

Service company offering various solutions and products in GRC and security domain

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[9250 GRCS Sector : Services]

Fiscal Year	Net sales	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit	YoY	EPS	BPS	DPS
	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(yen)	(yen)	(yen)
Nov. 2020	1,431	30.0	26	-	22	-	46	-	40.0	95.7	0.0
Nov. 2021	1,758	22.8	123	360.3	100	345.7	143	210.1	122.8	574.1	0.0
Nov. 2022 CE	2,384	35.6	-227	-	-241	-	-179	-	-136.9	-	0.0
Nov. 2022 E	2,412	37.2	-211	-	-228	-	-160	-	-122.6	441.4	0.0
Nov. 2023 E	3,135	30.0	88	-	79	-	57	-	43.8	485.2	0.0
Nov. 2024 E	3,930	25.4	235	166.9	227	187.3	182	218.6	139.5	624.8	0.0

Note: CE(company expectations),E(Stock Research Center expectations)
Source: Stock Research Center

1. Corporate Overview

GRCS focuses on the perspectives of G: Governance, R: Risk, C: Compliance (GRC) and S: Security, which pose management issues for companies. It provides various solutions in the form of consultants, engineers and other specialists with expertise in various domains (solutions division), along with specialized business tools in the GRC and security domains (product division).

The company has been ramping up investment in the financial technology domain, providing new services such as trading systems to the financial industry, where most of its clients are concentrated, and as such expects to record an operating loss for fiscal year ending November 2022.

2. Financial Analysis

From the fiscal year ended November 2016 to fiscal year ended November 2021, net sales grew by an annual average of 22.8% and operating profit by 37.5% partly owing to an increase in the number of customers, higher average customer unit price, and expansion of services provided.

In terms of financial soundness and growth potential, GRCS is more attractive than similar companies.

3. Non-Financial Analysis

The source of the company's intellectual capital is its specialized human resources, track record, and knowledge in the GRC domain.

4. Corporate Strategy Analysis

The company's growth strategy is to expand its service offerings, upgrade its products, and invest in financial technologies.

5. Analyst Evaluation

We expect to record an operating loss for fiscal year ending November 2022, despite a significant jump in revenue, due to an expected increase in demand in the solutions and product divisions, mainly in the GRCS domain. Increased burden of personnel expenses, brought on by an increase in the number of engineers in the financial technology domain is expected to put pressure on its profit margins.

We forecast a 30.0% year-on-year revenue increase and a return to operating profitability in fiscal year ending November 2023, and a 25.4% year-on-year revenue increase and a 166.9% increase in operating profit in fiscal year ending November 2024, assuming a contribution from sales in the financial technology domain and an improvement in the labor cost-to-sales ratio.

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