

Polaris Holdings (3010)

Capitalizing on opportunities for growth

26 November 2024

Q2 FY3/25 results update

- Strong underlying growth and strategic initiatives** – The company continues to make the most out of positive market conditions in the hotel sector with a continued uptrend in lodging demand. We estimate underlying OP growth of 69.5% YoY for Q1-2 FY3/25, driven by the hotel business, which continues to see positive occupancy rates and RevPAR growth KPIs. To reflect this, the company is optimizing its hotel portfolio by switching four hotels to a fixed + variable rent lease agreement to capture more earnings upside and the acquisition of unlisted limited-service hotel operator Minacia, due to close in December 2024, which will bring further stability and growth opportunities to maximize corporate value for the medium to longer term.

Positive assessment of Minacia

- Accretive earnings and stable growth prospects** – We estimate that the Minacia acquisition will provide the company with economies of scale, enhance competitiveness in strategic geographic areas of hotel operations, and create opportunities for stable sales and earnings growth. We estimate the acquisition is a cash (worth ¥5bn) and share swap transaction and will involve an equity issuance resulting in dilution. We believe the combined entity will bring significant acquisitive earnings and prospects for margin enhancement, with normalized earnings forecasts indicating low PER multiples.
- Valuations** – We have left our earnings estimates unchanged, although we will review them after the Minacia transaction. The shares are trading on PER FY3/26 of 11.0x, an FCF yield of 9.3%, and a 2.7% dividend yield.

Year-end	3/23	3/24	3/25E	3/26E	3/27E
Sales (¥bn)	7.02	22.55	20.56	23.75	26.33
OP (¥bn)	0.00	3.38	2.06	2.73	3.16
NI (¥bn)	0.53	2.36	1.53	1.84	1.98
EPS (¥)	4.98	19.21	12.42	15.02	16.15
DPS (¥)	-	-	3.00	4.51	4.84
Sales growth YoY (%)	+89.0	+221.3	-8.8	+15.5	+10.9
OP growth YoY (%)	N/A	N/A	-39.2	+32.8	+15.7
NP growth YoY (%)	N/A	+341.5	-35.3	+20.9	+7.5
EPS growth YoY (%)	N/A	+285.8	-35.3	+20.9	+7.5
PER (x)	33.1	8.6	13.3	11.0	10.2
EV/EBITDA (x)	39.5	7.2	11.0	8.6	7.5
EV/Sales (x)	4.2	1.3	1.4	1.2	1.1
PBR (x)	7.3	3.1	3.1	3.8	4.4
ROE (%)	18.4	34.3	22.3	33.3	41.4
ROCE (%)	0.0	19.4	11.8	17.0	20.6
FCF yield (%)	(0.6)	37.0	12.7	9.3	12.5
Dividend yield (%)	-	-	1.8	2.7	2.9

Source: Company, Astris Advisory (estimates)

*Note: outstanding dilution is 8.4%

Share price: ¥165 Market cap: ¥21.1bn



Source: Bloomberg

Price Performance

	YTD	1M	3M	12M
Abs (%)	-	+3.1	-18.3	-4.1
Rel (%)	-12.0	+0.4	-19.2	-14.7

Company sector

Real Estate Management/Services
Hotels, Restaurants & Leisure (GICS)

Stock data

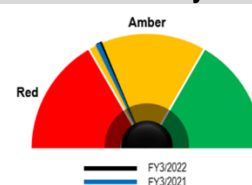
Price (¥)	165
Mkt cap (¥bn)	21.1
Mkt cap (\$m)	137.1
52-week range (¥)	145-285
Shares O/S (m)	127.9
Average daily value (\$m)	0.4
Free float (%)	24.5
Foreign shareholding (%)	77.4
Ticker	3010
Exchange	Tokyo Standard
Net Debt/Equity (x)	4.4
FFO leverage (x)	1.2
BBG BUY HOLD SELL	0 0 0

Source: Bloomberg

Business Overview

Polaris Holdings is a hotel operator with three domestic key franchises - Best Western Japan, KOKO HOTEL, and Value The Hotel. It is shifting its business model towards low-risk management contracts, variable-rent lease contracts, and as an owner/operator.

