

MARGIN OF SAFETY

BALANCE OF POWER

MANAGEMENT ANALYSIS



# FURTHER GROWTH AND BS MANAGEMENT

**NOVEMBER 2022**



# KEY MESSAGE

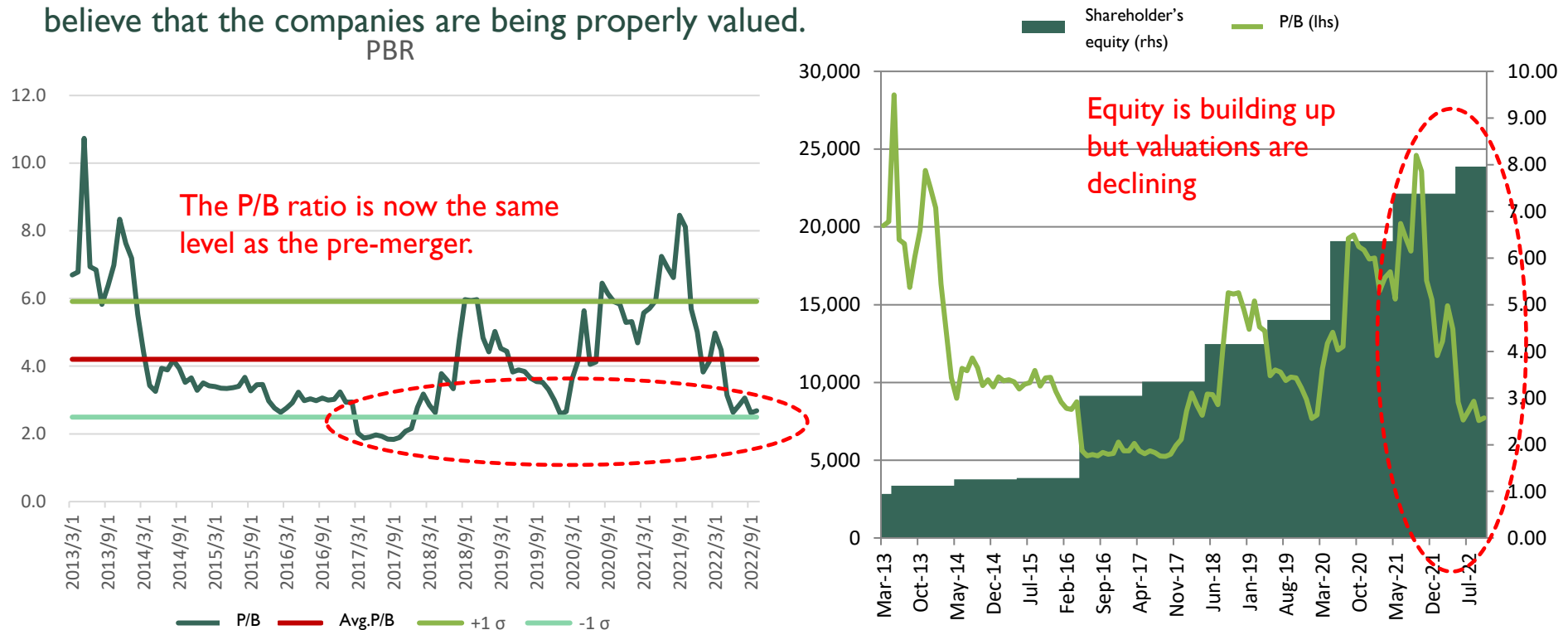


- With the successful completion of the complex acquisition of Shidax shares that impacted headlines, the stock market's view of the company has shifted from event-driven to normalcy mode.
- A simple simulation based on Oisix's past performance shows that ROE is expected to decline without any shareholder returns (even without considering the impact of the acquisition of Shidax shares on the PL)
- We imagine that many market participants have high expectations of Oisix's future growth.  
⇒ There is a need to demonstrate additional growth potential for the future, now more than ever, especially after acquiring Shidax shares
- On the other hand, we recommend a two-pronged strategy to present the balance sheet based on the current investment climate and your management policy in order to attract long-term investors like us and to control the excessive volatility that is inherent in growth stocks such as Oisix.  
⇒ There is much room for constant shareholder returns with DOE as a KPI. It leads to further reduce of agency costs, in addition that Oisix is led by the founding president, who is the largest single shareholder.

