

Polaris Holdings (3010)

Positioned to leverage demand recovery

Share price: ¥169 Market cap: ¥20.8bn

Q1 FY3/2024 results update

24 August 2023

- Positioned for a major resurgence in demand** – Q1 FY3/2024 results were a culmination of efforts made by management to improve the profit structure of Polaris’ business model, a successful recapitalization strategy, and a recovery in the hotel industry. Demand was normalizing to pre-pandemic levels for Polaris’ domestic and overseas operations, with the business generating a quarterly operating margin of 6.6%, the highest since Q1 FY3/2017. Newly disclosed KPIs highlight robust activity in the domestic market, with Q1 FY3/2024 domestic RevPAR rising 84.9% YoY. Overseas operations contributed to sales volume, and the company announced the disposal of two hotel assets, raising an estimated ¥8.0bn.



Source: Bloomberg

Multiple positive drivers in play

- Improvements in demand, financial position, and China group travel re-starting** – Polaris has revised its FY3/2024 company guidance to reflect positive developments in the domestic hotel market, primarily from the asset disposals which will boost its financial strength. Cost implications have also been baked in from increasing business activity, as well as one-time costs related to the overseas hotel business. However, the big boost to earnings visibility has been the recent announcement of China ending its COVID-era ban on group travel to Japan – this is expected to result in a major influx for urban and business hotel demand in the key cities, where Polaris has a considerable footprint. We have raised our earnings estimates for FY3/2024 to reflect the asset disposals primarily.
- Valuations** – The shares are trading on an estimated PER FY3/2024 of 9.7x (on +250.9% EPS growth YoY).

Price Performance

	YTD	1M	3M	12M
Abs (%)	+76.0	+53.6	+69.0	+65.7
Rel (%)	+45.6	+53.3	+59.1	+42.5

Company sector

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

Stock data

Price (¥)	169
Mkt cap (¥bn)	20.8
Mkt cap (\$m)	143.4
52-week range (¥)	89-219
Shares O/S (m)	123.3
Average daily value (\$m)	0.3
Free float (%)	21.1
Foreign shareholding (%)	83.5
Ticker	3010
Exchange	Tokyo Standard
Net Debt/Equity (x)	4.4
FFO leverage (x)	N/A
BBG BUY HOLD SELL	0 0 0

Source: Bloomberg

Year-end	3/2022	3/2023	3/2024E	3/2025E	3/2026E
Sales (¥bn)	3.71	7.02	21.28	16.12	17.55
OP (¥bn)	(1.33)	0.00	2.98	2.01	2.63
NI (¥bn)	(1.83)	0.53	1.87	1.20	1.52
EPS (¥)	(25.98)	4.98	17.47	11.17	14.18
DPS (¥)	-	-	-	-	-
Sales growth YoY (%)	+24.9	+89.0	+203.2	-24.3	+8.9
OP growth YoY (%)	N/A	N/A	+96,625.4	-32.4	+30.7
NP growth YoY (%)	N/A	N/A	+250.9	-36.0	+26.9
EPS growth YoY (%)	N/A	N/A	+250.9	-36.0	+26.9
PER (x)	N/A	33.9	9.7	15.1	11.9
EV/EBITDA (x)	N/A	45.3	9.6	14.5	11.3
EV/Sales (x)	9.1	4.8	1.6	2.1	1.9
PBR (x)	108.2	7.2	4.6	3.3	2.5
ROE (%)	(949.7)	18.4	41.7	19.1	18.1
ROCE (%)	(13.5)	0.0	14.0	8.8	10.7
FCF yield (%)	(65.7)	(0.6)	35.3	1.3	9.1
Dividend yield (%)	-	-	-	-	-

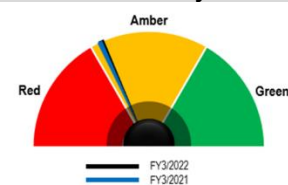
Source: Company, Astris Advisory (estimates)

*Note: outstanding dilution is 19.4%

Business Overview

Polaris Holdings is a hotel operator with three domestic key brands – KOKO HOTEL, Best Western Japan, and Value The Hotel with Red Planet brand in the Philippines. It is shifting its business model towards low-risk management 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

Q2 FY3/2024 results November 2023

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This report has been commissioned and paid for by the company