Astris-Sustainability ESG rating



Reference Ratings

MSCI	N/A
Sustainalytics	N/A
Refinitiv	N/A
S&P Global	N/A
Bloomberg	N/A

Next events

Q3 FY3/25 results February 2025

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This report has been commissioned and paid for by the company

Recent results

Q1-2 FY3/25 results

Recent trading is positive and ahead of FY guidance

Key financials

(¥bn)	Q1-2 FY3/24	Q1-2 FY3/25	YoY (%)	Run-rate versus FY guidance (%)
Sales	14.12	10.32	-26.9	51.4
Gross profit	7.90	9.91	+25.3	
Gross margins (%)	56.0	96.0		
Operating profit/(loss)	2.62	1.25	-52.5	65.9
Operating margins (%)	18.6	12.1		
Recurring profit	2.18	0.96	-55.9	73.2
Net income attributable to the parent	2.56	0.89	-65.2	60.4

Source: Company

Our estimated restated sales and OP when considering one-off gain on hotel property sales in FY3/24 (and ¥0.5bn distribution profit in FY3/25)

(¥bn)	Q1-2 FY3/24	Q1-2 FY3/25	YoY (%)
Sales	6.12	10.32	+68.6
Operating profit/(loss)	0.60	1.02	+69.5
Operating margins (%)	9.8	9.9	

Source: Company, Astris Advisory

Hotel operations growing at high momentum

Per business segment (pre-elimination)

(¥bn)	Q1-2 FY3/24	Q1-2 FY3/25	YoY (%)
Sales			
Hotel operations	6.11	9.82	+60.7
Real estate	8.01	0.50	-93.8
Operating profit/(loss)			
Hotel operations	0.72	1.24	+71.0
Real estate	2.29	0.50	-78.1
Operating margins			
Hotel operations	11.9	12.6	
Real estate	28.6	99.8	

Source: Company

Key highlights

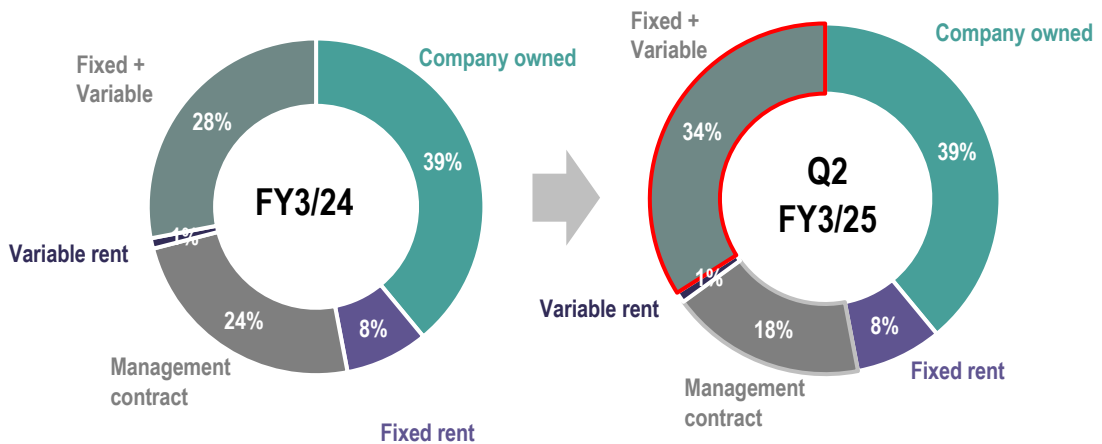
With the domestic hotel market continuing to experience high demand, the company continued to **capitalize on positive market conditions and sustained underlying high double-digit earnings growth YoY**. Reported OP fell 52.5% YoY due to one-off property sales conducted in FY3/24, but trading appears ahead of unchanged FY guidance.

Key takeaways are as follows:

- **Market environment remained positive** which maintained and grew high occupancy rates and room rates.

- Quarterly domestic occupancy rate was 81.0% (Q2 FY3/24 75.7%), overseas occupancy rate was 68.7% (Q2 FY3/24 68.0%).
- Domestic RevPAR reached ¥9,545 (+16.2% YoY), with overseas RevPAR at 1,140 Pesos (+20.8% YoY).
- **Optimizing the hotel portfolio** – The company has changed the operational structure of four hotels from a management contract type to a fixed + variable rent lease contract type. This middle risk, middle return approach will allow the company to capture more upside from positive market conditions, while ensuring a sustainable long-term earning base.

Strategic optimization of hotel portfolio (domestic and abroad)



Source: Company

- **Quarterly OPM of 14.4% which is a record high**, when ignoring the one-time gains reflected in Q2 FY3/24 where OPM reached 21.5%.
- **The balance sheet demonstrates a stable and improving equity ratio**, reaching 35.8%.

