	3.9	-16.2	-10.9
Median				0.6	4.4	9.8	6.6	9.9	18.0	25.3	34.7	23.7	2.7	14.9	2.9	0.5	4.5	-20.5	-3.9

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 franchise business operators

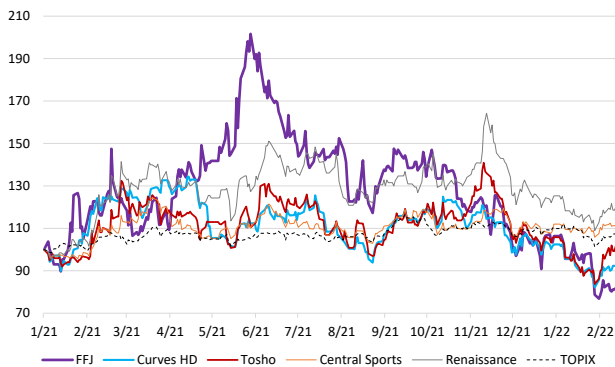
Company name	Ticker	PX 10-Feb	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
KOBE BUSSAN CO LTD	3038	3,740	1,023.3	-0.3	6.2	8.6	28.5	25.6	25.3	41.3	38.7	33.9	10.4	27.7	2.5	0.6	-3.0	-12.3	28.6
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
IBJ INC (TP 1,450 Buy)	6071	842	35.4	-0.2	7.9	17.1	18.3	22.7	26.4	34.6	21.8	15.3	5.9	NA	2.1	1.3	7.3	-23.2	-23.1
CURVES HOLDINGS CO LTD	7085	719	67.5	0.8	8.3	NA	19.3	21.8	31.8	42.5	32.4	19.2	7.4	NA	2.8	1.1	2.0	-20.2	-25.7
<b>FAST FITNESS JAPAN INC (TP 5,600 Buy)</b>	<b>7092</b>	<b>2,168</b>	<b>40.6</b>	<b>-0.2</b>	<b>NA</b>	<b>29.1</b>	<b>NA</b>	<b>15.9</b>	<b>18.0</b>	<b>21.8</b>	<b>29.1</b>	<b>22.0</b>	<b>4.5</b>	<b>NA</b>	<b>2.9</b>	<b>0.5</b>	<b>-12.8</b>	<b>-22.4</b>	<b>-34.2</b>
WORKMAN CO LTD	7564	5,110	418.2	-0.4	10.2	24.0	19.4	NA	NA	23.1	22.9	21.6	4.2	NA	NA	1.3	2.7	-19.7	-40.7
Average				0.2	8.5	20.6	19.8	19.9	23.0	30.8	27.5	21.7	5.9	21.8	2.9	1.2	0.3	-15.5	-14.5
Median				-0.2	8.3	24.0	19.3	21.8	25.3	28.9	26.0	20.4	5.2	21.8	2.8	1.2	2.3	-19.9	-24.4

Source: Bloomberg Finance LP data, Mita Securities

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

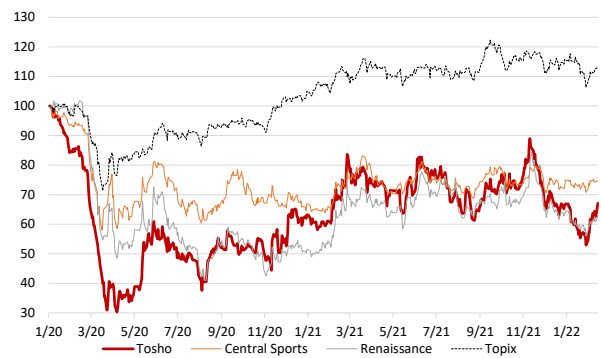
Comparison of stock price trends (reference)

Figure: Stock price trends for fitness club companies



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

Figure: Stock price trends for fitness club companies



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

## APPENDIX

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