Recent results

FYQ1 3/2023 results

Figure 1: Key financials

(¥bn)	Q1 FY3/2023	Q1 FY3/2024	Growth YoY (%)
Sales			
Domestic	1.19	2.31	+93.5
Overseas	-	0.43	-
Gross profit/(loss)	1.10	2.57	+134.3
Total sales	1.19	2.74	+129.8
Gross margins	92.2%	94.0%	
Operating profit			
Domestic	(0.06)	0.19	
Overseas	-	(0.00)	
Total Operating profit/(loss)	(0.06)	0.18	-
Operating margins	-4.9%	6.7%	
Domestic	-4.9%	8.0%	
Overseas	-	-0.9%	
Recurring profit	(0.11)	(0.00)	-
Net income attributable to the parent	(0.12)	(0.03)	-

Source: Company

Figure 2: Per business segment (pre-elimination)

(¥bn)	Q1 FY3/2023	Q1 FY3/2024	Growth YoY (%)
Sales			
Hotel operations	1.19	2.73	+129.4
Real estate	0.07	0.13	+85.7
Operating profit/(loss)			
Hotel operations	0.01	0.27	+2,600
Real estate	(0.00)	0.06	+129.4
Operating margins			
Hotel operations	0.5	9.8	
Real estate	-5.6	47.6	

Source: Company

Key highlights

We view Q1 FY3/2024 results as a culmination of the efforts of management to improve the profit structure of the business model, the successful recapitalization strategy, and the recovery in the hotel industry spurred by both domestic and international traveler demand.

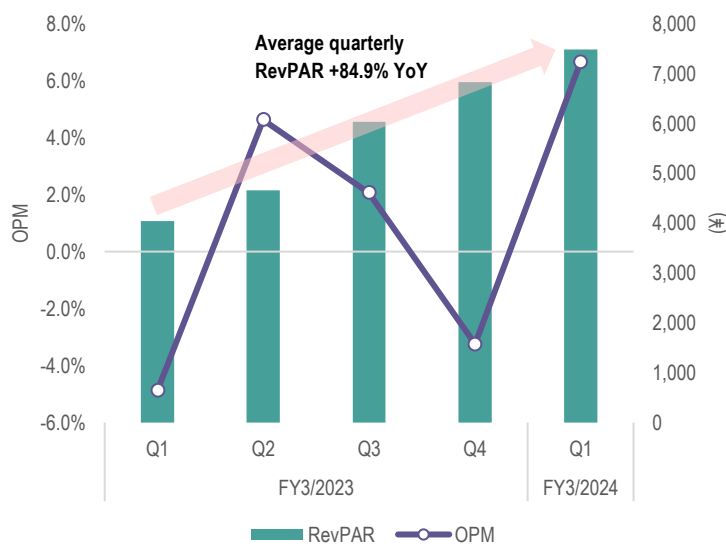
Operating margins reached 6.6%, which is the highest level since Q1 FY3/2017; this was driven by the combination of:

- Domestic RevPAR recovered to ¥7,477 for the quarter, **signifying growth of 84.9% YoY.**
- Customer activity recovering, with an average Q1 FY3/2024 occupancy rate at 74.3%, up from 68.3% in Q1 FY3/2023.
- Pricing recovered with the average daily rate averaging at ¥10,084 in Q1 FY3/2024 versus ¥5,916 in Q1 FY3/2023.
- A balanced portfolio, with a mix of contract types (fixed rent lease, variable lease, management contract, and owner-operator), allows for a risk-adjusted recovery.



- The positive impact of the acquired Red Planet brand limited service hotel operation in the Philippines on sales.

Figure 3: Quarterly trend in OPM and Domestic RevPAR



Source: Company

Announcing the sale of two hotel properties, and revision to FY3/2024 company guidance

Polaris is committed to maximizing corporate and shareholder value. During the pandemic, opportunities arose to purchase hotels at distressed prices in the market, and the company was able to purchase highly competitive hotel properties at a discount to their intrinsic value. Whilst these properties were being operated by subsidiary Fino Hotels, Polaris was able to transform them by lowering the break-even point significantly and securing the potential for unrealized profits.

The two assets being operated under the owner-and-operators model are to be sold with the following estimated prices, totaling ¥8.0bn:

- Best Western PLUS Fukuoka Tenjin Minami (236 rooms, acquired April 2021) - ¥3.8bn.
- Fino Hotel Sapporo Odori (145 rooms, acquired December 2021) - ¥4.2bn.

