



Torikizoku Holdings

TSE Prime

3193

Industry: Food service, retail

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Izakaya earnings no longer tricky but predictable

1-3Q RP 1.8bn yen; Positive impression on full-year guidance

On June 10, Torikizoku Holdings (3193, the company) announced 1-3Q (Aug-Apr) results. Sales were 13.260bn yen (-6.9% YoY), OP was -2.583bn yen (vs. -2.588bn yen in 1-3Q FY7/21), and RP was 1.817bn yen (vs. -2.027bn yen in 1-3Q FY7/21). RP includes subsidy income of 4.404bn yen (vs. 389m yen in 1-3Q FY7/21). Same-store sales growth for company-owned stores was -6.6% YoY.

The company newly announced full-year guidance for FY7/22. The guidance is for sales of 20.423bn yen (+31.0% YoY), OP of -2.229bn yen (vs. -4.663bn yen in FY7/21), and RP of 2.164bn yen (vs. -315m yen in FY7/21). Dividend guidance remains undecided. The company plans to turn profitable on an OP basis in 4Q and achieve a record high full-year RP. This is far higher than our RP forecast of -575m yen. The impression is positive.

3Q (Feb-Apr) operating loss relatively small at -0.7bn yen

In 3Q (Feb-Apr), sales were 5.076bn yen (+48.7% YoY; -16.1% QoQ), OP was -726m yen (vs. -1.371bn yen in 3Q FY7/21; -131m yen in 2Q), and RP was 515m yen (vs. -992m yen in 3Q FY7/21; -44m yen in 2Q). Subsidy income was 1.245bn yen (vs. 389m yen in 3Q FY7/21; 84m yen in 2Q). In February, the majority of its stores were requested to operate with shorter hours, but since late March, they have been allowed to operate at normal hours. The operating loss comes with no surprises. Gross profit margin was 69.7% (68.3% in 3Q FY7/21; 70.5% in 2Q), slightly above the average GPM during the pandemic periods.

Resumed openings of new Torikizoku stores; Second Toriki Burger store opened

The company resumed opening new Torikizoku stores, and in April opened Torikizoku Hibiya Store in Yurakucho, Chiyoda-ku, Tokyo. At the end of 3Q, the number of Torikizoku stores was 616 (+1 from the end of FY7/21). Of these, 385 were company-owned (+2) and 231 were franchised (-1). As for Toriki Burger (not included in the above store count), the company opened its second store in Udagawacho, Shibuya-ku, in March. In May (4Q), the company opened one new Torikizoku store.

Price hikes successful so far

On April 28, the company raised the price of all dishes from 327 yen (298 yen without tax) to 350 yen (319 yen without tax) at all Torikizoku stores. Torikizoku stores have adopted a flat price for all products. The company's monthly sales disclosure for May shows that it has succeeded in raising the average check, and the guest count does not appear to have been adversely affected. While other restaurant operators are raising prices, Torikizoku's relative cost performance has been maintained, in our view.

Please refer to the report dated November 1, 2021 for the rationale of the rating and target price.

Update

Rating
Hold

Target price (JPY)	2,100
Stock price (JPY) (Jun 10)	2,055
Market cap (JPYbn)	23.9

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		7/20	7/21	7/22E	7/23E	7/24E
Sales	JPYbn	27.5	15.6	17.7	28.4	33.8
OP	JPYbn	1.0	-4.7	-3.5	0.6	1.3
RP	JPYbn	1.0	-0.3	-0.6	0.6	1.3
NP	JPYbn	-0.8	-0.5	-0.5	0.6	1.2
EPS	JPY	-65.9	-40.3	-46.6	49.0	103.9
BPS	JPY	489.1	450.6	404.0	453.0	552.8
DPS	JPY	4.0	0.0	0.0	4.0	8.0
PER	x	NA	NA	NA	41.9	19.8
PBR	x	2.5	3.8	5.1	4.5	3.7
Div. yield	%	0.3	0.0	0.0	0.2	0.4
ROA	%	-4.1	-2.5	-3.3	3.2	6.0
ROE	%	-12.5	-8.6	-10.9	11.4	20.7