# P/B IS IN A STATE OF DECLINE



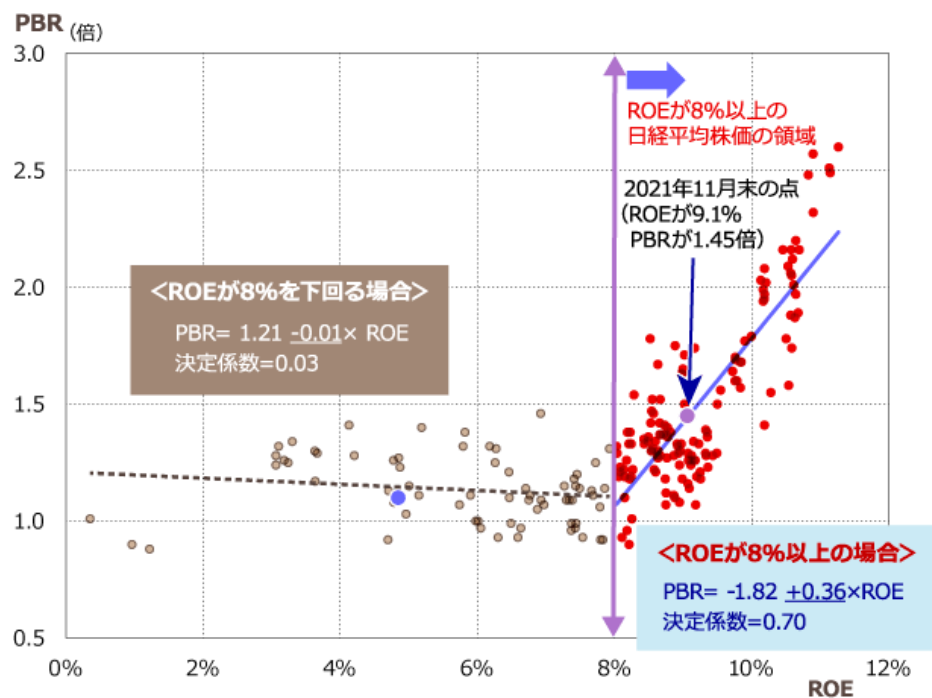
- We assume that many of your investors are focused on future growth expectations i.e. forward P/E. However, profits fluctuate greatly due to transitional factors such as Covid-19 and the problem of switching distribution centers. We believe this is insufficient as an indicator for a long-term investment that delivers corporate value.
- Your P/B ratio is in a declining phase even as equity builds up; Prior to the merger of the 3 companies in October 2017, there was a gap of 10x in terms of profit between then and now, making it difficult to believe that the companies are being properly valued.



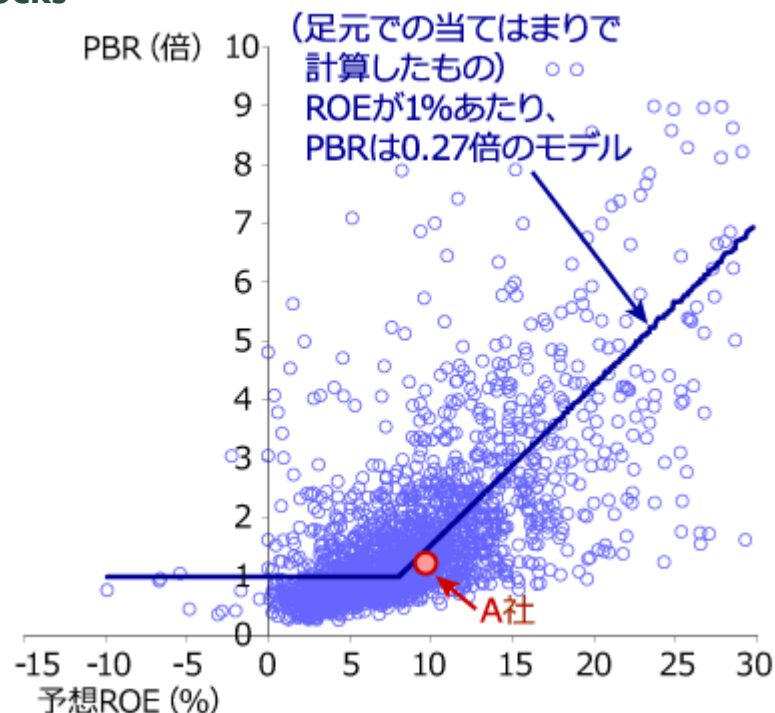
# CORRELATION BETWEEN ROE & PBR

- While we do not see Oisix's ROE falling below the 8% line mentioned in the Ito Report anytime soon, the image of a declining ROE will be disliked by long-term investors and ultimately lead to lower valuations.

## Correlation between ROE & PBR of Nikkei 225



## Correlation between ROE & PBR in individual stocks



# ASSUMPTIONS USED IN THE FORECAST



Items	Assumptions
Forecast period	5 Years
Topline Growth Rate	Current: 5.75%、 Future: 6.00%
EBITDA Margin	Current: 5.50%、 Increase by 0.25% per period
Effective tax rate	33.5% per period
Working Capital	Consistent Cash Conversion Cycle of 1 DAY, close to actual result in FY Mar.2021
Depreciation	1.75% of sales for the first period, followed by 3.00% for subsequent periods
CAPEX	4bn yen for the first period followed by 2.00% for subsequent periods
Acquisition price of Shidax shares	8.4bn yen
Source of acquisition	All Debt
Debt repayment	1bn yen per year together with existing debt
Oisix stock price	1,800yen throughout
Shareholder return	All amount is done through share repurchase

# RESULTS FROM THE PROJECTION



- According to a very simple projection that disregards the PL impact of the Shidax share buyback, Oisix's goal of 10bn yen in cash and ROE of over 10% can be achieved by implementing a share buyback of 3bn yen per year.