These asset sales and the expected gains on sales will continue to improve the financial position of Polaris as well as generate capital for further future growth. Subsidiary Fino Hotels will also enter into a long-term lease agreement with buyer Star Asia Investment Corporation (3468) to tactically secure stable operating revenues from the hotels after the disposal. The purchase and sale agreement is expected to be completed in September 2023.



FY3/2024 company guidance

The company has revised its FY3/2024 guidance upward, primarily to reflect the gains on the disposal of the aforementioned hotel assets.

Figure 4: Company guidance for FY3/2024

(¥bn)	FY3/2024 (old)	FY3/2024 (new)	Difference (%)
Sales	12.00	21.00	+75.0
Operating profit	0.80	2.73	+240.8
OPM	6.7%	13.0%	
Recurring profit	0.10	2.13	N/A
Net income	0.04	1.78	N/A
EPS (¥)	0.34	14.56	N/A

Source: Company

We make the following observations:

- The ¥9.0bn uplift to FY sales can be primarily accounted for by the ¥8.0bn estimated total disposal value of the two hotel assets, with the remainder coming from better performance at the hotel operations.
- The ¥1.93bn uplift in operating profit is partly due to the gains on disposal, and expected gains stemming from improving trading conditions, increasing expenses from personnel and other expenses from increasing hotels under management YoY, increase in rent payments from the divested assets and recording potential one-time losses resulting from the cancellation of some unprofitable land lease contracts in the overseas hotel business.

Astris earnings estimates and key assumptions

We have revised Astris' key earnings forecasts as follows:

Figure 5: Astris Advisory earnings estimates

Year-end	FY3/2024 company guidance (old)	FY3/2024 company guidance (old)	FY3/2024E (Old)	FY3/2024E (new)	FY3/2025E (unchanged)	FY3/2026E (unchanged)
TRevPAR (¥)	N/A	N/A	5,688	5,688	6,542	6,869
Growth YoY (%)		-	+60.0	+60.0	+15.0	+5.0
Average No. of rooms	N/A	N/A	6,396	6,396	6,396	6,396
Growth YoY (%)		-	+50.5	+50.5	-	+60.7
Sales (¥bn)	12.00	21.00	13.28	21.28	16.12	17.55
Growth YoY (%)	+71.0	+199.2	+89.2	+203.2	-24.3	+8.9
OP (¥bn)	0.80	2.73	1.59	2.98	2.01	2.63
OPM (%)	6.7	13.0	12.0	14.0	12.5	15.0
EBITDA (¥bn)	N/A	N/A	1.93	3.51	2.34	2.98
FCF (¥bn)	N/A	N/A	5.09	6.40	0.24	1.64
FCF margin (%)	-	-	38.3	30.1	1.5	9.4
FCF conversion (%)	-	-	393.7	238.9	13.8	75.6
FCF yield (%)	-	-	24.4	35.3	1.3	9.1
Diluted FCF yield (%)	-	-	20.4	29.6	1.1	7.6

Source: Astris Advisory

Note: FCF conversion is FCF/Pre-tax Profit

We have revised our earnings estimates for FY3/2024 and beyond based on the following:

- For FY3/2024, we have increased our sales estimate by adding a one-off ¥8.0bn sales impact from the disposal of the two hotel assets. We have raised our operating profit forecast to primarily take into account the gain on disposal.
- We have left our earnings estimates unchanged for FY3/2025 and FY3/2026.



