



# Zenkoku Hoshu

TSE 1st Section 7164 Industry: Other financials

## Extremely low credit costs continuing

### 1-3Q credit costs are only 31% of the full-year guidance

Zenkoku Hoshu (7164, the company) announced 3Q FY3/22 results. Guarantee exposure at the end of 3Q was 15.2424trn yen (+7.5% YoY). 1-3Q operating revenue was 29.7bn yen (+4.1% YoY), and OP was 23.4bn yen (+9.7% YoY). Progress toward the company's full-year guidance (operating revenue 50.3bn yen and OP 38.8bn yen) was 59% and 60%, respectively. As the company's results reflect strong seasonality, with the largest operating revenue and OP booked in 4Q, the progress rate through 3Q look favorable, increasing the possibility that the company will exceed its full-year OP guidance. We believe that the company is on track to meet our full-year OP forecast of 40.5bn yen.

Credit costs were 1.147bn yen (vs. 2.352bn yen for 1-3Q FY3/21), progress of only 31% toward the company's full-year guidance of 3.65bn yen, and 45% toward our forecast of 2.5bn. Default amount was 6.4bn yen (vs. 8.6bn yen for 1-3Q FY3/21), progress of 51% toward the company's full-year guidance of 12.45bn yen, and 70% toward our forecast of 9.1bn yen. The company said that the delinquency rate has been declining further, which suggests, in our view, that the credit costs for this fiscal year would be significantly lower than the company's guidance.

### Number of new guarantees executed

The number of new guarantees executed in 1-3Q was 47,305 (+12.6% YoY), 79% progress toward the company's full-year guidance of 60,000 (+5.1% YoY; same as our forecast). The likelihood of achieving the guidance is increasing. The number of new guarantees executed in 3Q (Oct-Dec) was 15,596 (+1.5% YoY, -4.0% QoQ).

Please refer to the report dated November 30, 2021 for the rationale of the rating and target price.

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## Update

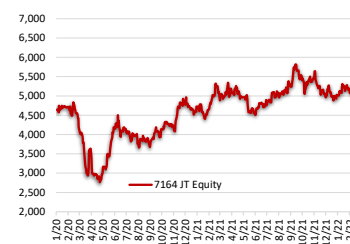
Rating  
**Buy**

Target price (JPY)	6,500
Stock price (JPY) (Feb 7)	5,090
Market cap (JPYbn)	350.6

### Key changes

Rating	No
Target price	No
Earnings forecast	No

### Stock price (JPY)



Source: Bloomberg Finance LP

### Earnings

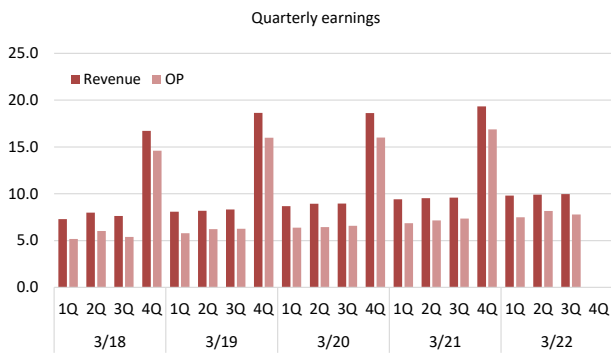
		3/20	3/21	3/22E	3/23E	3/24E
Revenue	JPYbn	45.2	47.8	50.2	53.7	56.9
OP	JPYbn	35.4	38.2	40.5	43.1	44.6
RP	JPYbn	35.8	39.0	41.4	44.2	45.8
NP	JPYbn	24.4	27.0	28.6	30.6	31.7
EPS	JPY	355.2	392.5	415.8	445.7	461.7
BPS	JPY	2,109	2,411	2,692	2,982	3,268
DPS	JPY	95.0	117.0	135.0	156.0	175.0
PER	x	9.6	12.9	12.2	11.4	11.0
PBR	x	1.6	2.1	1.9	1.7	1.6
Div. yield	%	2.8	2.3	2.7	3.1	3.4
ROA	%	7.0	7.0	6.9	6.9	6.6
ROE	%	18.0	17.4	16.3	15.7	14.8

