

M&A advisory firm that benefits from intensifying business succession issue

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[7360 ONDECK Sector : Services]

Fiscal Year	Net sales (mn yen)	YoY (%)	Operating profit (mn yen)	YoY (%)	Ordinary profit (mn yen)	YoY (%)	Profit (mn yen)	YoY (%)	EPS (yen)	BPS (yen)	DPS (yen)
Nov. 2018	341	-19.8	33	-	33	-83.0	22	-83.6	9.2	154.9	0.0
Nov. 2019	647	89.5	121	260.9	122	260.2	78	246.6	31.5	186.4	0.0
Nov. 2020 f	794	22.7	132	9.0	125	3.0	80	3.3	32.5	-	0.0

Note: Non-consolidated basis. Figures for the fiscal year ending November 2020 are the company's forecasts.
It conducted 1-to-100 stock split on May 29, 2020 and 1-to-30 stock split on October 30, 2020.
Per share indicies are adjusted retroactively.

Providing M&A Advisory Services to Small- and Medium-sized Companies

ONDECK based in Osaka provides M&A advisory services to small- and medium-sized domestic companies.

The company is aware that M&A services targeting small- and medium-sized companies tend to result in just matching buyers and sellers. It draws a clear line from such M&A services targeting small- and medium-sized companies by providing quality proposals focused on business success after the M&A.

The company's M&A advisory business is performed in either a broker style in which it brokers between potential buyers and potential sellers, or in a financial advisor style in which it gives advice to either potential buyers or potential sellers as a financial advisor. Most of the net sales are from the broker style.

Revenue Structure

The revenue of the company is composed of (1) an initial retainer fee paid by potential sellers at the sourcing/project formulation phase, (2) an application fee and fee to express their intention paid by potential buyers at the matching phase, and (3) a success reward paid at the execution phase. The initial retainer fee, application fee and fee to express their intention are fixed amounts, and most of the revenue is from success rewards.

Size of M&As

Many of the M&As the company handles are so-called small-cap companies with annual turnover between 300 million yen and 1 billion yen, but it also corresponds to mid-cap companies with annual turnovers of over 1 billion yen and micro-cap companies with annual turnovers of less than 300 million yen.

Regarding distribution of M&As in the fiscal year ended November 2019, it is centered on micro-cap and small-cap companies based on number of cases. However, as mid-cap companies, which only accounted for 12% based on the number of cases, accounted for 45% on a monetary basis, the quantity of M&As of mid-cap companies tends to have a large effect on its business performance.

Financial Statements

Statement of income	Fiscal Year	Nov. 2018		Nov. 2019		Nine months to Aug. 2020	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		341	100.0	647	100.0	379	100.0
Cost of sales		185	46.4	273	42.2	224	59.1
Gross profit		183	53.6	374	57.8	155	40.9
Selling, general and administrative expenses		149	43.8	252	39.0	187	49.5
Operating profit		33	9.8	121	18.8	-32	-8.6
Non-operating income		0	-	0	-	0	-
Non-operating expenses		0	-	0	-	0	-
Ordinary profit		33	9.9	122	18.8	-32	-8.6
Profit before income taxes		32	9.5	122	18.8	-32	-8.6
Net profit		22	6.6	78	12.1	-21	-5.7

Balance sheet	Fiscal Year	Nov. 2018		Nov. 2019		Nine months to Aug. 2020	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		459	96.0	598	94.9	492	86.6
Cash and deposits		380	79.6	586	92.9	447	78.6
Accounts receivable-trade		49	10.3	2	0.3	4	0.7
Inventories		-	-	-	-	-	-
Non-current assets		19	4.0	32	5.1	75	13.4
Property, plant and equipment		7	1.5	9	1.5	7	1.4
Intangible assets		5	1.2	5	0.8	4	0.8
Investments and other assets		6	1.3	17	2.8	63	11.2
Total assets		478	100.0	630	100.0	568	100.0
Current liabilities		83	17.4	161	25.6	65	11.5
Accounts payable-trade		-	-	-	-	-	-
Non-current liabilities		11	2.3	6	1.1	62	11.0
Net assets		384	80.2	462	73.3	440	77.5
Owners' equity		384	80.2	462	73.3	440	77.5

Statement of cash flows	Fiscal Year	Nov. 2018	Nov. 2019
		(mn yen)	(mn yen)
Cash flows from operating activities		-68	238
Depreciation		2	7
Cash flows from investing activities		62	-12
Cash flows from financing activities		98	-20
Dividends paid		-	-
Net increase in cash and cash equivalents		92	205
Cash and cash equivalents		380	586

Note: Non-consolidated basis.

Source: Prepared by Stock Research Center based on the notifiable prospectus.

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