

Mainstay childcare business operating nursery schools and small nursery facilities

This report is an English translation of part of the report issued on April 30, 2021.
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【 6557 global bridge HOLDINGS Sector : Service 】

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)
Dec. 2019		5,915	56.2	-887	-	5	-	-31	-	-13.4	366.8	0.0
Dec. 2020		8,313	40.6	-1,380	-	276	51.4x	150	-	57.5	521.8	0.0
Dec. 2021	CE	9,733	17.0	-226	-	185	-33.0	111	-26.1	41.9	-	0.0
Dec. 2021	E	9,730	17.0	-230	-	182	-34.1	101	-32.7	38.7	570.2	0.0
Dec. 2022	E	11,201	15.1	100	-	424	133.0	181	79.2	69.3	639.5	0.0
Dec. 2023	E	12,445	11.1	290	190.0	614	44.8	331	82.9	126.8	766.3	0.0

Note: CE: Estimates by the company E: Estimate by Stock Research Center
Source: Stock Research Center

1. Corporate Overview

global bridge HOLDINGS group conducts the childcare business operating authorized nursery schools, the nursing care business operating elderly housing with supportive services, and the ICT business providing nursery school operation management systems to nursery facilities nationwide. The childcare business accounts for 90% of its net sales.

2. Financial Analysis

While net sales is on an increasing trend with the increase of nursery facilities, an operating loss is continuing with the increase in fees related to the opening of new facilities. The corporate plan for the fiscal year ending December 2021 expects a 17.0% increase in revenue and an operating loss of 226 million yen (fiscal year ended December 2020 was a loss of 1,380 million yen). As the number of constructions of new facilities will decrease and labor expenses will be suppressed through appropriate arrangement of childcare workers, it forecasts a decrease in operating loss.

3. Non-Financial Analysis

The source of the company's intellectual capital is the accumulation of facility operation expertise and children's development data gained through developing businesses contributing to solving social issues such as an aging society, children on nursery waiting lists and elder-to-elder nursing care.

4. Corporate Strategy Analysis

The company aims to expand business by focusing on new openings of authorized nursery schools and spreading its nursery school management system.

With regard to authorized nursery schools, it plans to continue new openings in Chiba Prefecture, the 23 wards of Tokyo and Osaka City, where it has experience in operating multiple facilities.

5. Analyst Evaluation

The Stock Research Center expects that an increase in net sales will continue for the meantime with the opening of new facilities and that improvement in profitability will progress with the increase in the number of facilities that become highly profitable in the years after opening.

global bridge HOLDINGS (6557-TSE Mothers) - - - - - May 20 2021

Concerning the business performance for the fiscal year ending December 2021, Stock Research Center forecasts a 17.0% year-on-year increase in net sales to 9,730 million yen and an operating loss of 230 million yen, almost the same level as the corporate plan. For the fiscal year ending December 2022, it forecasts an operating profit of 100 million yen with a 15.1% year-on-year increase in net sales.

Earnings forecast

	Dec.19	Dec.20	Dec.21 CE	Dec.21 E	Dec.22 E	Dec.23 E
Statement of income						
Net sales	5,915	8,318	9,733	9,730	11,201	12,445
YoY	56.2%	40.6%	17.0%	17.0%	15.1%	11.1%
Childcare business	5,002	7,468	8,743	8,743	10,050	11,100
Nursing care business	745	688	792	791	901	1,030
ICT business	96	122	191	190	240	300
Others	72	38	6	6	10	15
Gross profit	434	314	-	1,508	1,848	2,115
YoY	96.9%	-27.7%	-	380.3%	22.5%	14.4%
Gross profit ratio	7.4%	3.8%	-	15.5%	16.5%	17.0%
Selling, general and administrative expenses	1,322	1,695	-	1,738	1,748	1,825
SG&A ratio	22.4%	20.4%	-	17.9%	15.6%	14.7%
Operating profit	-887	-1,380	-226	-230	100	290
YoY	-	-	-	-	-	190.0%
Operating profit ratio	-	-	-	-	0.9%	2.3%
Ordinary profit	5	276	185	182	424	614
YoY	-	51.4x	-33.0%	-34.1%	133.0%	44.8%
Ordinary profit ratio	0.1%	3.3%	1.9%	1.9%	3.8%	4.9%
Profit attributable to owners of parent	-31	150	111	101	181	331
YoY	-	-	-26.1%	-32.7%	79.2%	82.9%