Guidance for FY3/25

The company’s **guidance indicates a strong underlying earnings trajectory**, exemplified by the adjusted growth profile YoY when ignoring the one-time impact of the real estate disposals in FY3/24.



FY3/25 company guidance

(¥bn)	FY3/24 (actual)	FY3/24 (adjusted actual)	FY3/25 guidance	YoY (%)	YoY (adjusted %)
Sales	22.55	14.55	20.08	-10.9	+38.0
Gross profit	15.95	-	-		
Gross profit margin (%)	70.8	-	-		
Operating profit	3.38	1.34	1.89	-44.1	+41.6
Operating profit margin (%)	15.0	9.2	9.4		
Recurring profit	2.61	0.69	1.32	-49.6	+91.2
Net income	3.30	1.38	1.47	-55.3	+7.0
DPS (¥) (FY-basis)	-	-	3.0	-	-
Payout ratio (%)	-	-	25.3	-	-

Source: Company

100% acquisition of unlisted hotel and restaurant operator Minacia

The company will conduct a share swap to become the wholly owned parent company of Minacia, an unlisted domestic limited-service hotel operator with 39 hotels and 5,180 rooms under management, and operate 32 restaurants across Japan. Working this transaction with its sponsor Star Asia Group, the transaction's effective date is planned for December 27, 2024. Through a joint investment with Polaris Holdings, Star Asia Group acquired Minacia in June 2024.

This acquisition and the resultant business alliance should bring about the following:

- Expanding presence in dominant geographic markets and driving business expansion.
- Economies of scale and optimization of operations and management, improving profitability.
- Developing a platform that will drive fast decision-making and high return on investment from capital and human resources to drive corporate value.

Valuation

The share swap between Polaris Holdings and SAJP VI 3.0 LP (the shareholder of Minacia and part of the Star Asia Group) will entail the following.

- **Consideration** – We estimate this is a cash and share transaction worth ¥23.1bn comprising of:
 - Cash – ¥5bn
 - Shares swap – A 1:0.097 share swap ratio between Minacia shares and Polaris Holdings. Minacia has 1,090,934,967 shares, equating to 105,820,691 shares in Polaris Holdings (valued at ¥18.1bn at ¥171 per share). **We calculate dilution will be 82.7% from new share issuance.**
- **Acquisitive impact on earnings** – a basic scenario using financial forecasts disclosed by the company (estimated by Mizuho Securities) provides a picture of stable double-digit growth at both sales and OP levels.



Annualized earnings forecasts of the two entities combined from the start of FY3/25, and implied PER with normalized NI (assuming 30% effective tax rate)

(¥bn)	FY3/25E	FY3/26E	FY3/27E	FY3/28E	CAGR (25E-28E) (%)
Sales					
Polaris	20.08	21.64	25.89	26.56	+9.8
Minacia	14.91	17.24	19.60	21.84	+13.6
Total	34.99	38.88	45.49	48.40	+11.4
OP					
Polaris	1.89	2.10	2.96	3.25	+19.7
Minacia	1.40	1.91	2.28	2.60	+23.0
Total	3.29	4.00	5.24	5.84	+21.1
OPM (%)					
Polaris	9.4	9.7	11.4	12.2	
Minacia	9.4	11.1	11.6	11.9	
Total	9.4	10.3	11.5	12.1	
Normalised NI	2.30	2.80	3.67	4.09	+21.1
EPS (¥)	9.84	11.98	15.71	17.50	
Implied PER (x)	16.8	13.8	10.5	9.4	

Source: Company, Astris Advisory, Bloomberg

Note: PER based on ¥171, which was the share price at the announcement of the deal on October 15th 2024

From this simple analysis, we make the following conclusions:

- The Minacia acquisition will be significantly earnings accretive, with expectations of similar returns at the OPM level.
- Despite the implied dilution from new equity issuance, the implied PER valuation remains relatively low given the expected stable growth profile.

