



Tosho

TSE Prime

8920

Industry: Leisure and amusement

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Update

Acquires large-scale commercial facility in Suzuka.

Warehousing for Tosho REIT

Acquires large-scale commercial facility in Suzuka

On April 22, Tosho (8920, the company) announced that it would acquire a fixed asset (trust beneficiary certificate) under a sponsor support agreement with Tosho REIT Investment Corporation (Tosho REIT). The underlying assets are land and building located in Suzuka City, Mie Prefecture, with 88,000 square meters of land (approximately two times the size of the Tokyo Dome) and 43,000 square meters of building floor space. The property is used as rental real estate. The company has not disclosed the acquisition price, but it is more than 30% of the company's net assets of 32.2bn yen (9.7bn yen). The company's liquidity on hand should be sufficient to fund the acquisition, while the company may borrow some funds from banks if necessary.

Based on the announced location, we confirmed the map and found that Aeon Town Suzuka is located in the same area. In addition, the neighborhood is home to Honda's manufacturing facilities and related companies. It is also close to the internationally renowned Suzuka Circuit.

The company is a sponsor of Tosho REIT, and its consolidated subsidiary Tosho Asset Management is in charge of asset management for Tosho REIT. If the company sells the property to Tosho REIT, we assume that 1) the company might post a gain on the sale and 2) Tosho Asset Management might post an acquisition fee and a management fee.

Expectations for Tosho REIT's IPO growing

The company sold 9.8bn yen in fixed assets (sports clubs, rental housing, and hotels) to Tosho REIT in March 2020 and 7.5bn yen in fixed assets (rental housing) to Tosho REIT in February 2022. The acquisition of the new property in Suzuka should give the market the impression that preparations for Tosho REIT's IPO are progressing smoothly.

Please refer to the report dated March 22, 2022 for the rationale of the rating and target price.

Rating

Buy

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

Stock price (JPY) (Apr 22) 1,730

Market cap (JPYbn) 66.3

Key changes

Rating No

Target price No

Earnings forecast No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

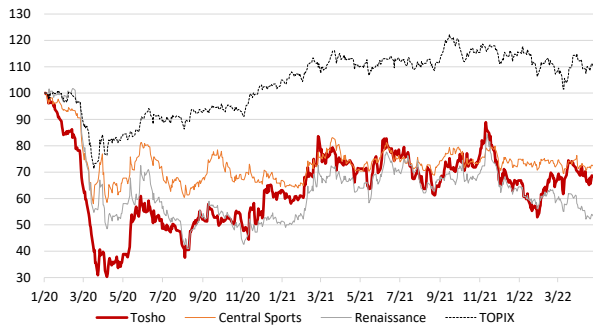
		3/20	3/21	3/22E	3/23E	3/24E
Sales	JPYbn	34.5	17.6	27.1	21.6	24.6
OP	JPYbn	9.7	1.1	4.4	2.7	4.5
RP	JPYbn	9.6	1.1	4.4	2.8	4.4
NP	JPYbn	5.8	0.2	2.5	1.3	2.2
EPS	JPY	151.5	5.7	65.4	33.9	57.1
BPS	JPY	904.9	903.8	963.1	991.0	1,038.1
DPS	JPY	15.0	2.0	6.0	6.0	10.0
PER	x	6.6	328.7	28.7	55.3	32.8
PBR	x	1.1	2.1	1.9	1.9	1.8
Div. yield	%	1.5	0.1	0.3	0.3	0.5
ROA	%	8.1	0.3	3.3	1.7	2.7
ROE	%	18.1	0.6	7.0	3.5	5.6

Source: Company data, Mita Securities

Company profile

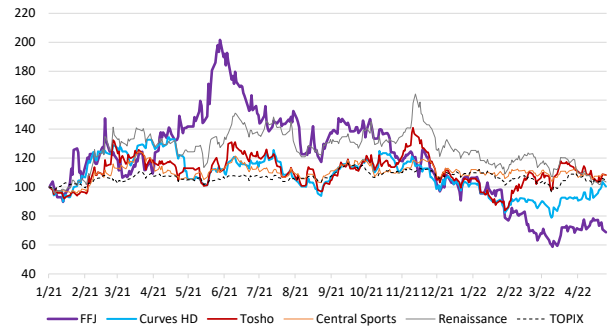
Tosho is based in Aichi Prefecture and operates Holiday Sports Club, AB Hotel, and real estate leasing business. The company had 101 sports clubs and 32 hotels at the end of December 2021. The company is actively involved in the store design stage to reduce initial investment, and also achieves low-cost operations through its own store management.

