



Koshidaka Holdings

TSE Prime

2157

Industry: Leisure and amusement

MITA SECURITIES Co., Ltd.

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1H OP turns to positive; Significant store expansion

1H results above revised guidance. Upward revision of full-year RP guidance

On April 13, Koshida Holdings (2157, the company) announced 1H FY8/22 sales of 16.533bn yen (+36.5% YoY), OP of 275m yen (-2.644bn yen loss in 1H FY8/21), and RP of 2.974bn yen (-2.429bn yen loss in 1H FY8/21). The results were above the company's 1H guidance revised on February 21 (sales of 16.305bn yen, OP of 29m yen, and RP of 2.549bn yen), and the impression is positive. Note that RP includes 2.637bn yen in subsidy income.

The company announced a revision to its full-year guidance. The revisions include RP of 4.459bn yen to 5.380bn yen. The company maintained the OP guidance at 2.701bn yen.

Our full-year forecasts are OP of 1.921bn yen and RP of 3.468bn yen. Our forecasts assume around 1.3bn yen in subsidy income.

2Q results: First positive quarterly OP under the pandemic; Significant store expansion

2Q (Dec-Feb) OP was 1.406bn yen (-1.661bn yen loss in 2Q FY8/21), a significant improvement from 1Q OP of -1.131bn yen. This was the first time under the COVID-19 pandemic that the company posted positive OP on a quarterly basis.

Same-store sales (same month in the previous year as 100%) were 156% for December, 191% for January, and 150% for February. The positive OP was supported by the normalization of operations in December, a busy month for the company. During the period of "priority measures to prevent the spread of the disease," which began in January, the company made a decision on whether or not to comply with the shorter operating hour requests, depending on the situation of each store.

2Q RP was 3.170bn yen (-1.634bn yen loss in 2Q FY8/21). This includes subsidy income of 1.702bn yen. The remaining portion of the subsidies related to the shorter operating hour requests from January onward (about 0.2-0.3bn yen) is expected to be booked from 3Q onward.

The total number of stores for the karaoke business at end-2Q was 584 (+7 from end-1Q; +25 from end-FY8/21). We believe that the company's market share in the karaoke room market has been expanding through the pandemic period.

Please refer to the report dated November 22, 2021, for the rationale of the rating and target price.

Update

Rating

Buy

| | |
|----------------------------|------|
| Target price (JPY) | 820 |
| Stock price (JPY) (Apr 13) | 680 |
| Market cap (JPYbn) | 56.0 |

Key changes

| | |
|-------------------|----|
| Rating | No |
| Target price | No |
| Earnings forecast | No |

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

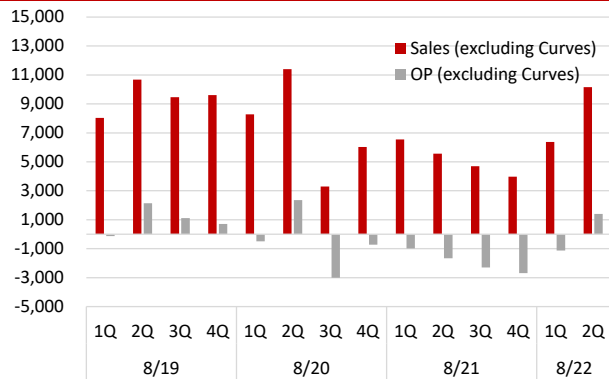
| | | 8/20 | 8/21 | 8/22E | 8/23E | 8/24E |
|------------|-------|-------|-------|-------|-------|-------|
| Sales | JPYbn | 43.3 | 20.8 | 36.7 | 42.7 | 46.0 |
| OP | JPYbn | 1.1 | -7.6 | 1.9 | 3.3 | 4.1 |
| RP | JPYbn | 1.7 | -3.1 | 3.5 | 3.6 | 4.4 |
| NP | JPYbn | -0.2 | -4.1 | 3.0 | 3.1 | 3.0 |
| EPS | JPY | -2.8 | -50.8 | 36.4 | 37.8 | 37.0 |
| BPS | JPY | 281.0 | 223.0 | 255.4 | 285.2 | 313.2 |
| DPS | JPY | 12.0 | 4.0 | 8.0 | 9.0 | 12.0 |
| PER | x | NA | NA | 18.3 | 17.6 | 18.0 |
| PBR | x | 1.6 | 3.0 | 2.6 | 2.3 | 2.1 |
| Div. yield | % | 2.6 | 0.6 | 1.2 | 1.3 | 1.8 |
| ROA | % | -0.4 | -9.6 | 6.7 | 6.3 | 5.8 |
| ROE | % | -0.8 | -20.2 | 15.2 | 14.0 | 12.4 |