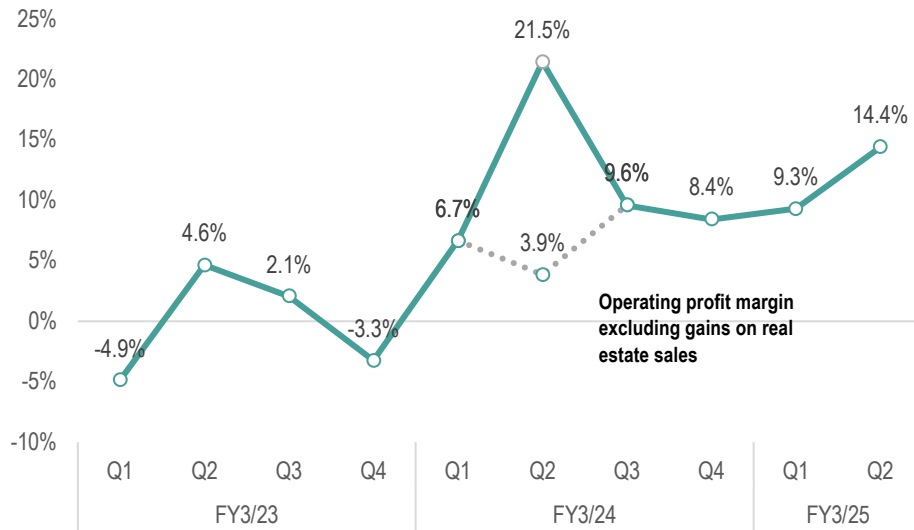
Further details on Minacia are as follows:

- Minacia's core business is hotels, with its 'Hotel Wing International' and 'Tenza' brands. There are 39 domestic sites with 5,180 rooms, making it the 27th largest operator in Japan (Polaris Holdings is ranked 20th, with the combined total resulting in 14,137 domestic rooms and an implied 10th ranking).
- It also operates a restaurant business primarily with its 'Yumezen' Japanese izakaya dining.



Q2 FY3/25 hit record high quarterly OPM (excluding Q2 FY3/24 with one-time factors)

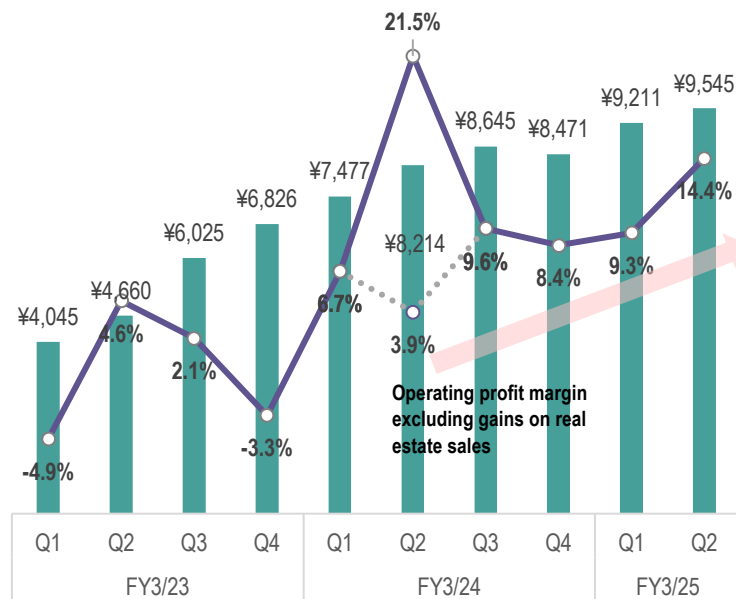
Quarterly operating margin (%)



Source: Company

Q2 FY3/25 domestic RevPAR grew 16.2% YoY

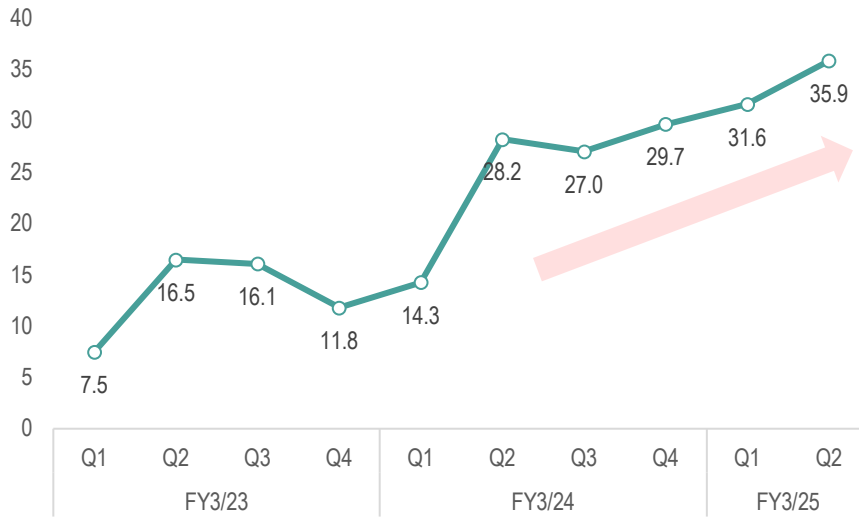
Quarterly total OPM (%) and Domestic RevPAR (¥)