Figure 6: Current domestic hotel portfolio

Name	Location	Rooms	Contract type
BW Osaka Tsukamoto	Osaka	105	Fixed rent lease
BW Plus Hotel Fino Chitose	Chitose	154	Fixed rent lease
BW Plus Hotel Fino Osaka Kitahama	Osaka	129	Fixed rent lease
BW Hotel Fino Tokyo Akasaka	Tokyo	87	Fixed rent lease
BW Hotel Fino Shin Yokohama	Yokohama	108	Fixed rent lease
VTH Ishinomaki	Miyagi	82	Fixed rent lease
VTH Narahakidoekimae	Fukushima	107	Fixed rent lease
Sure Stay Plus Hotel Shin-Osaka	Osaka	108	Fixed rent lease
KOKO HOTEL Osaka Namba	Osaka	100	Variable rent lease
BW Hotel Fino Osaka Shinsaibashi	Osaka	179	Management contract
KOKO HOTEL Ginza Itchome	Tokyo	305	Management contract
KOKO HOTEL Sapporo Ekimae	Sapporo	224	Management contract
KOKO HOTEL Fukuoka Tenjin	Fukuoka	159	Management contract
KOKO HOTEL Hiroshima Ekimae	Hiroshima	250	Management contract
KOKO HOTEL Kagoshima Tenmonkan	Kagoshima	295	Management contract
KOKO HOTEL Premier Kanazawa Korinbou	Kanazawa	207	Management contract
KOKO HOTEL Premier Tokyo Nihonbashi Hamacho	Tokyo	223	Management contract
KOKO HOTEL Nagoya Sakae	Nagoya	204	Management contract
KOKO HOTEL Osaka, Shinsaibashi	Osaka	211	Management contract
KOKO HOTEL Kobe, Sannomiya	Kobe	141	Management contract
KOKO HOTEL Premier Kumamoto	Kumamoto	205	Management contract
KOKO HOTEL Residence Tokyo, Asakusa Kappabashi	Tokyo	47	Management contract
KOKO HOTEL Residence Tokyo, Asakusa Tawaramachi	Tokyo	42	Management contract
KAYA Kyoto Nijo Castle, BW Signature Collection by BW	Kyoto	57	Management contract
*BW Plus Fukuoka Tenjin Minami	Fukuoka	236	Owner-and-operator
VTH Higashi Matsushima Yamoto	Miyagi	407	Owner-and-operator
VTH Sendai Naton	Miyagi	314	Owner-and-operator
VTH Furukawa Sanbongi	Miyagi	495	Owner-and-operator
KOKO HOTEL Tsukiji Ginza	Tokyo	188	Owner-and-operator
*Fino Hotel Sapporo Odori	Sapporo	145	Owner-and-operator
Domestic total		5,516	

Source: Company

*Note: for disposal

The Philippine overseas platform is to operate the “Red Planet” brand hotels as an owner-operator.

Figure 7: Hotel Portfolio in the Philippines

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
Total		2,208	

Source: Company

Summary

Polaris Holdings is a hotel operator with four core franchises (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.

Under the sponsorship of Star Asia Group, Polaris Holdings has implemented extensive reforms in the struggling hotel market during the pandemic, with a focus on achieving stable revenue growth. The core element of this is to strategically shift the hotel operator model:

Shifting hotel
operator model to
higher return
formats

- Actively transitioning from the domestic legacy model involving long-term fixed rent leases towards low-risk **"Fee-For-Service"** management contracts.
- In response to the stagnation in the hotel market, Polaris Holdings is leveraging the funds and network of the Star Asia Group to expand the **"owner-operator model"**. By becoming both the owner and operator of hotel properties, the company eliminates fixed rental payments and significantly improves the financial performance of the hotels. Additionally, potential capital gains are also to be realized as a result of this ownership structure.

We estimate that Polaris Holdings will experience major growth in FY3/2024 and beyond driven by the following factors:

- The business environment will return to similar levels seen in CY2019.
- Consequent improving demand and sales mix will drive RevPAR recovery.
- The shift in the hotel operating model is expected to improve operational leverage through a reduction in fixed costs. We estimate an operating margin of 12%.

The shares are trading on an estimated PER FY3/2024 of 9.7x (on +250.9% EPS growth YoY).



Company description

Overview

Company is part of
the Star Asia
Group LLC

Polaris Holdings is a group company of Star Asia Group LLC (an independent investment group), and its core business is the operation of 33 domestic hotels. It operates three core domestic hotel brands, and acquired an overseas hotel platform in March 2023:

- **KOKO HOTEL** – proprietary brand of 15 business hotels located in in-fill, metropolitan locations under 3 sub-brands of Basic, Premier, and RESIDENCE.
- **Best Western Japan** – 11 sites targeting accommodations for leisure and business travelers, the global brand originally established in the United States in 1946 (one is to be disposed of in September 2023).
- **Value The Hotel** – 5 hotels based in the Tohoku area, designed for medium to long-term stays originally intended for people involved in local regeneration projects after the Tohoku earthquake and sports events.
- Another hotel is operating under other brands (Fino Hotel Sapporo Odori – which is about to be disposed of in September 2023).
- **Red Planet** – a portfolio of 13 hotels with 2,208 rooms in the Philippines, marking the first overseas expansion by the company. The acquisition was completed in FY3/2023.