Figure: 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: Comparison of valuations for fitness club operators

Company name	Ticker	PX 22-Apr	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	932	19.9	1.7	13.5	-4.1	-37.0	4.8	NA	NA	35.2	19.6	1.7	NA	1.0	0.6	-13.2	-8.0	-15.5
RIZAP GROUP INC	2928	148	82.3	1.4	-1.5	8.6	13.2	NA	NA	29.3	NA	NA	2.9	NA	NA	NA	-5.7	1.4	-25.6
CENTRAL SPORTS CO LTD	4801	2,372	27.2	0.3	4.4	10.1	6.6	NA	NA	18.0	NA	NA	1.2	NA	NA	NA	-3.5	-0.4	2.2
CURVES HOLDINGS CO LTD	7085	785	73.7	0.8	16.4	NA	23.8	21.8	31.8	36.9	35.4	20.9	7.9	NA	3.1	1.0	9.2	15.1	-17.2
FAST FITNESS JAPAN INC (TP 2,650 Buy)	7092	1,796	33.6	-0.2	NA	29.0	21.5	16.4	16.4	18.7	23.3	20.1	3.5	7.7	2.5	0.6	-4.5	-24.7	-49.9
TOSHO CO LTD (TP 2,300 Buy)	8920	1,730	66.3	0.4	-24.0	21.6	2.2	4.4	6.8	85.6	28.7	30.2	1.9	11.9	2.8	0.3	-4.8	21.6	-2.0
Average				0.7	1.8	13.1	5.1	11.8	18.3	37.7	30.6	22.7	3.2	9.8	2.3	0.7	-3.8	0.8	-18.0
Median				0.6	4.4	10.1	9.9	10.6	16.4	29.3	31.9	20.5	2.4	9.8	2.6	0.6	-4.7	0.5	-16.3

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 22-Apr	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	2,182	236.8	NA	NA	33.4	29.3	2.2	11.9	1.7	-9.5	-6.0	-1.5	1.4	1.1	18.1	26.6
WASHINGTON HOTEL CORP	4691	622	7.6	NA	NA	NA	NA	2.0	NA	NA	-79.4	-2.1	-52.9	NA	-4.5	0.0	-10.8
AMAZE CO LTD	6076	830	12.6	32.4	17.5	NA	NA	1.1	NA	NA	6.3	16.5	22.1	NA	7.8	-2.6	-2.7
GREENS CO LTD	6547	605	7.8	NA	NA	NA	NA	5.4	NA	0.6	-385.9	25.2	-34.1	0.0	4.3	33.3	9.6
ABHOTEL CO LTD (TP 1,600 Buy)	6565	1,300	18.4	1,831.0	55.8	45.0	21.9	2.9	NA	3.9	5.3	22.8	23.4	0.3	8.3	14.7	30.0
ROYAL HOLDINGS CO LTD	8179	2,050	100.5	NA	NA	106.5	36.5	3.2	14.2	1.3	-11.8	-0.6	-0.3	0.4	-1.5	14.7	7.8
KYORITSU MAINTENANCE CO	9616	4,640	182.0	NA	NA	5,087.7	40.2	2.7	22.8	1.8	-12.0	5.5	-3.0	0.4	1.2	16.6	37.1
IMPERIAL HOTEL LTD	9708	1,813	107.7	NA	NA	NA	98.0	2.6	15.6	1.6	-21.1	-2.5	-19.4	0.2	-0.1	-0.8	-2.9
ROYAL HOTEL LTD/THE	9713	1,147	11.8	NA	NA	NA	NA	NA	NA	NA	NA	-19.5	-26.1	NA	-3.8	1.5	-1.5
FUJITA KANKO INC	9722	2,394	29.2	2.3	2.3	NA	NA	2.1	15.8	1.2	168.7	6.7	77.6	0.0	0.6	7.2	32.3
KYOTO HOTEL LTD/THE	9723	590	7.1	NA	NA	NA	NA	18.6	NA	NA	-167.3	-14.3	5.6	NA	-3.3	-1.0	-2.0
Average				621.9	25.2	1,318.1	45.2	4.3	16.1	1.7	-50.7	2.9	-0.8	0.4	0.9	9.2	11.2

Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus

APPENDIX

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