	Dec.19	Dec.20	Dec.21 CE	Dec.21 E	Dec.22 E	Dec.23 E
Balance Sheet						
Cash and deposits	1,167	824	-	675	975	1,205
Accounts receivable	333	774	-	875	1,008	1,120
Accounts receivable-other	58	295	-	259	59	59
Others	262	288	-	241	240	241
Allowance for doubtful accounts	0	0	-	0	0	0
Current assets	1,821	2,183	-	2,051	2,282	2,624
Property, plant and equipment	4,714	6,357	-	6,669	6,849	7,019
Intangible assets	547	516	-	481	446	411
Investments and other assets	684	1,435	-	1,535	1,477	1,513
Non-current assets	5,945	8,308	-	8,685	8,773	8,944
Total assets	7,777	10,498	-	10,737	11,055	11,569
Accounts payable	-	-	-	-	-	-
Short-term borrowings	91	193	-	193	193	193
Current portion of long-term borrowings	569	896	-	896	896	896
Income taxes payable	45	20	-	20	20	20
Accounts payable	358	455	-	460	470	475
Others	598	627	-	645	680	739
Current liabilities	1,663	2,192	-	2,215	2,260	2,324
Long-term borrowings	4,693	6,165	-	6,269	6,373	6,477
Deferred tax liabilities	81	228	-	238	239	239
Deposits received	14	13	-	13	13	13
Net defined benefit liability	32	50	-	50	52	54
Asset retirement obligations	328	414	-	414	400	412
Others	1	0	-	1	1	1
Non-current liabilities	5,152	6,873	-	6,988	7,080	7,199
Net assets	961	1,431	-	1,532	1,713	2,044
(Owners' equity)	906	1,388	-	1,489	1,670	2,001
(Share options)	55	43	-	43	43	43

Earnings forecast

	Dec.19	Dec.20	Dec.21 CE	Dec.21 E	Dec.22 E	Dec.23 E
Statement of cash flows						
Profit before income taxes	0	279	-	182	424	614
Depreciation	286	477	-	480	490	500
Share-based compensation expenses	31	3	-	3	3	3
Depreciation	55	55	-	55	55	55
Gain on reversal of asset retirement obligations	-	-4	-	-	-	-
Subsidy income	-1,002	-1,770	-	-612	-510	-510
Increase (decrease) in allowance for doubtful accounts	0	-	-	0	0	0
Increase (decrease) in provision for bonuses	-52	-	-	-	-	-
Interest and dividend income	0	-4	-	-4	-4	-4
Interest expenses	38	59	-	68	68	68
Loss on sales of non-current assets	-	1	-	-	-	-
Loss on retirement of non-current assets	1	0	-	-	-	-
Decrease (increase) in notes and accounts receivable – trade	-140	-441	-	-100	-132	-111
Increase (decrease) in accounts payable – other	17	116	-	0	0	0
Increase (decrease) in advances received	-24	32	-	0	0	0
Decrease (increase) in accounts receivable – other	-4	-60	-	36	200	0
Increase (decrease) in accrued expenses	177	96	-	5	10	5
Others	-21	58	-	30	61	62
Total	-638	-1,100	-	143	666	682
Interest and dividend income	0	4	-	4	4	4
Interest expenses	-38	-59	-	-68	-68	-68
Income taxes paid	-26	-50	-	-85	-195	-282
Proceeds from subsidy income	991	1,591	-	612	510	510
Cash flows from operating activities	287	385	-	606	917	846
Purchase of property, plant and equipment	-1,670	-2,129	-	-752	-630	-630
Purchase of intangible assets	-67	-61	-	-60	-60	-60
Purchase of investment securities	-	-603	-	-	-	-
Payments for lease and guarantee deposits	-105	-138	-	-49	-41	-41
Others	-62	7	-	8	9	9
Cash flows from investing activities	-1,905	-2,924	-	-852	-721	-721
Proceeds from issuance of common shares	211	287	-	-	-	-
Proceeds from share issuance to non-controlling shareholders	-	20	-	-	-	-
Increase in short-term loans payable	160	659	-	193	193	193
Decrease in short-term loans payable	-68	-557	-	-193	-193	-193
Proceeds from long-term loans payable	1,907	2,586	-	1,000	1,000	1,000
Repayments of long-term loans payable	-859	-788	-	-896	-896	-896
Cash flows from financing activities	1,350	2,206	-	103	103	103
Net increase in cash and cash equivalents	-266	-332	-	-141	299	229
Cash and cash equivalents	1,425	1,159	-	817	675	975
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	-9	-	0	0	0
Cash and cash equivalents	1,159	817	-	675	975	1,205

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