Source: Company



A continued trend of reducing reliance on debt financing
 Quarterly equity ratio (%)



Source: Company

National occupancy rates for business (Polaris' area of focus), city hotels continue to outperform the overall market

National occupancy rate

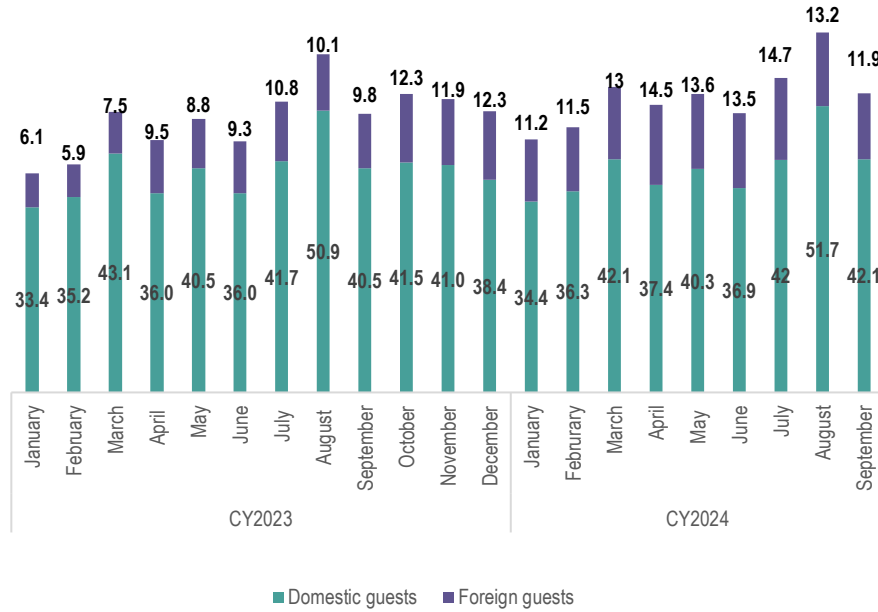


Source: Japan Tourism Agency



Continued momentum and growth acceleration of foreign guest overnight stays into CY24

The national trend in the number of guests (per million overnight stays per month)



Source: Japan Tourism Agency



Astris earnings estimates and key assumptions

We have maintained our earnings estimates for FY3/25 and beyond, but will be adjusting them with the completion of the Minacia acquisition in December 2024.

Astris Advisory earnings estimates

Year-end	FY3/25 guidance	FY3/25E	FY3/26E	FY3/27E
Sales (¥bn)	20.08	20.56	23.75	26.33
<i>Growth YoY (%)</i>	-10.9	-8.8	+15.5	+10.9
Operating profit (¥bn)	1.89	2.06	2.73	3.16
OPM (%)	9.4	10.0	11.5	12.0
EBITDA (¥bn)	N/A	2.67	3.44	3.95
EBITDA margin (%)	-	13.0	14.5	15.0
Recurring profit (¥bn)	1.32	1.37	2.05	2.48
<i>Growth YoY (%)</i>	-49.6	-47.3	+49.1	+20.9
*Implied effective tax rate (%)	-11.4	-11.0	10.0	20.0
Net income (¥bn)	1.47	1.53	1.84	1.98
<i>Growth YoY (%)</i>	-55.3	-35.4	+34.2	+7.5
DPS (¥)	3.0	3.0	4.5	4.8
Payout ratio (%)	25.3	26.8	30.0%	30.0%
Dividend yield (%)	1.2	1.2	1.7	1.8
FCF (¥bn)	N/A	2.58	1.88	2.52
FCF margin (%)	-	2.4	3.4	4.4
FCF conversion (%)	-	39.2	47.3	48.3
FCF yield (%)	-	12.7	9.3	12.5
Diluted FCF yield (%)	-	11.7	8.6	11.5