Source: Company data, Mita Securities

Company profile

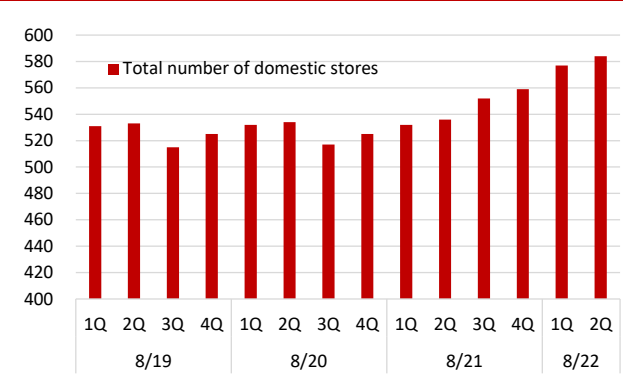
Koshidaka HD is a major karaoke room operator that operates "Karaoke Manekineko" stores nationwide. The total number of stores at the end of February 2022 was 588. In March 2020, it spun off the Curves business and is concentrating its management resources on the karaoke business.

Figure: Sales and OP (quarterly, JPYm)



Source: Company data, Mita Securities

Figure: Total number of domestic stores



Source: Company data, Mita Securities

Figure: Comparison of valuations for karaoke companies

| Company name | Ticker | PX 4/12 | 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 |
|--|--------|---------|---------------|--------------|---------------|----------------|---------|-----------|-----------|---------|-----------|-----------|----------|-----------------|----------------|-----------------|--------|--------|---------|
| KOSHIDAKA HOLDINGS CO LTD (TP 820 Buy) | 2157 | 667 | 54.9 | 0.6 | -39.8 | -27.0 | -19.9 | 15.2 | 14.0 | NA | 18.3 | 17.6 | 3.4 | NA | 1.8 | 1.2 | 1.8 | 8.1 | 15.0 |
| TETSUJIN INC | 2404 | 323 | 4.4 | 11.2 | 9.8 | 2.6 | NA | NA | NA | 14.7 | NA | NA | 15.2 | NA | NA | NA | 18.3 | -12.0 | 18.8 |
| ROUND ONE CORP | 4680 | 1,396 | 133.3 | 1.1 | 28.7 | 11.8 | -0.9 | 10.2 | 14.2 | NA | 26.5 | 19.5 | 2.7 | 11.6 | 1.7 | 1.4 | 15.5 | 6.9 | 22.2 |
| DAIICHIKOSHO CO LTD | 7458 | 3,285 | 179.8 | -0.2 | -12.9 | 14.7 | -9.2 | 2.4 | 9.6 | NA | 38.7 | 23.4 | 1.7 | 12.7 | 1.8 | 3.4 | 1.1 | -4.2 | -27.2 |
| Average | | | | 3.2 | -3.6 | 0.5 | -10.0 | 9.3 | 12.6 | 14.7 | 27.8 | 20.2 | 5.8 | 12.1 | 1.8 | 2.0 | 9.2 | -0.3 | 7.2 |
| Median | | | | 0.9 | -1.6 | 7.2 | -9.2 | 10.2 | 14.0 | 14.7 | 26.5 | 19.5 | 3.0 | 12.1 | 1.8 | 1.4 | 8.6 | 1.3 | 16.9 |

