



Fast Fitness Japan

TSE Prime 7092 Industry: Leisure & amusement

FY3/23 OP guidance in line with our forecast; Limited impact of inflation

FY3/22 results in line with the revised guidance, no surprises

On May 13, Fast Fitness Japan (7092, the company) announced FY3/22 results. Sales were 13.097bn yen (+17.3% YoY), and OP was 2.946bn yen (+28.4% YoY). The results were in line with the company's full-year guidance revised upward on April 26 (sales 13.097bn yen; OP 2.950bn yen), so there were no surprises. The results slightly exceeded our forecasts (sales 12.854bn yen; OP 2.901bn yen).

The number of stores at end-FY3/22 was 1,002 stores (+95 stores YoY), with 837 franchised stores (+81 stores YoY) and 165 company-owned stores (+14 stores YoY).

The number of members at end-FY3/22 was 645 thousand (+80 thousand YoY), with 546 thousand for franchised stores (+70 thousand YoY) and 99 thousand for company-owned stores (+10 thousand YoY).

4Q (Jan-Mar) OP was 634m yen (-18.0% YoY; -18.7% QoQ). The main factors behind the profit decline included an increase in advertising and other forward-looking expenses, which were within the company's plan.

FY3/23 OP guidance in line with our forecast; Limited impact of inflation

The company's FY3/23 guidance is for sales of 14.0bn yen (+6.9% YoY) and OP of 3.0bn yen (+1.8% YoY). These figures are roughly in line with our forecasts (sales 14.621bn yen; OP 3.083bn yen). The company expects higher costs for personnel, advertising, and system migration expenses, but sees limited impact of inflation. The impression is neutral.

The company assumes the number of stores at end-FY3/23 to be 1,132 stores (+130 stores YoY). This is slightly above our assumption of 1,097 stores.

The company assumes the number of new openings for franchised stores at 120-125 stores. This is slightly above our assumption of 100 stores. It should be noted, however, that a shortage of semiconductors and the lockdown in Shanghai may make it difficult to secure construction materials and equipment.

The company is running an extensive friend-referral campaign from May through August, featuring comedian Milk Boy. If the number of infections settles down, it should facilitate a recovery in the number of members.

Mid-term management plan: Aiming for 4bn yen OP in FY3/25

The company announced its mid-term plan targets for FY3/25. The company aims for 18 bn yen in sales, 4bn yen in OP, and 1,400 stores. We currently believe this is in-line with our FY3/25 forecasts (sales 19.0bn yen, OP 4.2bn yen, and 1,369 stores).

Please refer to the report dated April 4, 2022 for the rationale of the rating and target price.

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Update

Rating
Buy

Target price (JPY)	2,650
Stock price (JPY) (May 13)	1,840
Market cap (JPYbn)	34.4

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	11.3	11.2	12.9	14.6	16.9
OP	JPYbn	2.8	2.3	2.9	3.1	3.6
RP	JPYbn	2.8	2.3	2.9	3.1	3.6
NP	JPYbn	1.6	0.9	1.4	1.7	2.0
EPS	JPY	112.8	49.2	77.2	89.2	104.8
BPS	JPY	230.0	434.7	503.6	581.8	674.5
DPS	JPY	1.9	7.1	11.0	12.0	14.0
PER	x	NA	59.8	22.6	19.5	16.6
PBR	x	NA	6.8	3.5	3.0	2.6
Div. yield	%	NA	0.2	0.6	0.7	0.8
ROA	%	12.3	5.0	6.8	7.3	7.6
ROE	%	64.6	16.1	16.4	16.4	16.7

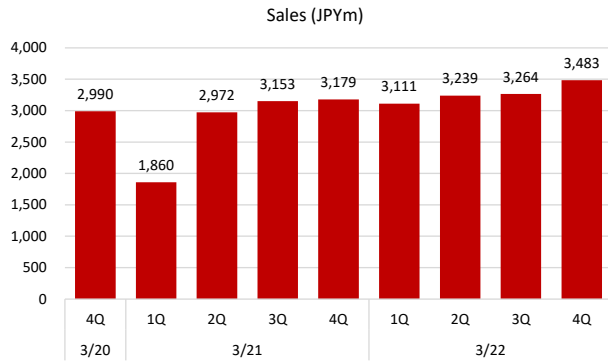
Source: Company data, Mita Securities

Company profile

Fast Fitness Japan operates the 24-hour machine-focused fitness club Anytime Fitness mainly through a franchise system, with 1,002 stores and 645,000 members at the end of March 2022.

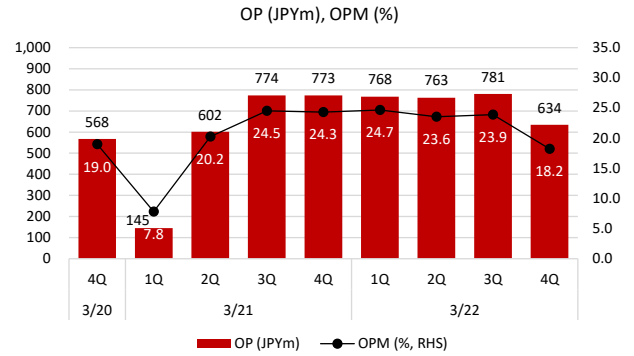
Quarterly earnings, KPIs

Figure: Sales



Source: Company data, Mita Securities

Figure: OP



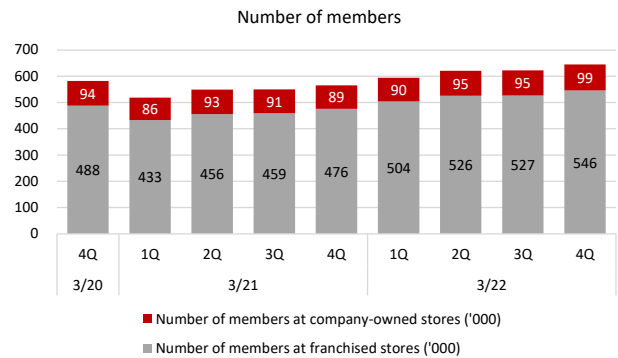
Source: Company data, Mita Securities

Figure: Store count



Source: Company data, Mita Securities

Figure: Number of members



Source: Company data, Mita Securities

Comparison of valuations with peers (reference)

