



Tosho

TSE 1st Section

8920

Industry: Leisure and amusement

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Solid 3Q OP; Announced upward revision of guidance on property sales

1-3Q OP progress rate 81% toward the previous full-year guidance

Tosho (8920, the company) announced 3Q FY3/22 results and an upward revision of its full-year guidance.

1-3Q sales were 15.206bn yen (+16.7% YoY), OP was 1.615bn yen (+55.0% YoY), and OPM was 10.6% (vs. 8.0% for 1-3Q FY3/21). Progress rate toward the company's previous full-year guidance (sales 20.5bn yen, OP 2.0bn yen), was 74% for sales, and 81% for OP. The impression of the results is positive.

The company's strength lies in its low-cost operations in the sports club, hotel, and real estate businesses. With sales on a recovery track, profit margins have been improving significantly. In addition, the company said that it sold a property in the real estate business.

The difference between consolidated OP of 1.615bn yen and AB Hotel's OP of 667m yen was 948m yen (nearly equivalent to Tosho's parent OP). Progress toward the 1.1bn yen difference in the previous full-year OP guidance (consolidated OP of 2.0bn yen and AB Hotel's OP of 0.9bn yen) was 86%.

Recovery progressed in 3Q mainly in the hotel business

3Q (Oct-Dec) results were sales of 5.510bn yen (vs. 4.758bn yen for 1Q, 4.939bn yen for 2Q), and OP of 890m yen (vs. 309m yen for 1Q, 417m yen for 2Q), with OPM at 16.2% (vs. 6.5% for 1Q, 8.4% for 2Q).

Sales for the sports club business were 2.951bn yen in 1Q, 3.014bn yen in 2Q, and 3.153bn yen in 3Q. Sales for the hotel business were 1.396bn yen in 1Q, 1.503bn yen in 2Q, and 1.818bn yen in 3Q. Sales for the real estate business were 411m yen in 1Q, 423m yen in 2Q, and 536m yen in 3Q.

Upward revision of full-year guidance

The company announced a revision to its FY3/22 full-year guidance, raising its OP guidance from 2.0bn yen to 4.4bn yen. The company states that this reflects the sale of 16 rental condominiums to Tosho REIT in 4Q, which will result in a gain of 3.3bn yen.

Please refer to the report dated April 21, 2021 for the rationale of the rating and target price.

Update

Rating

Buy

Target price (JPY) **2,300**

Stock price (JPY) (Feb 3) 1,528

Market cap (JPYbn) 58.5

Key changes

Rating No

Target price No

Earnings forecast No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

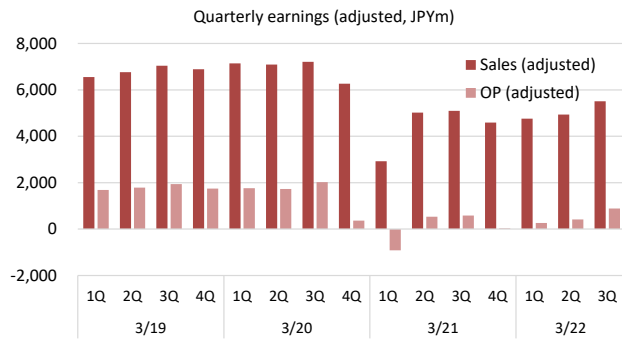
		3/19	3/20	3/21	3/22E	3/23E
Sales	JPYbn	27.2	34.5	17.6	21.8	25.0
OP	JPYbn	7.2	9.7	1.1	2.5	4.5
RP	JPYbn	7.3	9.6	1.1	2.4	4.4
NP	JPYbn	4.0	5.8	0.2	1.4	2.4
EPS	JPY	105.0	151.5	5.7	35.7	63.8
BPS	JPY	769.5	904.9	903.8	942.1	993.9
DPS	JPY	15.0	15.0	2.0	6.0	12.0
PER	x	29.2	6.6	328.7	43.6	24.4
PBR	x	4.0	1.1	2.1	1.7	1.6
Div. yield	%	0.5	1.5	0.1	0.4	0.8
ROA	%	6.4	8.1	0.3	1.7	3.0
ROE	%	14.5	18.1	0.6	3.9	6.6

Source: Company data, Mita Securities

Company profile

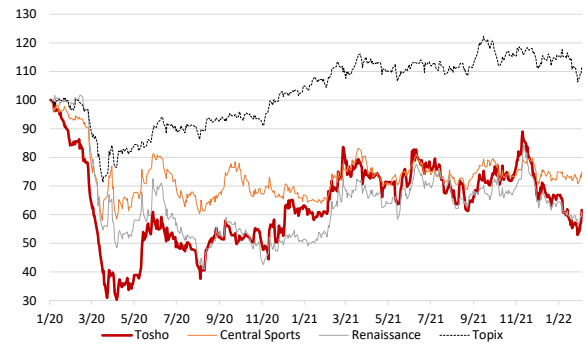
Tosho is based in Aichi Prefecture and operates Holiday Sports Club, AB Hotel, and real estate leasing business. The company has 101 sports clubs and 31 hotels at end-FY3/21. The company is actively involved in the store design stage to reduce initial investment, and also achieves low-cost operations through its own store management.

