



IBJ

TSE Prime 6071 Industry: Consumer services

1Q OP up 19% YoY, supported by strong directly-owned store business

1Q OP +19% YoY at 424m yen, progressing 64% vs. 1H guidance

On May 10, IBJ (6071, the company) announced 1Q FY12/22 results. Sales were 3.648bn yen (+10.7% YoY; -1.6% QoQ), and OP was 424m yen (+18.6% YoY; -5.3% QoQ). Progress rate toward its 1H OP guidance of 666m yen, which was revised on April 27, was 64%.

OP increased +66m yen YoY. The breakdown of OP increase is as follows: +167m yen for the directly-owned store business and +26m yen for the life design business. On the other hand, OP decreased -27m yen for the franchise store business and -36m yen for the matching business.

In the strong directly-owned store business (IBJ Members, ZWEI and Sunmarie), sales grew +22.5% YoY and +5.1% QoQ.

The life design business benefited from the withdrawal from underperforming businesses, such as the travel business.

The profit decline in the franchise store business is due to the strategic reduction of upfront franchise fees, and it is within our expectations. As a result, the number of franchisees at end-1Q grew to 3,181 (+16.4% YoY; +4.7% QoQ). We understand that the company is focused on increasing the number of franchisees this fiscal year.

In the matching business, the company is moving to optimize its business portfolio by deconsolidating Diverse in 2Q, as shown below.

Restructuring of business portfolio continues

On April 27, the company announced the deconsolidation of its subsidiary Diverse. The company will exit from the casual online dating app business, which has profitability issues, and focus its resources on marriage support-related businesses, in which it has strengths. We view the company's decision as positive from a medium- to long-term perspective.

Striving to expand market share amid rising latent demand for marriages

The number of marriages has continued to decline over the past two years due to the pandemic, and we believe that latent demand for marriage among singles has been increasing. As consumer activity recovers, demand for dating services for people seeking marriage should increase, thus bringing a tailwind to marriage agencies such as IBJ. Given the chance, the company intends to accelerate acquiring new franchisees and aggressively expand its share of the matchmaking market. We believe that the company's competitive advantage should be further strengthened by rapid growth in the number of franchisees and members.

Please refer to the report dated April 27, 2022 for the rationale of the rating and target price.

MITA SECURITIES Co., Ltd.

Junichi Shimizu

Chief Analyst, Head of Research

jshimizu@mitasec.com

Update

Rating

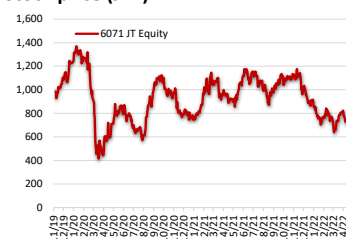
Buy

| | |
|----------------------------|-------|
| Target price (JPY) | 1,300 |
| Stock price (JPY) (May 10) | 665 |
| Market cap (JPYbn) | 27.9 |

Key changes

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

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

| | | 12/20 | 12/21 | 12/22E | 12/23E | 12/24E |
|------------|-------|-------|-------|--------|--------|--------|
| Sales | JPYbn | 13.1 | 14.1 | 15.9 | 17.9 | 19.6 |
| OP | JPYbn | 1.6 | 1.5 | 1.9 | 2.7 | 3.6 |
| RP | JPYbn | 1.5 | 1.4 | 1.8 | 2.6 | 3.5 |
| NP | JPYbn | 0.7 | 1.1 | 1.2 | 1.7 | 2.4 |
| EPS | JPY | 17.1 | 26.3 | 28.8 | 43.0 | 58.7 |
| BPS | JPY | 131.4 | 154.1 | 176.9 | 212.0 | 260.7 |
| DPS | JPY | 6.0 | 6.0 | 8.0 | 10.0 | 14.0 |
| PER | x | 45.7 | 26.2 | 23.9 | 16.0 | 11.7 |
| PBR | x | 6.0 | 4.5 | 3.9 | 3.3 | 2.6 |
| Div. yield | % | 0.8 | 0.9 | 1.2 | 1.4 | 2.0 |
| ROA | % | 5.5 | 7.8 | 8.2 | 10.9 | 13.1 |
| ROE | % | 13.5 | 18.4 | 17.4 | 22.1 | 24.9 |

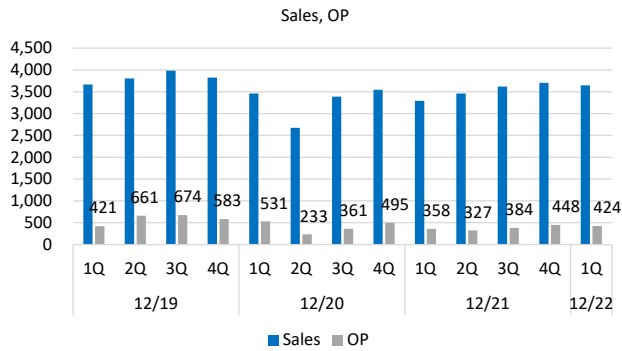
Source: Company data, Mita Securities

Company profile

IBJ operates its marriage agency business both directly and through its franchisees. The Japan Marriage Consulting Federation, which the company manages, has over 70,000 members, making it one of the largest in Japan. As of the end of December 2021, the company had 3,039 franchisees. The company's strength lies in its counseling services that focus on marriage, and it is also active in M&As.