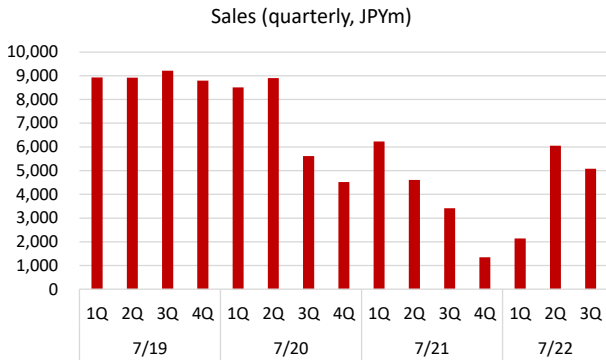
Source: Company data, Mita Securities

Company profile

Torikizoku HD is a restaurant company based in Osaka Prefecture that operates one of Japan's largest izakaya (Japanese style pub) chains "Yakitori-ya Torikizoku." Torikizoku had 615 stores (383 directly-owned stores and 232 franchise stores) as of the end of FY7/21. Sales in FY7/21 were 15.6bn yen, and the peak of sales before the COVID-19 pandemic was 35.8bn yen in FY7/19.

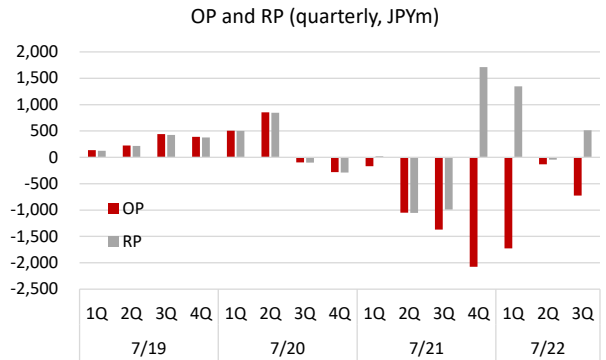
Quarterly results for Torikizoku Holdings

Figure: Sales (JPYm)



Source: Company data, Mita Securities

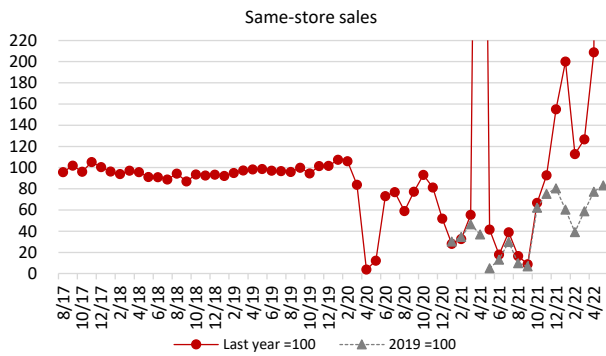
Figure: Operating profit and recurring profit (JPYm)



Source: Company data, Mita Securities

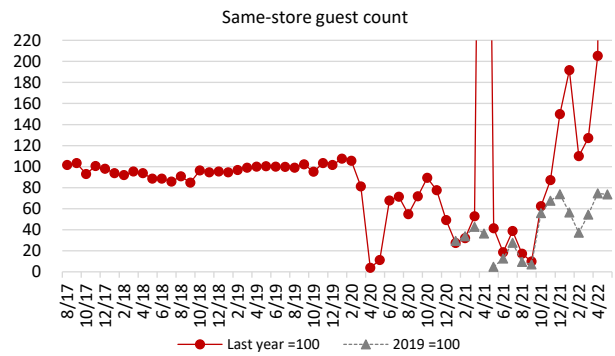
Monthly data for Torikizoku Holdings

Figure: Same-store sales (%)