With all assets combined, Polaris is operating a total of 45 hotels and 7,722 rooms. Furthermore, Polaris will commence the management of 3 hotels and 590 rooms in Sendai City, Miyagi Prefecture from autumn 2023 under the KOKO HOTEL brand, which will further strengthen the brand awareness, marketing capabilities, and operational efficiency of the growing their original hotel brand.

Star Asia Group has been involved as a capital partner since November 2018 and has continued to provide both human and capital support even during the COVID-19 pandemic. Their ongoing support has contributed significantly to the substantial restructuring of Polaris Holdings' business model and growth in shareholder value.



Figure 8: Timeline summary

Key corporate timeline	
September 1912	Established a silk plying factory in Gunma Prefecture as Jomoneshi
April 1961	IPO on the Tokyo Stock Exchange 2nd Section
April 1972	Commence real estate-related operations
October 2006	Change affiliated sector on TSE from 'textiles' to 'real estate'.
April 2008	Establishes Asarigawa Onsen Development
October 2008	Acquire Fino Hotels and convert into subsidiary Change name to Kachikaihatsu
January 2009	Establishes Best Western Hotel Japan
December 2009	Establishes Kinuura Grand Hotel
July 2015	Change affiliated sector on TSE from 'real estate' to 'services'.
October 2018	First round (¥0.64bn) equity issuance
February 2019	Second round (¥1.91bn) equity issuance and debt/equity swap
July 2020	Third round (¥1.5bn) convertible bond issuance Third round (¥1.5bn on exercise) warrants issuance
October 2021	Fourth round (¥2.80bn) equity issuance and warrant issuance (¥3.2bn)
May 2021	Change the company name from Kachikaihatsu to Polaris Holdings
March 2023	Acquisition of Red Planet's business in the Philippines

Source: Company

Business segments

Polaris has two business segments – Hotel Operations and Real Estate.

Figure 9: Business segment details

Business segment	Key services	Description
Hotel Operations	<ul style="list-style-type: none"> Management Operations Consulting Franchise 	<ul style="list-style-type: none"> Owner/operator of hotels Operating hotels under lease or management contracts Aiming to improve new openings or existing hotels Memberships for the 'Best Western Hotel' franchise
Real Estate	Real estate rental business	<ul style="list-style-type: none"> Rental and operation of office buildings and condominiums Sale, purchase, and brokerage of office buildings, condominiums Information gathering, research, planning analysis, and construction related to real estate development. Anonymous association investment in Special Purpose Companies (SPCs) holding beneficiary interests in trusts. Operation and management of office buildings and other real estate to enhance their value.

Source: Company

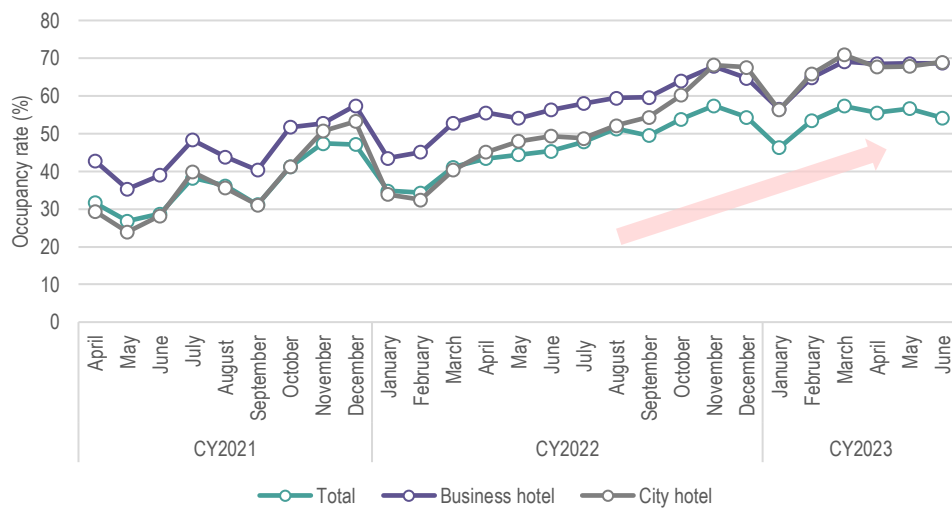


Our commentary on the market environment

Recovering demand on track

Tourism in Japan remains on track for full recovery, with data from the Japan Tourism Agency indicating occupancy rates on a sustained upward trajectory. It is positive to note that for Business and City hotels which are the key areas for Polaris, occupancy rates have nearly reached 70%.