Source: Astris Advisory

Note: FCF conversion is FCF/Pre-tax Profit

Note*: Implied effective tax rate assumes no extraordinary gains or losses

Current domestic hotel portfolio – 33 hotels

Name	Location	Rooms	Contract type
BW Osaka Tsukamoto	Osaka	105	Fixed + variable rent
BW Plus Hotel Fino Chitose	Chitose	154	Fixed + variable rent
BW Plus Hotel Fino Osaka Kitahama	Osaka	129	Fixed rent lease
NEW BW Plus Nagoya Sakae	Nagoya	143	Fixed + variable rent
BW Hotel Fino Tokyo Akasaka	Tokyo	87	Fixed + variable rent
BW Hotel Fino Shin Yokohama	Yokohama	108	Fixed + variable rent
BW Plus Fukuoka Tenjin Minami	Fukuoka	236	Fixed + variable rent
VTH Ishinomaki	Miyagi	82	Fixed rent lease
VTH Narahakidoekimae	Fukushima	107	Fixed rent lease
Sure Stay Plus Hotel Shin-Osaka	Osaka	108	Fixed + variable rent
KOKO HOTEL Osaka Namba	Osaka	100	Variable rent lease
BW Hotel Fino Osaka Shinsaibashi	Osaka	179	Fixed + variable rent
KOKO HOTEL Ginza Itchome	Tokyo	305	Fixed + variable rent
KOKO HOTEL Sapporo Ekimae	Sapporo	224	Fixed + variable rent
KOKO HOTEL Fukuoka Tenjin	Fukuoka	159	Fixed + variable rent
KOKO HOTEL Hiroshima Ekimae	Hiroshima	250	Fixed + variable rent
KOKO HOTEL Kagoshima Tenmonkan	Kagoshima	295	Fixed + variable rent
KOKO HOTEL Premier Kanazawa Korinbou	Kanazawa	207	Management contract
KOKO HOTEL Premier Tokyo Nihonbashi Hamacho	Tokyo	223	Fixed rent lease
KOKO HOTEL Nagoya Sakae	Nagoya	204	Management contract
KOKO HOTEL Osaka, Shinsaibashi	Osaka	211	Management contract
KOKO HOTEL Kobe, Sannomiya	Kobe	141	Fixed rent lease
KOKO HOTEL Premier Kumamoto	Kumamoto	205	Management contract
KOKO HOTEL Residence Tokyo, Asakusa Kappabashi	Tokyo	47	Fixed + variable rent
KOKO HOTEL Residence Tokyo, Asakusa Tawaramachi	Tokyo	42	Fixed + variable rent
KAYA Kyoto Nijo Castle, BW Signature Collection by BW	Kyoto	57	Management contract
KOKO HOTEL Sendai Kotodai Park	Sendai	230	Management contract
KOKO HOTEL Sendai Station West	Sendai	170	Management contract
KOKO HOTEL Sendai Station South	Sendai	190	Management contract
VTH Higashi Matsushima Yamoto	Miyagi	407	Owner-and-operator
VTH Sendai Naton	Miyagi	314	Owner-and-operator
KOKO HOTEL Tsukiji Ginza	Tokyo	188	Fixed + variable rent
*Fino Hotel Sapporo Odori	Sapporo	145	Fixed + variable rent
Domestic total		5,752	

Source: Company

*Note: rebranded as KOKO HOTEL Sapporo Odori in April 2024



The Philippine overseas platform is to operate the “Red Planet” brand hotels as an owner-operator. Furthermore, Red Planet BGC The Fort had a soft opening in December 2023, with the formal opening in May 2024, and is expected to grow earnings.

Hotel Portfolio in the Philippines – 14 hotels

Name	Location	Rooms	Contract type
Red Planet Davao	Davao	155	Owner-and-operator
Red Planet Manila Ortigas	Pasig	182	Owner-and-operator
Red Planet Aurora Boulevard	Quezon	167	Owner-and-operator
Red Planet Manila Aseana City	Paranaque	200	Owner-and-operator
Red Planet Manila Amorsolo	Makati	189	Owner-and-operator
Red Planet Angeles City	Angeles	165	Owner-and-operator
Red Planet Cebu	Cebu	150	Owner-and-operator
Red Planet Manila Mabini	Manila	167	Owner-and-operator
Red Planet Manila Bay	Manila	150	Owner-and-operator
Red Planet Manila Binondo	Manila	171	Owner-and-operator
Red Planet Manila Makati	Makati	213	Owner-and-operator
Red Planet Cagayan de Oro	Cagayan de Oro	159	Owner-and-operator
Red Planet Quezon Timog	Davao	140	Owner-and-operator
NEW Red Planet BGC The Fort	Bonifacio Global City	245	Owner-and-operator
Total		2,453	

Source: Company



Summary

Polaris Holdings is a hotel operator with four core brands (three domestic, and one overseas) with the acquisition of Red Planet's business in the Philippines. During the pandemic, it underwent significant capital raising and is positioned to capitalize on the recovering hotel demand in a post-pandemic environment.