Figure: Quarterly earnings



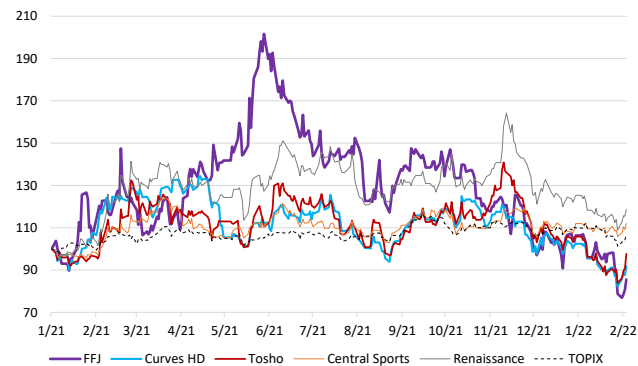
Source: Company data, Mita Securities

Figure: Stock price trends for fitness club operators



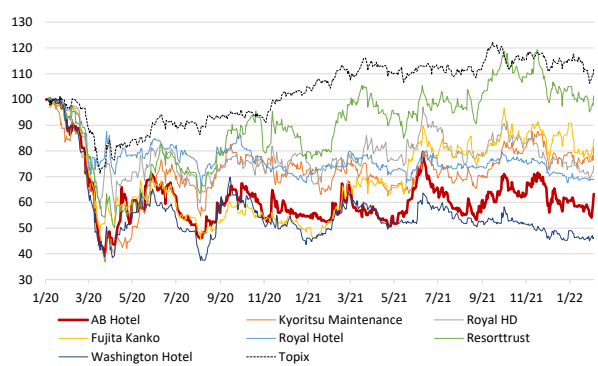
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends for fitness club operators



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

Figure: Stock price trends for hotel operators



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

Figure: Comparison of valuations for fitness club operators

Company name	Ticker	PX 2-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	1,069	22.9	1.7	1.8	-8.4	-45.0	3.9	NA	NA	50.4	28.1	2.1	NA	1.1	0.6	-4.1	-15.4	8.5
RIZAP GROUP INC	2928	156	86.8	1.4	-8.4	9.4	16.5	NA	NA	23.1	NA	NA	3.1	NA	NA	NA	-1.3	-14.8	4.7
CENTRAL SPORTS CO LTD	4801	2,460	28.2	0.3	-2.9	10.2	7.4	NA	NA	16.8	NA	NA	1.2	NA	NA	NA	0.4	-1.0	11.9
CURVES HOLDINGS CO LTD	7085	718	67.4	0.8	8.3	NA	19.3	21.8	31.8	42.5	32.3	19.1	7.4	NA	2.8	1.1	-9.6	-21.1	-22.3
FAST FITNESS JAPAN INC (TP 5,600 Buy)	7092	2,235	41.8	-0.2	NA	29.1	NA	15.9	18.0	22.5	30.0	22.7	4.6	NA	3.0	0.4	-20.0	-30.0	-27.1
TOSHO CO LTD (TP 2,300 Buy)	8920	1,559	59.7	0.4	-31.2	19.9	2.0	3.9	10.0	86.8	42.6	22.2	1.7	14.1	3.5	0.3	-6.3	-24.9	-9.6
Average				0.7	-6.5	12.0	0.0	11.4	19.9	38.3	38.8	23.0	3.4	14.1	2.6	0.6	-6.8	-17.9	-5.6
Median				0.6	-2.9	10.2	7.4	9.9	18.0	23.1	37.5	22.5	2.6	14.1	2.9	0.5	-5.2	-18.2	-2.4

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

Figure: Comparison of valuations for hotel operators

Company	Ticker	Share price 2-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	Div Yield Current E	1M Change	3M Change	1YR Change
RESORTTRUST INC	4681	1,882	204.2	NA	NA	30.3	25.2	2.0	11.2	1.6	-8.9	-2.2	-0.3	1.6	0.2	-7.9	18.6
WASHINGTON HOTEL CORP	4691	628	7.6	NA	NA	NA	NA	1.8	NA	NA	-80.1	-44.2	-74.7	NA	-4.6	-10.2	-13.3
AMAZE CO LTD	6076	847	12.9	33.0	33.1	NA	NA	1.1	NA	NA	3.3	4.5	19.2	NA	-4.1	-8.6	2.0
GREENS CO LTD	6547	485	6.2	NA	NA	NA	12.2	NA	NA	0.8	NA	-6.0	-43.4	0.0	-4.3	-10.5	-1.6
ABHOTEL CO LTD (TP 1,400 Buy)	6565	1,247	17.7	1,756.3	88.2	43.1	21.0	2.9	NA	3.8	3.4	22.7	20.4	0.3	2.2	-5.2	5.7
ROYAL HOLDINGS CO LTD	8179	1,843	83.6	NA	NA	NA	45.6	3.0	11.6	1.2	-47.6	-15.6	-10.7	0.0	-2.9	-12.6	-3.8
KYORITSU MAINTENANCE CO	9616	4,235	166.1	NA	NA	379.5	37.8	2.5	21.4	1.7	-11.8	0.4	-2.9	0.5	5.0	-4.0	16.8
IMPERIAL HOTEL LTD	9708	1,814	107.8	NA	NA	NA	98.1	2.6	15.6	1.7	-21.1	-2.5	-24.1	0.2	-2.4	-4.1	-8.2
ROYAL HOTEL LTD/THE	9713	1,136	11.7	NA	NA	NA	NA	NA	NA	NA	NA	-35.9	-27.3	NA	-2.9	-7.8	-6.9
FUJITA KANKO INC	9722	2,399	29.3	NA	2.2	NA	NA	0.8	NA	NA	64.3	-23.1	71.5	NA	-2.9	-3.6	55.6
KYOTO HOTEL LTD/THE	9723	610	7.4	NA	NA	NA	NA	5.3	NA	NA	-73.0	-28.8	-6.3	NA	-1.5	-2.9	4.5
Average				894.7	41.2	151.0	40.0	2.4	15.0	1.8	-19.1	-11.9	-7.2	0.4	-1.7	-7.0	6.3

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

APPENDIX

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