Figure 10: Monthly occupancy rate trend



Source: Japan Tourism Agency

Domestic travel

Quarterly statistics are to be updated for Q2 CY2023.

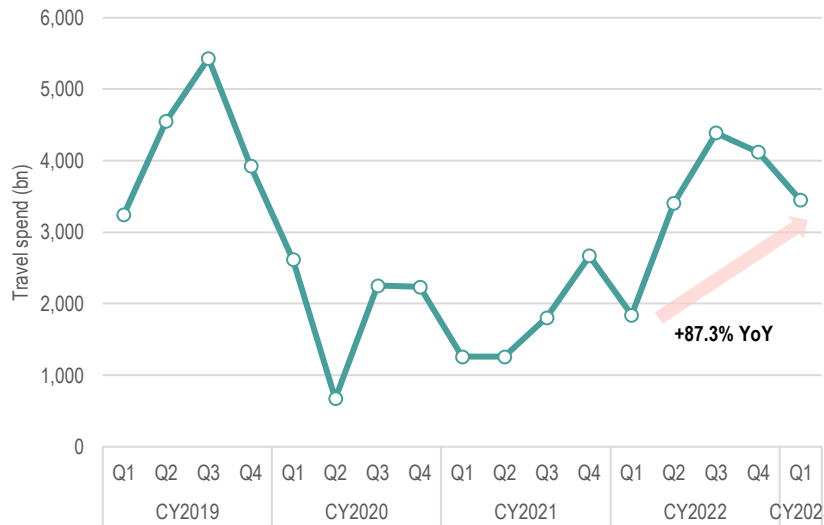
Figure 11: Trend in domestic overnight stay travelers



Source: Japan Tourism Agency



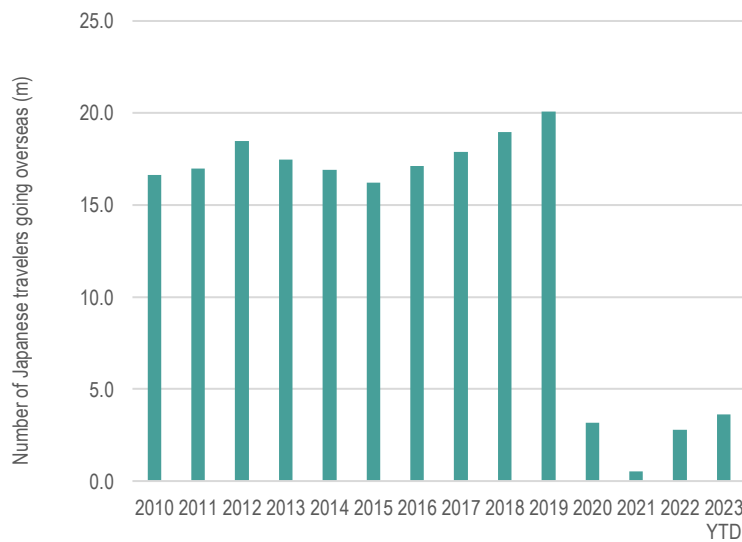
Figure 12: Trend in spending by domestic overnight travelers



Source: Japan Tourism Agency

It is worth pointing out that the number of domestic travelers leaving Japan for overseas destinations is recovering, with June 2023 figures indicating a 310% YoY uplift. However, it remains at low levels when compared to the pre-pandemic period, indicating that domestic travel remains a preferred destination.

Figure 13: Domestic travelers going overseas



Source: Japan Tourism Statistics



Overseas

With overseas visitors rebounding strongly YoY in CY2023 YTD, we note that June 2023 saw the gap close to a 28.0% decline from CY2019 levels.