With the support of the Star Asia Group and with the key focus on stable earnings growth, the company is implementing strategic investments into substantial reforms and demonstrating growth in the hotel market, and recovery and growth since the COVID-19 pandemic has been remarkable.

Growth strategy in the medium-term management plan

Shifting hotel
operator model to
higher return
formats

- In the medium-term management plan, the growth drivers are to 'increase the number of hotel locations and the number of rooms in operation' and 'improve the profitability of operated hotels.' The target is to reach 60 operated hotels and 10,000 operational hotel rooms by FY3/27. Following the completion of the Minasia acquisition, this target is expected to be achieved significantly ahead of schedule.
- Actively transitioning from the domestic legacy model involving long-term fixed rent leases towards low-risk “**Fee-For-Service**” management and variable rent lease contracts and constructing a portfolio that balances growth and stability by incorporating a well-balanced mix of fixed-rent and ownership-type assets where more upside potential can be realized.
- As a member of the Star Asia Group ecosystem, it is possible to implement flexible strategies such as expanding opportunities to manage new hotels, achieving long-term operational revenue, and executing selective investments or joint investments as an owner-operator.
- In addition to hotel operation contracts from Star Asia Group, the business portfolio should continue expanding by accepting operations from new third-party owners.
- In addition to operating lodging-focused hotels, which is the current main area, consider managing new hotel types such as resorts and traditional Japanese inns (ryokan). To pursue the expansion of the operational portfolio while enhancing organizational operational capabilities.

We estimate that Polaris Holdings will experience major growth in FY3/25 and beyond, driven by the following factors:

- The business environment will return to similar levels as in CY2019 or above.
- Consequent improving demand and sales mix will drive additional TRevPAR growth.
- The shift in the hotel operating model is expected to improve operational leverage by reducing fixed costs and increasing earnings, while concurrently, the outlook is for achieving higher growth through more profitable operational models.



The shares are trading on an estimated PER FY3/26 of 11.0x, an FCF yield of 9.3%, and a 2.7% dividend yield.



JGAAP Financial Summary

(¥bn)	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Sales	7.02	22.55	20.56	23.75	26.33
COGS	0.51	6.59	2.06	2.37	2.63
Gross profit	6.51	15.95	18.51	21.37	23.70
Gross profit margin (%)	92.7	70.8	90.0	90.0	90.0
Operating profit	0.00	3.38	2.06	2.73	3.16
OP margin (%)	0.0	15.0	10.0	11.5	12.0
Non-operating income	0.03	0.05	0.05	0.05	0.05
Non-operating expense	(0.25)	(0.82)	(0.73)	(0.73)	(0.73)
Recurring profit	(0.22)	2.61	1.37	2.05	2.48
Extraordinary gains	1.46	1.46	-	-	-
Extraordinary losses	(0.69)	(0.69)	-	-	-
Pre-tax profit	0.55	3.38	1.37	2.05	2.48
Tax	0.02	1.02	(0.15)	0.20	0.50
Effective tax rate (%)	(5.4)	(3.6)	(11.0)	10.0	20.0
Net income	0.53	2.36	1.53	1.84	1.98
Non-controlling NI	-	-	-	-	-
Parent attributable NI	0.53	2.36	1.53	1.84	1.98
Sales growth YoY (%)	+89.0	+221.3	-8.8	+15.5	+10.9
OP growth YoY (%)	N/A	N/A	-39.2	+32.8	+15.7
NI growth YoY (%)	N/A	+341.5	-35.3	+20.9	+7.5

Balance sheet (¥bn)	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Cash & equivalents	4.28	3.38	11.96	11.25	11.10
Trade debtors	1.84	1.76	0.23	0.23	0.23
Real estate for sales and stock	5.86	-	-	-	-
Other	0.88	2.81	0.37	0.37	0.37
Current assets	12.86	7.96	12.56	11.85	11.70
Tangible assets	9.87	12.81	5.50	5.12	4.68
Intangible assets	0.03	0.03	0.03	0.03	0.03
Investment & others	1.89	2.41	2.41	2.41	2.41
Fixed assets	11.79	15.25	7.95	7.57	7.12
Total assets	24.65	23.21	20.51	19.41	18.82
Short term borrowing	1.74	1.83	1.83	1.83	1.83
Trade creditors	0.39	0.36	0.14	0.17	0.18
Other	2.62	3.58	1.16	1.33	1.48
Current liabilities	4.75	5.78	3.13	3.33	3.50
Long term borrowing	15.50	9.89	9.89	9.89	9.89
Other LT liabilities	1.49	0.65	0.65	0.65	0.65
Long term liabilities	16.99	10.54	10.54	10.54	10.54
Shareholder's equity	2.91	6.88	6.84	5.54	4.78
Non-controlling interests	-	-	-	-	-
Total net assets	2.91	6.88	6.84	5.54	4.78
Total liabilities & net assets	24.65	23.21	20.51	19.41	18.82