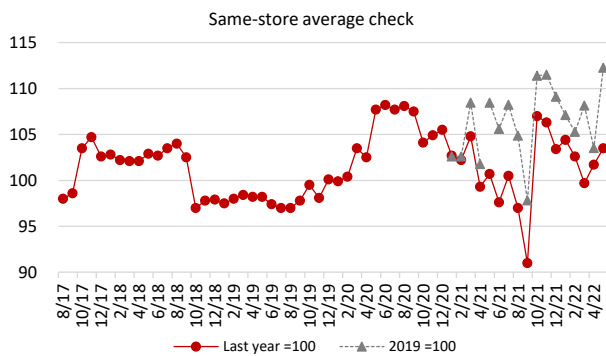
Source: Company data, Mita Securities

Figure: Same-store guest count (%)



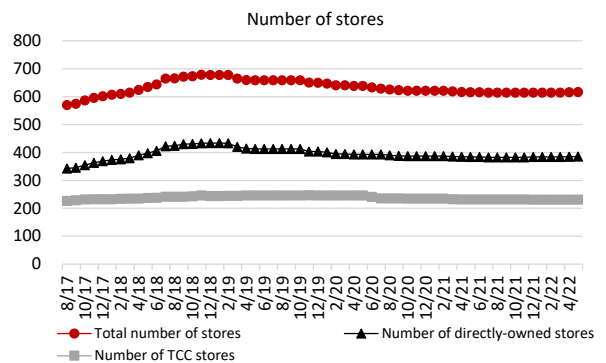
Source: Company data, Mita Securities

Figure: Same-store average check (%)



Source: Company data, Mita Securities