Figure 14: Monthly trend in overseas traveler numbers

Month	CY2021	CY2022	Growth YoY (%)	CY2023	Growth YoY (%)	Growth versus CY2019
January	46,552	17,776	-61.8	1,497,472	8,329	-44.3
February	7,355	16,700	127	1,475,455	8,725	-43.3
March	12,276	66,100	438	1,817,616	2,649	-34.2
April	10,853	139,548	1,186	1,949,236	1,297	-33.4
May	10,035	147,046	1,365	1,898,900	1,191	-31.5
June	9,251	120,430	1,202	2,073,300	1,621	-28.0
July	51,055	144,578	183			
August	25,916	169,902	555			
September	17,720	206,641	1,066			
October	22,113	498,646	2,155			
November	20,682	934,500	4,418			
December	12,084	1,370,000	11,237			
Half-year	96,292	507,600	427			
Full-year	245,862	3,831,900	1,459			

Source: JAPAN NATIONAL TOURISM ORGANIZATION

Independent Chinese tourists were permitted entry into Japan from April 2023 without pre-departure COVID-19 testing requirements but with some restrictions in place. **From 10th August 2023, China lifted its ban on group travel to Japan with immediate effect.**

We expect tourism volumes to bounce back into or after the summer months from the Chinese mainland. The return of Chinese travelers will provide a major boost to the Japanese tourism industry, as effectively the largest customer base is yet to normalize.

Inbound tourism to the Philippines

With the Philippines fully opened up to tourism, the Department of Tourism stated that from January to July 2023, international tourism arrivals had grown 66% YoY. As of August 10, 2023, the Philippines had over 3.3 million visitors, which was over 70% of the full-year target of 4.8 million. 91.4% of the international arrivals were foreign tourists.

We believe this will be a significant tailwind for the Red Planet operation, as the tourism industry experiences recovering demand with increasing tourism receipts.

JGAAP Financial Summary

(¥bn)	FY 3/22	FY 3/23	FY 3/24E	FY 3/25E	FY 3/26E
Sales	3.71	7.02	21.28	16.12	17.55
COGS	0.28	0.51	1.49	1.13	1.05
Gross profit	3.43	6.51	19.79	14.99	16.50
Gross profit margin (%)	92.4	92.7	93.0	93.0	94.0
OP	(1.33)	0.00	2.98	2.01	2.63
OP margin (%)	(35.9)	0.0	14.0	12.5	15.0
Non-operating income	0.05	0.03	0.04	0.03	0.04
Non-operating expense	(0.34)	(0.25)	(0.34)	(0.33)	(0.49)
Recurring profit	(1.62)	(0.22)	2.68	1.71	2.17
Extraordinary gains	-	1.46	-	-	-
Extraordinary losses	(0.19)	(0.69)	-	-	-
Pre-tax profit	(1.81)	0.55	2.68	1.71	2.17
Tax	0.02	0.02	0.80	0.51	0.65
Effective tax rate (%)	(4.6)	(5.4)	30.0	30.0	30.0
Net income	(1.83)	0.53	1.87	1.20	1.52
Non-controlling NI	-	-	-	-	-
Parent attributable NI	(1.83)	0.53	1.87	1.20	1.52
Sales growth YoY (%)	+24.9	+89.0	+203.2	-24.3	+8.9
OP growth YoY (%)	N/A	N/A	-	-32.4	+30.7
NI growth YoY (%)	N/A	N/A	+250.9	-36.0	+26.9

Balance sheet (¥bn)	FY 3/22	FY 3/23	FY 3/24E	FY 3/25E	FY 3/26E
Cash & equivalents	2.40	4.28	9.95	17.44	19.35
Trade debtors	0.62	1.84	0.78	0.78	0.78
Real estate for sales and stock	5.95	5.86	5.86	5.86	5.86
Other	0.39	0.88	0.37	0.37	0.37
Current assets	9.36	12.86	16.96	24.45	26.36
Tangible assets	1.03	9.87	9.44	2.18	1.90
Intangible assets	0.01	0.03	0.03	0.03	0.03
Investment & others	1.64	1.89	1.89	1.89	1.89
Fixed assets	2.67	11.79	11.36	4.11	3.83
Total assets	12.04	24.65	28.33	28.56	30.19
Short term borrowing	1.49	1.74	1.74	1.74	1.74
Trade creditors	-	0.39	1.17	0.89	0.83
Other	0.70	2.62	4.18	3.17	2.96
Current liabilities	2.19	4.75	7.09	5.79	5.52
Long term borrowing	8.39	15.50	15.25	15.00	14.75
Other LT liabilities	1.27	1.49	1.49	1.49	1.49
Long term liabilities	9.66	16.99	16.74	16.49	16.24
Shareholder's equity	0.19	2.91	4.49	6.28	8.43
Non-controlling interests	-	-	-	-	-
Total net assets	0.19	2.91	4.49	6.28	8.43
Total liabilities & net assets	12.04	24.65	28.33	28.56	30.19