## Case1 : No share buyback

<i>JPY in millions</i>	2022/3期	2023/3期	2024/3期	2025/3期	2026/3期	2027/3期
Cash	13,071	14,356	16,714	19,428	22,602	26,278
ROE	13.2%	11.5%	7.8%	8.4%	9.0%	9.4%
EPS	74.6	73.8	55.1	64.6	74.9	86.3
BPS	605.6	679.2	734.4	798.9	873.8	960.1
Total payout ratio		0.0%	0.0%	0.0%	0.0%	0.0%
DOE		0.0%	0.0%	0.0%	0.0%	0.0%
Net D/E	0.03x	0.32x	0.17x	0.03x	(0.11x)	(0.23x)

## Case2 : Share buyback of 3bn yen per year

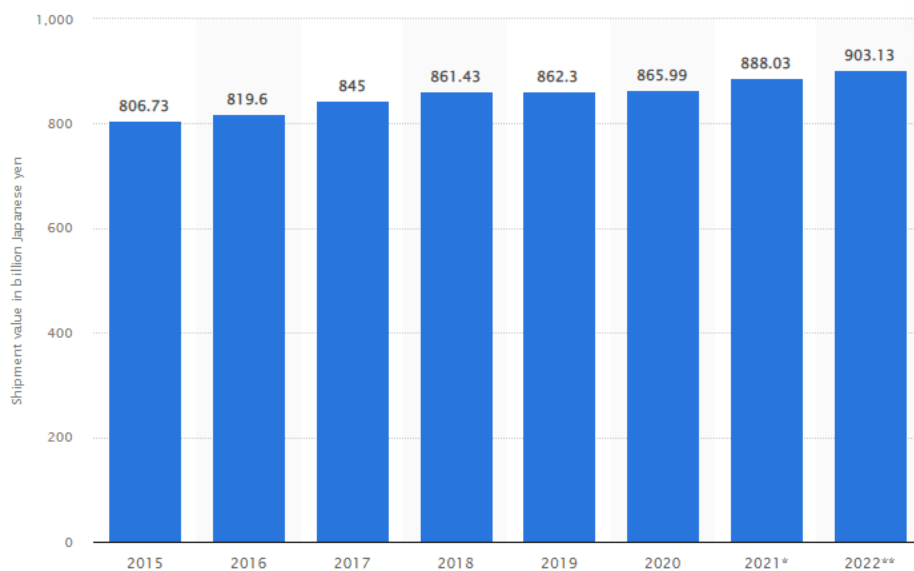
<i>JPY in millions</i>	2022/3期	2023/3期	2024/3期	2025/3期	2026/3期	2027/3期
Cash	13,071	11,356	10,714	10,428	10,602	11,278
ROE	13.2%	12.3%	9.4%	11.5%	13.6%	15.8%
EPS	74.6	77.3	60.6	74.8	91.6	111.8
BPS	605.6	625.7	627.4	640.3	667.3	712.2
Total payout ratio		111.2%	148.9%	127.1%	109.5%	95.1%
DOE		13.7%	14.4%	14.8%	15.0%	14.9%
Net D/E	0.03x	0.50x	0.50x	0.48x	0.43x	0.34x

# COLLABORATION W/ SHIDAX -> FURTHER GROWTH



- The next driver of growth may be strength in the delivery of “medical food”, or healthy food in general, to medical facilities, nursing homes, and home health care providers.
- At the information session with Shidax, you talked about “KPIs for health care delivery with completion rate” What kind of impact (including financial) will be made by applying the know-how?

## Shipment value of the health foods in Japan



## Shidax positions nursery schools as a high-growth area and has strength in small and medium-sized hospitals

### トップ10プレイヤーの一角

- 当社はオフィスから病院、保育園に至るまで幅広い顧客ニーズに対応し、**400社超の顧客基盤を有するトップ10プレイヤーの一角**

### 病院・高齢者施設

- **中小病院を主なターゲットとし、中小病院特有の多様なサービスニーズにきめ細かく対応**
- 人財不足への対応として、自社セントラルキッチン<sup>※3</sup>を活用した現場調達の軽減を積極推進

### 保育園・幼稚園

- **保育園は、施設数の増大×委託化率の向上（現在15%未満<sup>※4</sup>）が見込まれる高成長領域**
- 学校給食・学童保育で培った子ども領域の知見（アレルギー対応力・食育コンテンツ）での差別化

# DISCLAIMER



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