Figure: Comparison of valuations for fitness club operators

Company name	Ticker	PX 12-May	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	862	18.4	1.4	22.9	9.0	5.1	4.2	NA	31.7	36.2	17.0	1.6	NA	0.8	0.9	-6.7	-22.0	-15.7
RIZAP GROUP INC	2928	150	83.4	1.4	-3.3	8.6	13.2	NA	NA	29.7	NA	NA	2.9	NA	NA	NA	0.7	-12.3	-26.8
CENTRAL SPORTS CO LTD	4801	2,255	25.9	0.3	4.4	10.1	6.6	NA	NA	17.1	NA	NA	1.1	NA	NA	NA	-3.2	-8.0	-2.4
CURVES HOLDINGS CO LTD	7085	671	63.0	0.8	16.4	NA	23.8	21.8	31.8	31.6	30.2	17.9	6.7	NA	2.7	1.2	-7.2	-6.7	-15.6
FAST FITNESS JAPAN INC (TP 2,650 Buy)	7092	1,742	32.6	-0.2	NA	29.0	21.5	16.4	16.4	18.1	22.6	19.5	3.4	7.4	2.4	0.6	-14.8	-19.6	-54.0
TOSHIO CO LTD (TP 2,300 Buy)	8920	1,192	45.7	0.1	55.0	25.7	6.8	6.7	8.2	18.8	20.8	13.8	1.2	6.8	2.1	0.6	-29.0	-29.7	-25.9
Average				0.6	19.1	16.5	12.8	12.3	18.8	24.5	27.5	17.0	2.8	7.1	2.0	0.8	-10.0	-16.4	-23.4
Median				0.6	16.4	10.1	10.0	11.5	16.4	24.3	26.4	17.4	2.2	7.1	2.2	0.8	-7.0	-16.0	-20.8

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 franchise business operators

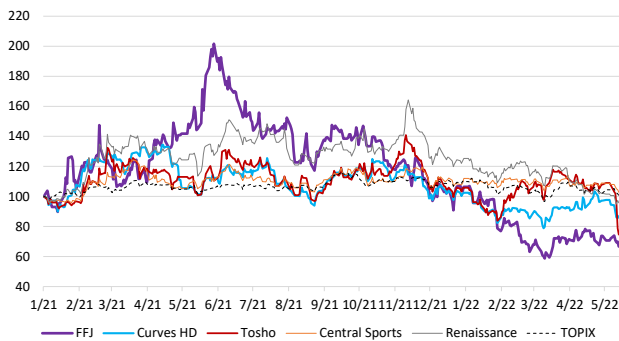
Company name	Ticker	PX 12-May	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
KOBE BUSSAN CO LTD	3038	2,806	767.7	-0.3	8.6	8.5	28.7	25.2	25.2	30.3	29.6	25.4	7.7	20.9	1.9	0.8	-25.9	-25.0	0.3
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,210	102.0	1.1	15.5	26.8	13.6	13.5	13.8	20.6	19.1	17.5	2.7	15.1	3.9	2.5	9.5	2.3	10.6
IBJ INC (TP 1,300 Buy)	6071	679	28.5	-0.1	11.9	15.2	20.0	18.6	19.1	23.4	21.4	18.0	4.3	11.2	1.7	1.1	-8.6	-19.4	-24.4
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WORKMAN CO LTD	7564	4,570	374.0	-0.4	9.9	24.5	18.9	NA	NA	20.4	21.9	20.4	3.6	NA	NA	1.5	-1.1	-10.6	-40.6
Average				0.2	12.4	20.8	21.1	19.1	21.3	24.1	24.1	19.8	4.8	13.7	2.5	1.3	-8.0	-13.2	-20.6
Median				-0.1	11.9	24.5	20.7	18.6	19.1	22.0	22.3	18.8	3.9	13.2	2.4	1.1	-7.9	-15.0	-20.0

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)

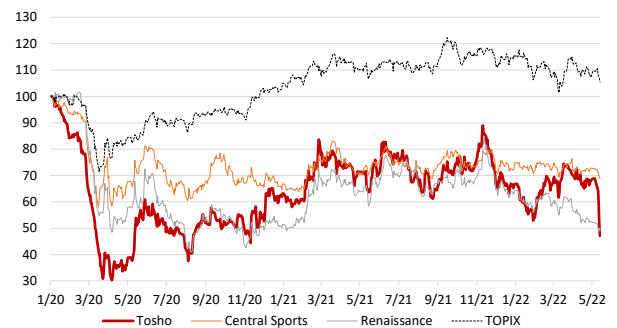
Figure: Stock price trends for fitness club companies



Source: Bloomberg Finance LP data, Mita Securities

Note: Indexed 100 at the end of 2020

Figure: Stock price trends for fitness club companies



Source: Bloomberg Finance LP data, Mita Securities

Note: Indexed 100 at the end of 2019

APPENDIX

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