Source: Company, Astris Advisory (estimates)

Cash flow statement (¥bn)	FY 3/22	FY 3/23	FY 3/24E	FY 3/25E	FY 3/26E
Profit before tax	(1.81)	0.55	2.68	1.71	2.17
Depreciation/amortization	0.29	0.74	0.53	0.32	0.35
Other non-cash items	(0.14)	(1.30)	(0.72)	(0.50)	(0.61)
Changes in working capital	(6.15)	(0.11)	3.91	(1.30)	(0.27)
Cash from Operating Activities	(7.82)	(0.11)	6.40	0.24	1.64
Capex	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Acquisitions/increase stakes	-	(0.27)	-	-	-
Other investing cash flow	(0.41)	(0.46)	(0.44)	(0.45)	(0.44)
Cash from Investing Activities	(0.42)	(0.73)	(0.44)	(0.45)	(0.44)
Total cash dividends paid	-	-	-	-	-
Debt issuance/(retirement)	5.17	0.04	(0.25)	(0.25)	(0.25)
Equity financing	2.65	2.18	-	-	1.00
Other	0.99	(0.04)	(0.04)	(0.04)	(0.04)
Cash from Financing Activities	8.80	2.19	(0.29)	(0.29)	0.71
FX impact	-	-	-	-	-
Net cash flow	0.56	1.35	5.67	(0.51)	1.91
Free cash flow	(7.82)	(0.11)	6.40	0.24	1.64
EBITDA	(1.04)	0.75	3.51	2.34	2.98
Free cash flow margin (%)	1.7	-3.2	2.3	2.4	3.4
Free cash flow conversion (%)	24.8	N/A	40.1	39.2	47.3
EBITDA margin (%)	-28.0	10.6	16.5	14.5	17.0
Capex/sales (%)	0.8	0.2	0.2	0.1	0.1
Capex/depreciation (%)	119.5	30.4	26.3	23.3	21
CFO margin (%)	2.5	-3.1	2.4	2.6	3.5

Key metrics	FY 3/22	FY 3/23	FY 3/24E	FY 3/25E	FY 3/26E
Profitability					
Gross margin (%)	92.4	92.7	93.0	93.0	94.0
Operating margin (%)	(35.9)	0.0	14.0	12.5	15.0
Net margin (%)	(49.3)	7.6	8.8	7.4	8.7
ROA (%)	(15.2)	2.2	6.6	4.2	5.0
ROE (%)	(949.7)	18.4	41.7	19.1	18.1
ROCE (%)	(13.5)	0.0	14.0	8.8	10.7
ROIC (%)	(19.7)	0.0	10.0	6.3	7.7
Liquidity					
Current ratio (x)	4.3	2.7	2.4	4.2	4.8
Quick ratio (x)	1.6	1.5	1.6	3.2	3.7
Leverage					
Debt/Equity ratio (x)	51.3	5.9	3.8	2.7	2.0
Net Debt/Equity ratio (x)	38.8	4.4	1.6	N/A	N/A
Equity ratio (x)	0.0	0.1	0.2	0.2	0.3
Interest cover (x)	(10.1)	0.0	8.8	6.0	5.3
Net Debt/EBITDA (x)	(7.2)	17.4	2.0	N/A	N/A
Valuation					
EPS reported (¥)	(25.98)	4.98	17.47	11.17	14.18
PER (x)	N/A	33.9	9.7	15.1	11.9
Diluted PER (x)	N/A	40.5	11.5	18.1	14.2
DPS (¥)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Free cash flow yield (%)	(65.7)	(0.6)	35.3	1.3	9.1
Diluted FCF yield (%)	(55.0)	(0.5)	29.6	1.1	7.6
PBR (x)	108.2	7.2	4.6	3.3	2.5
EV/sales (x)	9.1	4.8	1.6	2.1	1.9
EV/EBITDA (x)	(32.5)	45.3	9.6	14.5	11.3
EV/EBIT (x)	(25.4)	10,971	11.3	16.8	12.8
EV/FCF (x)	N/A	N/A	5.3	143.4	20.6



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