Source: Company data, Mita Securities

### Company profile

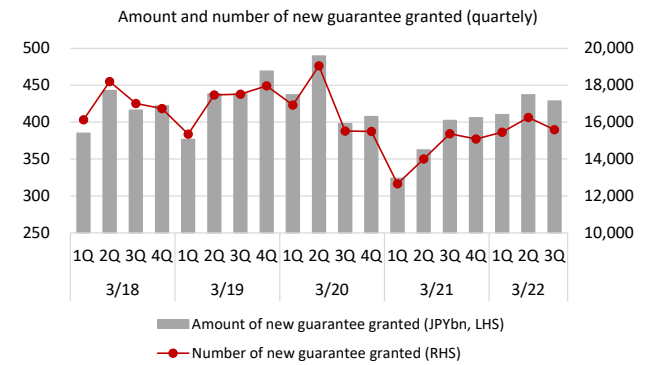
Zenkoku Hoshu is an independent mortgage guarantee company with guarantee exposure of 14.6trn yen (end-FY3/21). It has partnerships with 744 financial institutions nationwide. Stock revenue has been growing due to the increase in the guarantee exposure, whereas credit costs have remained at a low level. The company has made it clear that it aims to grow through M&A.

Figure: Quarterly earnings (JPYbn)



Source: Company data, Mita Securities

Figure: Amount and number of new guarantees executed (Q)