Source: Bloomberg Finance LP data, Mita Securities

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

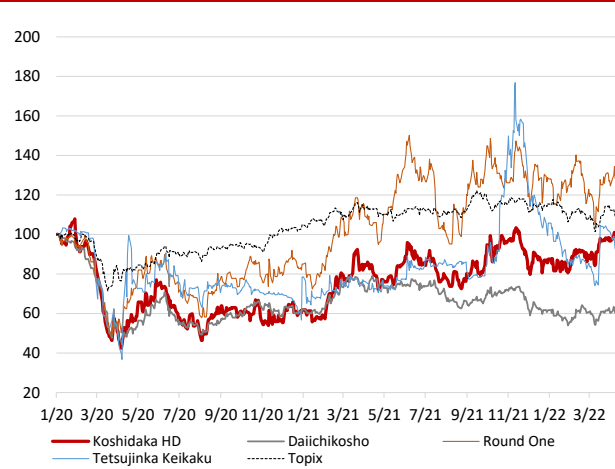
Figure: Comparison of valuations for amusement companies (reference)

| Company name | Ticker | PX 4/12 | 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 |
|---------------------------|--------|---------|---------------|--------------|---------------|----------------|---------|-----------|-----------|---------|-----------|-----------|----------|-----------------|----------------|-----------------|--------|--------|---------|
| ORIENTAL LAND CO LTD | 4661 | 22,470 | 8,172.1 | 0.0 | 5.9 | 11.9 | -3.5 | -0.5 | 10.9 | NA | NA | 89.4 | 9.9 | 188.3 | 30.5 | 0.1 | 4.0 | 20.6 | 40.4 |
| BANDAI NAMCO HOLDINGS INC | 7832 | 8,951 | 1,987.1 | -0.3 | 12.4 | 15.2 | 11.6 | 14.7 | 14.6 | 32.8 | 25.1 | 23.1 | 3.6 | 12.8 | 2.1 | 2.0 | 1.4 | 5.9 | 5.4 |
| SANRIO CO LTD | 6071 | 2,603 | 231.8 | 0.2 | 17.9 | 9.8 | 4.0 | 8.0 | 11.2 | 133.6 | 73.1 | 64.5 | 5.1 | 71.1 | 4.1 | 0.7 | 18.6 | 8.7 | 41.1 |
| FUJI KYUKO CO LTD | 9010 | 3,805 | 208.8 | 1.9 | 2.2 | 19.4 | -1.6 | 1.0 | NA | NA | 920.6 | 118.0 | 8.4 | NA | 7.2 | 0.3 | -0.3 | -3.3 | -36.7 |
| KONAMI HOLDINGS CORP | 9766 | 8,090 | 1,160.9 | -0.3 | 13.0 | 18.1 | 15.3 | 16.3 | 15.7 | 22.6 | 21.8 | 18.9 | 3.3 | 10.9 | 3.4 | 1.4 | 16.4 | 46.8 | 21.5 |
| Average | | | | 0.3 | 10.3 | 14.9 | 5.2 | 7.9 | 13.1 | 63.0 | 260.2 | 62.8 | 6.0 | 70.8 | 9.5 | 0.9 | 8.0 | 15.7 | 14.3 |
| Median | | | | 0.0 | 12.4 | 15.2 | 4.0 | 8.0 | 12.9 | 32.8 | 49.1 | 64.5 | 5.1 | 41.9 | 4.1 | 0.7 | 4.0 | 8.7 | 21.5 |

Source: Bloomberg Finance LP data, Mita Securities

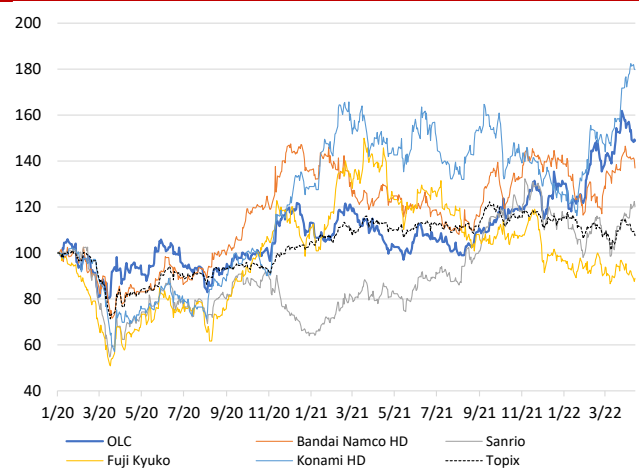
Note: Forecasts are based on Bloomberg consensus

Figure: Stock price trends for karaoke companies



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

Figure: Stock price trends for amusement companies



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

APPENDIX

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