



# AB Hotel

TSE Standard

6565

Industry: Leisure and amusement

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## FY3/22 OP exceeds guidance and our forecast

### FY3/22 OP 959m yen, above the company's guidance and our forecast

On May 10, AB Hotel (6565, the company) announced FY3/22 results. Sales were 6.345bn yen (+33.9% YoY), OP was 959m yen (+2063.3% YoY), and OPM was 15.1%. Achievement rate toward the full-year guidance (sales 6.4bn yen, OP 900m yen) was 99% for sales and 107% for OP. Also, the results were slightly above our earnings forecast (sales 6.337bn yen, OP 929m yen, and OPM 14.7%).

The average occupancy rate for the 27 comparable stores was 85.3% (YoY+17.7ppt). The number of stores at the end of 4Q was 32 (+1YoY). The company opened only one store in 1Q.

4Q (Jan-Mar) sales were 1.622bn yen (+31.8% YoY; -10.9% QoQ), OP was 292m yen (-34m loss in 4Q FY3/21; -37.5% QoQ), and OPM was 18.0% (-2.7% for 4Q FY3/21; 25.6% for 3Q). In 4Q, many areas were subject to priority measures to prevent the spread of the disease.

### FY3/23 OP guidance 1.2bn yen, +25% YoY. Positive impression

The company's full-year guidance for FY3/23 is sales of 7.0bn yen (+10.3% YoY), OP of 1.2bn yen (+25.1% YoY), and OPM of 17.1%. The guidance is slightly more conservative than our earnings forecast (sales 7.066bn yen, OP 1.495bn yen and OPM 21.2%), but should give a favorable impression to the market.

The company's 1H guidance is for sales of 3.348bn yen (+15.4% YoY), OP of 470m yen (+134.3% YoY) and OPM of 14.0%.

### Resumption of new store openings

The company already opened AB Hotel Anjo (Aichi Prefecture) in April 2022. Also, the company already announced the opening of AB Hotel Seki (Gifu Prefecture) in July 2023.

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

## Update

Rating

**Buy**

Target price (JPY)	1,600
Stock price (JPY) (May 10)	1,276
Market cap (JPYbn)	18.1

### Key changes

Rating	No
Target price	No
Earnings forecast	No

### Stock price (JPY)



Source: Bloomberg Finance LP

### Earnings

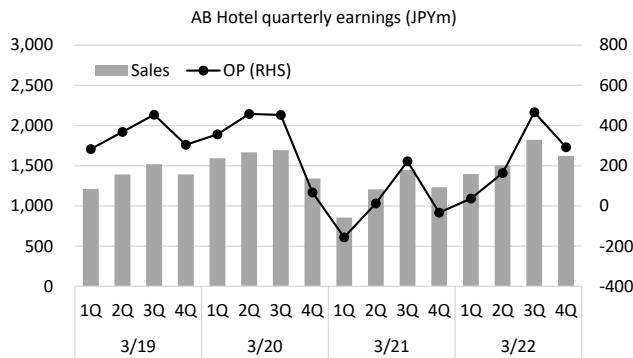
		3/20	3/21	3/22E	3/23E	3/24E
Sales	JPYbn	6.3	4.7	6.3	7.1	7.7
OP	JPYbn	1.3	0.0	0.9	1.5	2.0
RP	JPYbn	1.3	0.0	0.9	1.4	1.9
NP	JPYbn	0.9	0.0	0.5	0.9	1.2
EPS	JPY	62.9	0.7	35.9	63.0	84.5
BPS	JPY	427.7	422.4	455.2	512.2	588.7
DPS	JPY	6.0	1.0	3.0	6.0	8.0
PER	x	14.4	1,620.1	35.0	19.9	14.8
PBR	x	2.1	2.7	2.8	2.4	2.1
Div. yield	%	0.7	0.1	0.2	0.5	0.6
ROA	%	4.9	0.1	2.5	4.3	5.4
ROE	%	15.7	0.2	8.2	13.0	15.4