Source: Company, Astris Advisory (estimates)

Cash flow statement (¥bn)	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Profit before tax	0.55	3.38	1.37	2.05	2.48
Depreciation/amortization	0.74	0.70	0.62	0.71	0.79
Other non-cash items	(1.37)	(1.19)	(0.50)	(0.84)	(0.67)
Changes in working capital	(0.04)	4.85	1.32	0.20	0.16
Cash from Operating Activities	(0.11)	7.74	2.81	2.12	2.76
Capex	(0.00)	(0.24)	(0.24)	(0.24)	(0.24)
Acquisitions/increase stakes	(0.27)	(0.02)	-	-	-
Other investing cash flow	(0.46)	(1.40)	(0.93)	(1.17)	(1.05)
Cash from Investing Activities	(0.73)	(1.66)	(1.17)	(1.40)	(1.28)
Total cash dividends paid	-	-	-	(0.37)	(0.55)
Debt issuance/retirement	0.04	(6.48)	-	-	-
Equity financing	2.18	0.61	-	-	-
Other	(0.04)	(1.08)	(1.08)	(1.08)	(1.08)
Cash from Financing Activities	2.19	(6.94)	(1.08)	(1.44)	(1.63)
FX impact	-	0.01	0.01	0.01	0.01
Net cash flow	1.35	(0.85)	0.58	(0.72)	(0.15)
Free cash flow	(0.11)	7.50	2.58	1.88	2.52
EBITDA	0.75	4.09	2.67	3.44	3.95
Free cash flow margin (%)	-3.2	2.3	2.4	3.4	4.4
Free cash flow conversion (%)	N/A	40.1	39.2	47.3	48.3
EBITDA margin (%)	10.6	18.1	13.0	14.5	15.0
Capex/sales (%)	0.2	0.2	0.1	0.1	1.1
Capex/depreciation (%)	30.4	26.3	23.3	21	22
CFO margin (%)	-3.1	2.4	2.6	3.5	4.5

Key metrics	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Profitability					
Gross margin (%)	92.7	70.8	90.0	90.0	90.0
Operating margin (%)	0.0	15.0	10.0	11.5	12.0
Net margin (%)	7.6	10.5	7.4	7.8	7.5
ROA (%)	2.2	10.2	7.4	9.5	10.5
ROE (%)	18.4	34.3	22.3	33.3	41.4
ROCE (%)	0.0	19.4	11.8	17.0	20.6
ROIC (%)	0.0	18.1	12.3	13.7	15.0
Liquidity					
Current ratio (x)	2.7	1.4	4.0	3.6	3.3
Quick ratio (x)	1.5	1.4	4.0	3.6	3.3
Leverage					
Debt/Equity ratio (x)	5.9	1.7	1.7	2.1	2.5
Net Debt/Equity ratio (x)	4.4	1.2	N/A	0.1	0.1
Equity ratio (x)	0.1	0.3	0.3	0.3	0.3
Interest cover (x)	0.0	4.6	2.8	3.8	4.3
Net Debt/EBITDA (x)	17.4	2.0	N/A	0.1	0.2
Valuation					
EPS reported (¥)	4.98	19.21	12.42	15.02	16.15
PER (x)	33.1	8.6	13.3	11.0	10.2
Diluted PER (x)	35.9	9.3	14.4	11.9	11.1
DPS (¥)	-	-	3.0	4.5	4.8
Dividend payout ratio (%)	-	-	24.1	30.0	30.0
Dividend yield (%)	-	-	1.8	2.7	2.9
Free cash flow yield (%)	(0.6)	37.0	12.7	9.3	12.5
Diluted FCF yield (%)	(0.6)	34.2	11.7	8.6	11.5
PBR (x)	7.3	3.1	3.1	3.8	4.4
EV/sales (x)	4.2	1.3	1.4	1.2	1.1
EV/EBITDA (x)	39.5	7.2	11.0	8.6	7.5
EV/EBIT (x)	9,561.8	8.7	14.3	10.8	9.3
EV/FCF (x)	N/A	3.9	11.4	15.6	11.7



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