Source: Company data, Mita Securities

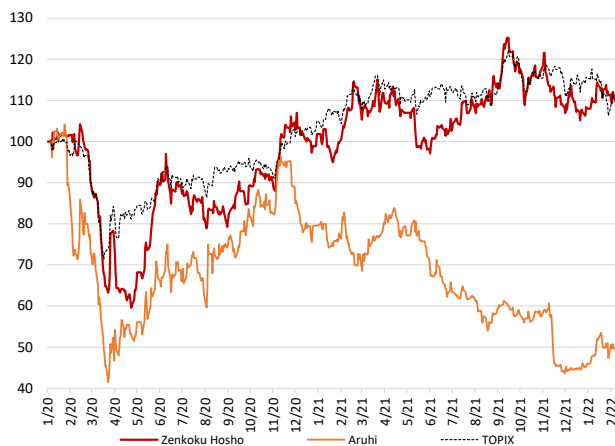
Figure: Comparison of valuations

Company	Ticker	Curncy	Share price 4-Feb	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	Dividend yield Current E	1M Change	3M Change	1YR Change
ZENKOKU HOSHU CO LTD	7164	JPY	5,080	349.9	12.9	12.4	NA	NA	2.1	NA	NA	17.7	4.5	83.2	NA	0.0	-3.8	3.3
MORTGAGE SERVICE JAPAN LTD	7192	JPY	1,117	16.4	17.0	14.7	NA	NA	2.6	NA	NA	19.0	4.8	23.7	NA	2.0	5.4	-8.2
ARUHI CORP	7198	JPY	1,120	40.4	7.6	8.3	8.1	7.3	1.3	9.1	2.9	16.1	-1.5	45.5	5.2	2.0	-16.7	-35.1
PREMIUM GROUP CO LTD	7199	JPY	3,800	50.7	20.3	20.0	17.6	14.4	5.9	NA	2.4	33.3	24.4	24.6	1.3	5.4	16.6	50.6
CREDIT SAISON CO LTD	8253	JPY	1,318	244.4	5.7	5.5	5.8	5.3	0.4	38.8	8.3	7.1	-0.3	39.5	3.5	4.4	-6.3	0.9
AIFUL CORP	8515	JPY	347	168.2	9.1	9.0	10.7	6.7	1.1	NA	4.2	13.0	-0.1	22.5	0.3	-5.4	-9.9	23.0
AEON FINANCIAL SERVICE CO LT	8570	JPY	1,249	269.8	15.2	9.0	10.9	9.4	0.6	NA	NA	7.4	NA	NA	3.7	-3.2	-12.7	-8.4
ACOM CO LTD	8572	JPY	315	493.5	6.3	8.3	10.5	7.4	0.9	NA	3.9	12.0	-3.6	39.2	1.9	-8.7	-16.9	-35.6
JACCS CO LTD	8584	JPY	3,150	110.5	9.2	6.5	NA	NA	0.6	NA	NA	9.9	1.1	31.5	NA	4.7	2.4	44.5
ORIENT CORP	8585	JPY	127	218.3	13.6	10.5	NA	NA	1.1	NA	NA	9.9	-2.7	25.5	NA	-3.8	-14.2	-10.6
EGUARANTEE INC	8771	JPY	1,863	87.1	41.3	36.7	34.6	29.8	4.9	16.0	8.0	14.3	16.9	60.4	1.2	-10.3	-31.9	-24.2
<b>Average</b>					<b>14.4</b>	<b>12.8</b>	<b>14.0</b>	<b>11.5</b>	<b>2.0</b>	<b>21.3</b>	<b>4.9</b>	<b>14.5</b>	<b>4.3</b>	<b>39.5</b>	<b>2.4</b>	<b>-1.2</b>	<b>-8.0</b>	<b>0.0</b>
MGIC INVESTMENT CORP	MTG	USD	15.46	5.0	8.1	8.2	8.0	7.2	1.0	NA	4.8	13.3	-1.1	NA	2.1	2.3	-2.0	28.2
ESSENT GROUP LTD	ESNT	USD	45.63	5.0	11.7	8.2	7.8	7.5	1.2	NA	5.2	15.8	8.4	NA	1.5	-2.5	-5.3	4.5
GENWORTH MORTGAGE INSURANCE	GMA AU	AUD	2.61	1.1	NA	25.7	5.6	7.0	0.7	NA	2.8	2.9	-0.8	NA	5.9	10.1	15.5	1.2
<b>Average</b>					<b>9.9</b>	<b>14.0</b>	<b>7.1</b>	<b>7.2</b>	<b>1.0</b>	<b>NA</b>	<b>4.3</b>	<b>10.7</b>	<b>2.1</b>	<b>NA</b>	<b>3.2</b>	<b>3.3</b>	<b>2.7</b>	<b>11.3</b>