Source: Company data, Mita Securities

### Company profile

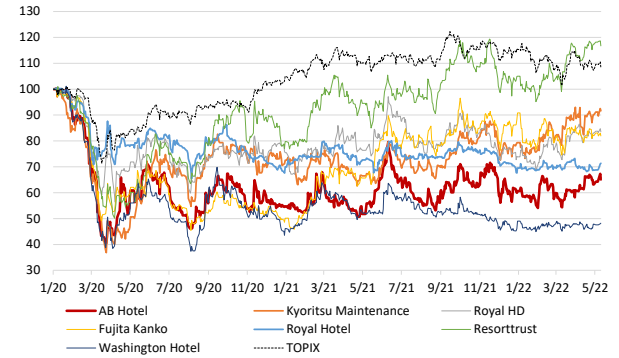
AB Hotel is based in Aichi Prefecture and operates 32 business hotels specializing in lodging under the AB Hotel brand (at the end of March 2022). The company is actively involved in the store design stage to reduce initial investment, and achieves low-cost front desk operations through the outsourcing method. AB Hotel is a consolidated subsidiary of Tocho (8920).

Figure: Quarterly earnings



Source: Company data, Mita Securities

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 hotel operators

Company	Ticker	Share price 9-May	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	2,167	227.1	NA	NA	33.0	28.8	2.1	11.2	1.7	-9.5	-6.0	-1.5	1.4	1.4	7.0	23.3
WASHINGTON HOTEL CORP	4691	653	7.9	NA	NA	NA	NA	2.1	NA	NA	-79.4	-2.1	-52.9	NA	0.5	-0.6	-9.7
AMAZE CO LTD	6076	833	12.3	32.5	17.6	NA	NA	1.0	NA	NA	6.3	16.5	22.1	NA	5.5	-3.1	-6.6
GREENS CO LTD	6547	622	8.0	NA	NA	NA	NA	5.5	NA	0.6	-385.9	25.2	-34.1	0.0	3.3	25.8	4.7
<b>ABHOTEL CO LTD</b>	<b>6565</b>	<b>1,283</b>	<b>17.8</b>	<b>1,807.0</b>	<b>55.1</b>	<b>44.4</b>	<b>21.6</b>	<b>2.8</b>	<b>NA</b>	<b>3.8</b>	<b>5.3</b>	<b>22.8</b>	<b>23.4</b>	<b>0.3</b>	<b>3.4</b>	<b>-2.6</b>	<b>13.9</b>
<b>(TP 1,600 Buy)</b>																	
ROYAL HOLDINGS CO LTD	8179	2,075	99.2	NA	NA	107.8	37.0	3.1	14.1	1.3	-11.8	-0.6	-0.3	0.4	2.2	3.4	3.7
KYORITSU MAINTENANCE CO	9616	4,775	176.5	NA	NA	70,220.6	45.9	2.7	23.5	1.8	-12.0	5.5	-3.0	0.4	1.5	2.6	27.3
IMPERIAL HOTEL LTD	9708	1,819	107.5	NA	NA	NA	98.3	2.6	15.5	1.6	-21.1	-2.5	-19.4	0.2	0.9	-0.3	-4.7
ROYAL HOTEL LTD/THE	9713	1,173	11.8	NA	NA	NA	NA	NA	NA	NA	NA	-19.5	-26.1	NA	0.2	-1.8	-3.8
FUJITA KANKO INC	9722	2,325	27.2	2.2	2.2	NA	NA	2.0	15.3	1.2	168.7	6.7	77.6	0.0	-3.2	-9.3	14.9
KYOTO HOTEL LTD/THE	9723	620	7.3	NA	NA	NA	NA	140.2	NA	NA	-177.6	10.9	7.4	NA	2.7	-0.5	-1.1
Average				613.9	25.0	17,601.4	46.3	16.4	15.9	1.7	-51.7	5.2	-0.6	0.4	1.7	1.9	5.6

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

## APPENDIX

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