

Contracts maintenance management and other operations for automobiles owned by leasing companies

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For inquiries concerning the report, please contact info@stock-r.org

【5870 Nalnet Communications 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)
Mar. 2023	2,027	-	514	-	492	-	622	-	117.9	551.8	0.0
Mar. 2024	7,672	9.2	526	2.3	511	4.0	305	-51.0	57.7	613.5	0.0
Mar. 2025 CE	8,562	11.6	561	6.5	552	7.9	326	6.8	61.1	-	15.0
Mar. 2025 E	8,500	10.8	493	-6.4	484	-5.4	278	-8.8	52.2	650.4	15.0
Mar. 2026 E	9,747	14.7	631	28.0	623	28.7	368	32.3	69.0	704.5	21.0
Mar. 2027 E	10,887	11.7	762	20.8	757	21.5	455	23.6	85.4	768.8	26.0

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

It conducted 1:100 stock split on August 27, 2023.Per share indices are adjusted retroactively.

Source: Stock Research Center

1. Corporate Overview

Nalnet Communications is entrusted with vehicle management, maintenance management and other services for users mainly by automobile leasing companies.

Maintenance outsourcing, in which corporate leasing companies entrust the company with vehicle maintenance management collectively, accounted for 81.6% of net sales in fiscal year ended March 2024. BPO, in which the company is entrusted with partial operations by leasing companies, accounted for 5.4%, specific assignments from private leasing companies accounted for 4.8%, while other operations accounted for 8.2%.

2. Financial Analysis

From fiscal year ended March 2019 to fiscal year ended March 2024, net sales grew at an annual rate of 8.1% thanks to an increase in the number of vehicles under management. However, ordinary profit decreased at an annual rate of 0.8%, which was attributable to a lower gross profit margin and recognition of amortization of goodwill and customer-related assets associated with the leveraged buyout.

In fiscal year ended March 2024, net sales increased 9.2% year on year on the back of an increase in the number of vehicles under management. Still, operating profit was only up 2.3% as the gross profit margin contracted due to factors such as higher tire prices.

3. Non-Financial Analysis

The source of the company's intellectual capital lies in its extensive experience and know-how related to maintenance outsourcing.

4. Corporate Strategy Analysis

Nalnet Communications' growth strategy is to boost net sales by increasing the number of vehicles under management and penetrating new markets, expand gross profit by increasing business process outsourcing contracts, thereby improving the cost of sales ratio in the maintenance outsourcing business and strengthening operations.

5. Analyst Evaluation

We forecast a 10.8% year-on-year revenue increase and a 6.4% decline in operating profit for fiscal year ending March 2025, based on the company's first-half results, which showed a significant decline in profit owing to higher raw material costs and measures the company has taken.

We anticipate a 14.7% year-on-year revenue increase and a 28.0% rise in operating profit in fiscal year ending March 2026. We also expect an 11.7% revenue increase and a 20.8% increase in operating profit in fiscal year ending March 2027. These forecasts are based on the premise of an increase in the number of vehicles under management and a rise in contract fees resulting from more transactions with major clients and the development of new clients.

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