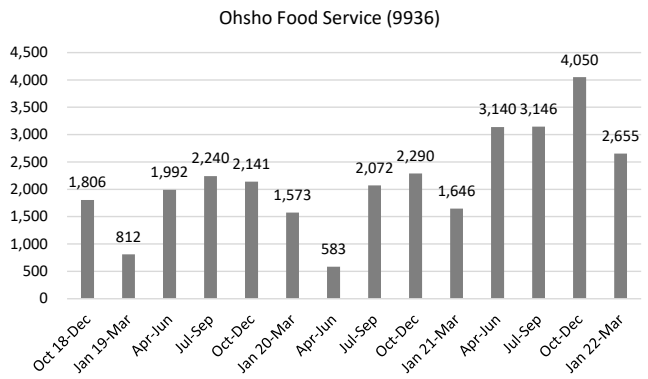
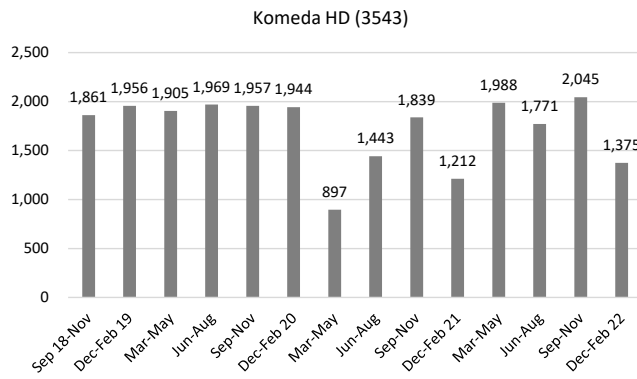
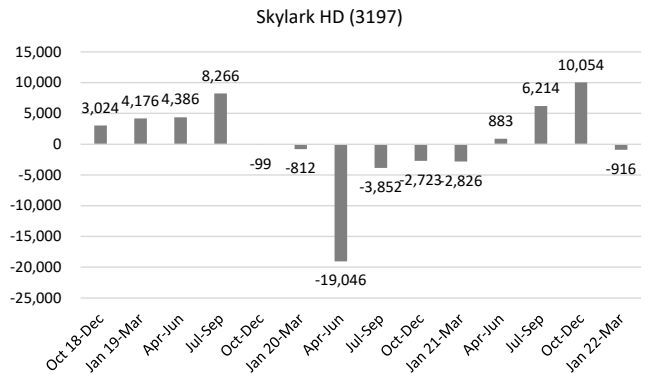
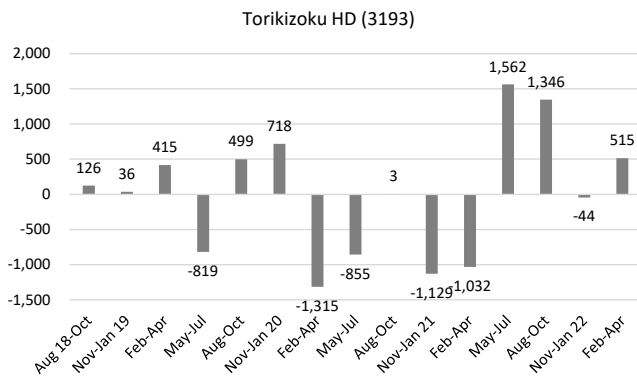
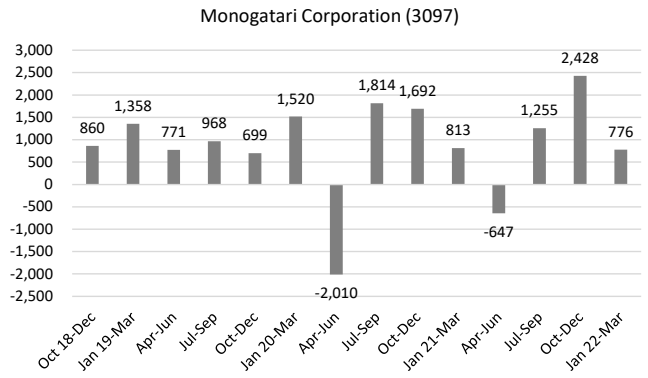
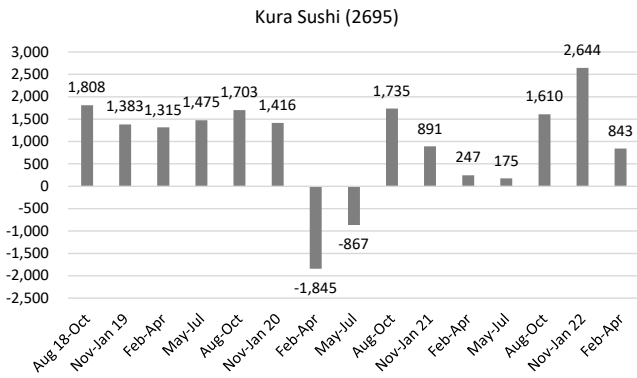
Figure: Number of stores