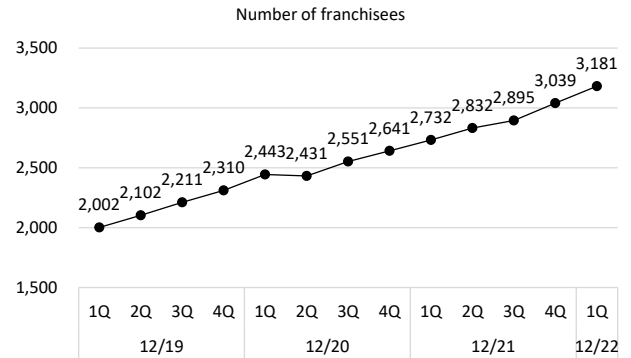
IBJ's quarterly earnings and KPIs

Figure: Quarterly earnings (JPYm)



Source: Company data, Mita Securities

Figure: Number of franchisees



Source: Company data, Mita Securities

Comparison of valuations with peers (reference)

Figure: Comparison of valuations for franchise business operators

| Company name | Ticker | PX 9-May | Mkt cap JPYbn | Net D/E Last | Sales YoY LTM | EBITDA Mn 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 | 2,855 | 802.2 | -0.3 | 8.6 | 8.5 | 28.7 | 25.2 | 25.2 | 30.8 | 30.1 | 25.9 | 8.1 | 21.9 | 2.0 | 0.7 | -23.0 | -21.6 | 0.5 |
| KOMEDA HOLDINGS CO LTD (TP 3,000 Buy) | 3543 | 2,261 | 103.2 | 1.1 | 15.5 | 26.8 | 13.6 | 13.5 | 13.8 | 21.1 | 19.6 | 17.9 | 2.7 | 15.2 | 4.0 | 2.5 | 10.3 | 3.4 | 8.9 |
| IBJ INC (TP 1,300 Buy) | 6071 | 690 | 27.9 | -0.1 | 7.7 | 15.3 | 18.4 | 18.6 | 19.1 | 26.2 | 21.7 | 18.3 | 4.3 | 10.9 | 1.6 | 1.1 | -13.1 | -21.1 | -27.2 |
| CURVES HOLDINGS CO LTD | 7085 | 701 | 63.9 | 0.8 | 16.4 | NA | 23.8 | 21.8 | 31.8 | 33.0 | 31.6 | 18.7 | 6.8 | NA | 2.7 | 1.2 | -4.5 | -5.3 | -17.1 |
| FAST FITNESS JAPAN INC (TP 2,650 Buy) | 7092 | 1,851 | 33.3 | -0.2 | NA | 29.0 | 21.5 | 16.4 | 16.4 | 19.3 | 24.0 | 20.8 | 3.5 | 7.6 | 2.4 | 0.6 | -7.2 | -17.9 | -57.3 |
| WORKMAN CO LTD | 7564 | 4,600 | 371.2 | -0.4 | 9.9 | 24.5 | 18.9 | NA | NA | 20.5 | 22.1 | 20.5 | 3.6 | NA | NA | 1.6 | -4.7 | -11.3 | -39.8 |
| Average | | | | 0.2 | 11.6 | 20.8 | 20.8 | 19.1 | 21.3 | 25.2 | 24.8 | 20.3 | 4.8 | 13.9 | 2.5 | 1.3 | -7.0 | -12.3 | -22.0 |
| Median | | | | -0.1 | 9.9 | 24.5 | 20.2 | 18.6 | 19.1 | 23.7 | 23.0 | 19.6 | 3.9 | 13.1 | 2.4 | 1.1 | -6.0 | -14.6 | -22.1 |

Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

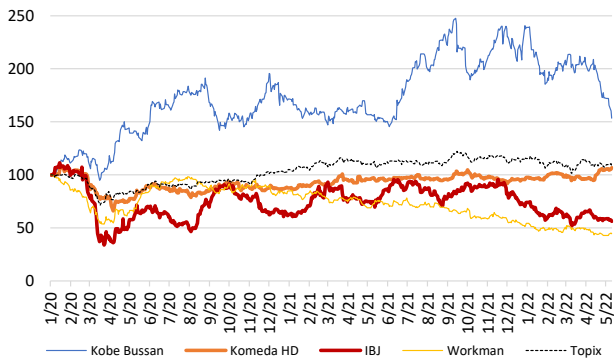
Figure: Comparison of valuations for matchmaking-related companies

| Company name | Ticker | PX 9-May | Mkt cap JPYbn | Net D/E Last | Sales YoY LTM | EBITDA Mn 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 |
|---------------------------|--------|-------------|------------------|-----------------|------------------|------------------|------------|--------------|--------------|------------|--------------|--------------|-------------|--------------------|-------------------|--------------------|-----------|-----------|------------|
| BENEFIT ONE INC | 2412 | 1,880 | 288.9 | -0.9 | 1.5 | 35.0 | 42.7 | 38.2 | 37.7 | 34.6 | 34.7 | 31.7 | 12.6 | 21.2 | 7.2 | 2.1 | -28.5 | -40.9 | -34.1 |
| LINKBAL INC | 6046 | 198 | 3.7 | -1.0 | -9.3 | -58.6 | -23.4 | NA | NA | NA | NA | NA | 2.3 | NA | NA | NA | -15.1 | -14.0 | -33.9 |
| IBJ INC (TP 1,300 Buy) | 6071 | 690 | 27.9 | -0.1 | 7.7 | 15.3 | 18.4 | 18.6 | 19.1 | 26.2 | 21.7 | 18.3 | 4.3 | 10.9 | 1.6 | 1.1 | -13.1 | -21.1 | -27.2 |
| RECRUIT HOLDINGS CO LTD | 6098 | 4,471 | 7,418.1 | -0.1 | 21.3 | 16.9 | 21.7 | 25.6 | 22.6 | 27.9 | 24.6 | 21.5 | 5.3 | 14.7 | 2.5 | 0.6 | -19.7 | -25.5 | -16.8 |
| NET MARKETING CO LTD | 6175 | 651 | 9.8 | -1.1 | -25.2 | 7.9 | 13.9 | NA | NA | 23.3 | NA | NA | 3.1 | NA | NA | NA | 10.1 | 47.7 | 10.5 |
| TAMENY INC | 6181 | 103 | 2.5 | -9.6 | 10.6 | -9.7 | NA | NA | NA | NA | NA | NA | 10.2 | NA | NA | NA | 6.3 | 13.5 | -34.4 |
| Average | | | | -2.1 | 1.1 | 1.1 | 14.7 | 27.5 | 26.5 | 28.0 | 27.0 | 23.8 | 6.3 | 15.6 | 3.8 | 1.3 | -10.0 | -6.7 | -22.7 |
| Median | | | | -0.9 | 4.6 | 11.6 | 18.4 | 25.6 | 22.6 | 27.1 | 24.6 | 21.5 | 4.8 | 14.7 | 2.5 | 1.1 | -14.1 | -17.6 | -30.6 |

Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

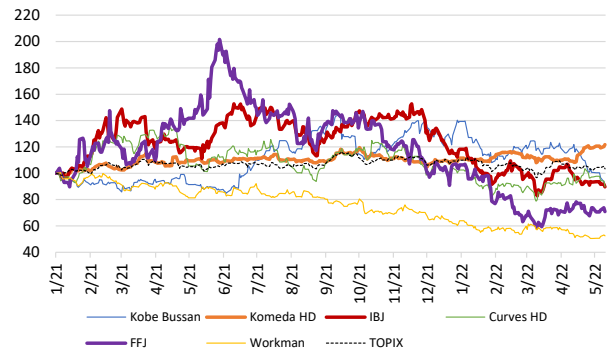
Comparison of stock price trends (reference)

Figure: Stock price trends for franchise business operators



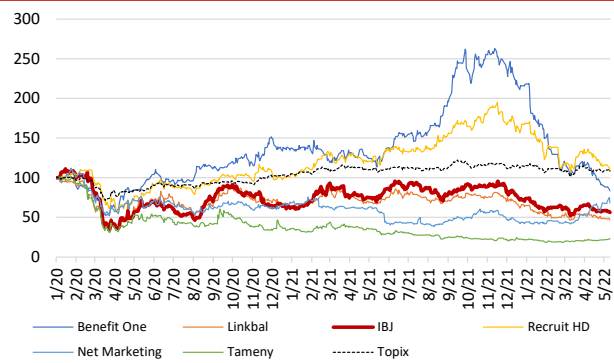
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends for franchise business operators



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

Figure: Stock price trends for matchmaking-related companies



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

APPENDIX

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