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are by Bloomberg consensus

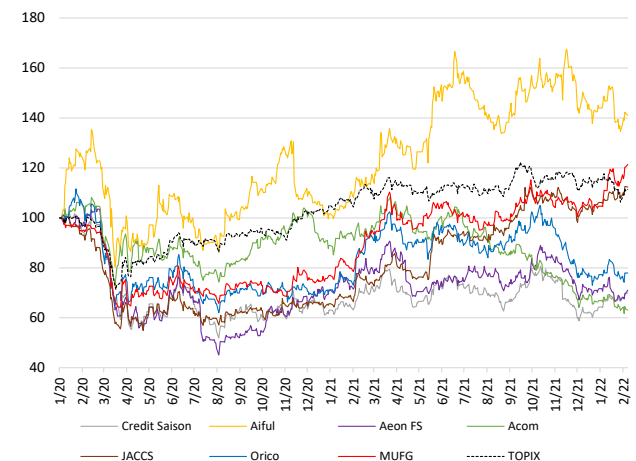
Figure: Stock price trends



Source: Bloomberg Finance LP data, Mita Securities

Note: Indexed 100 at the end of 2019

Figure: Stock price trends

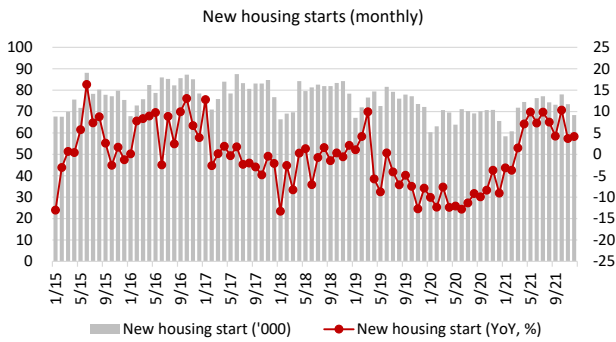


Source: Bloomberg Finance LP data, Mita Securities

Note: Indexed 100 at the end of 2019

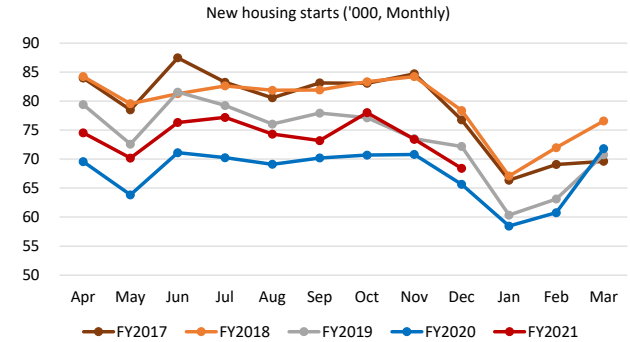
# Reference materials

Figure: New housing starts



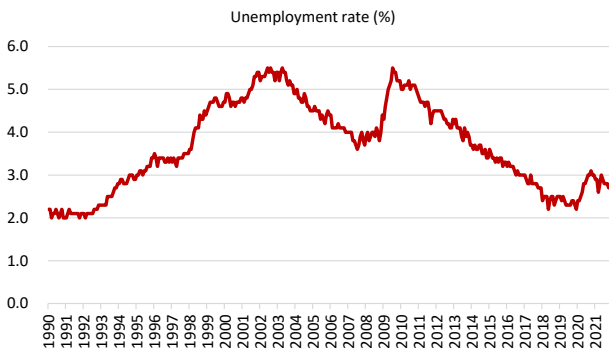
Source: MLIT data, Mita Securities

Figure: New housing starts



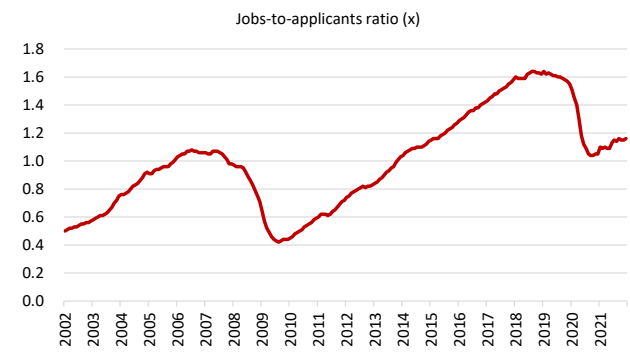
Source: MLIT data, Mita Securities

Figure: Unemployment rate



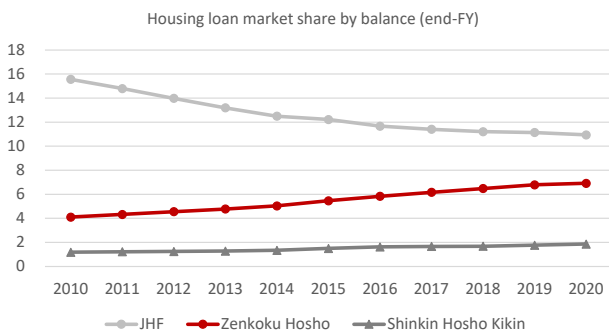
Source: MIC data, Mita Securities

Figure: Jobs-to-applicants ratio



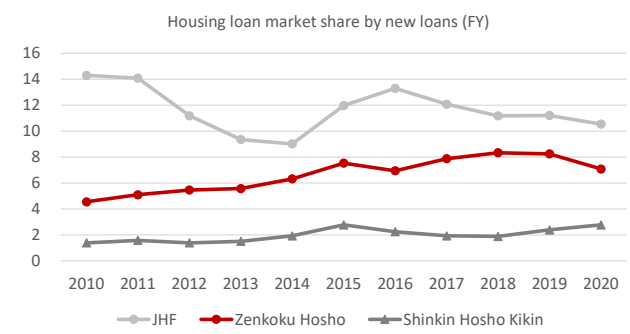
Source: MHLW data, Mita Securities

Figure: Housing loan market share by balance



Source: JHF data, Shinkin Hosho Kikin data, company data, Mita Securities

Figure: Housing loan market share by new loans



Source: JHF data, Shinkin Hosho Kikin data, company data, Mita Securities

## APPENDIX

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