Source: Company data, Mita Securities

Pre-tax profits for food service companies covered by Mita Securities

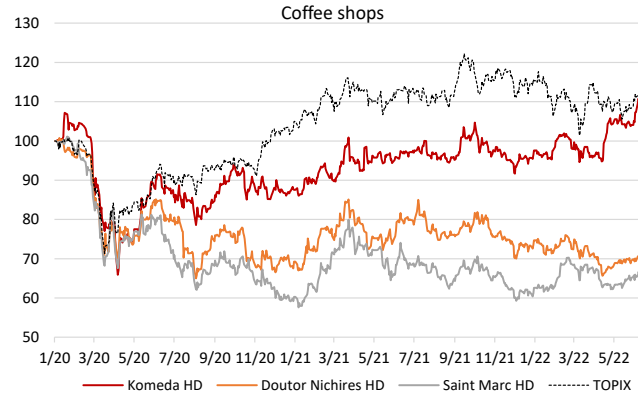
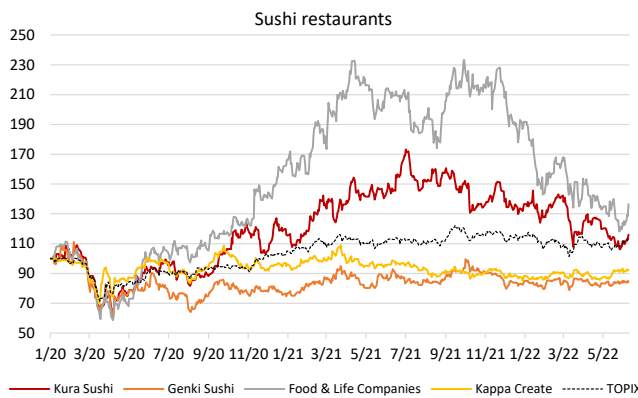
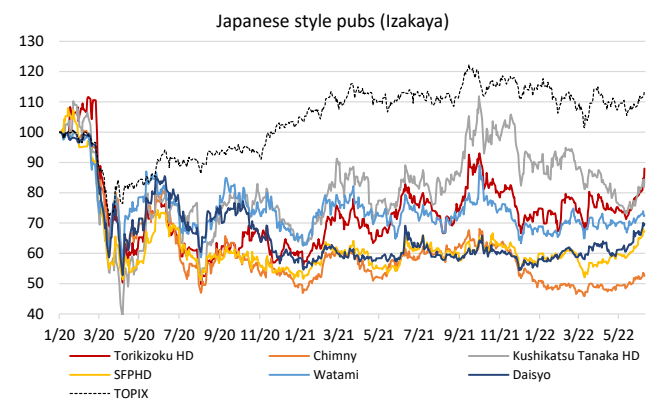
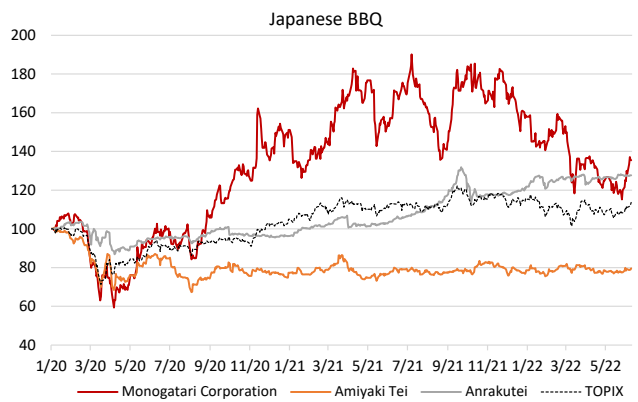
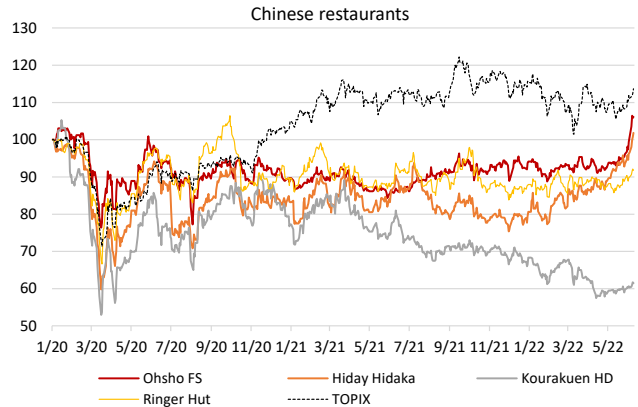
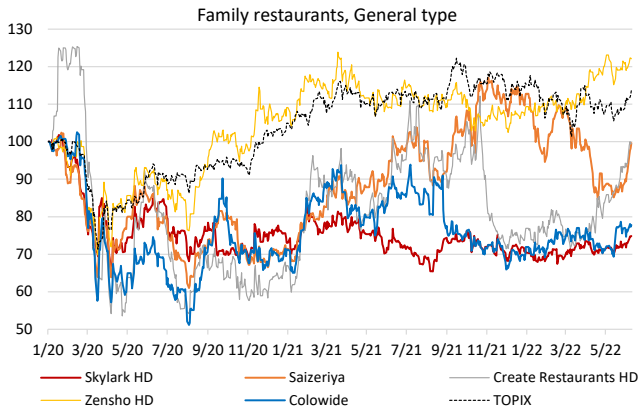
Figure: Quarterly pre-tax profit for food service companies (JPYm)



Source: Companies' data, Mita Securities

Stock price trends for food service companies

Figure: Stock price trends for food service companies



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

APPENDIX

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