S-POOL INC. (2471 JP)

CONTINUES TO INVEST IN GROWTH OPPORTUNITIES EVEN AFTER 4 CONSECUTIVE YEARS OF RECORD EARNINGS

FY19 EARNINGS RESULT AND FY20 OUTLOOK

FY19 RESULTS

S-Pool Inc. (2471 JP) announced FY19 (Nov year-end) results on 14 Jan, recording its second consecutive record in OP of ¥1,604mil (+63.1% YoY), beating company guidance by 27.3%, on sales of ¥17,522mil (+18.4% YoY). Both figures exceeded the firm's guidance which called for OP of ¥1,260mil (+15.5% YoY) on sales of ¥17,066mil (+15.3% YoY).

Human Resources Solutions – one S-Pool's core businesses – achieved record sales. The structural labour shortage in Japan continues to drive demand for temp staff among S-pool's core client base, such as call centre operators and electrical goods retailers.

Another core business, the Special Needs Employment Support segment, also outperformed the firm's guidance, thanks to higher than expected growth in hydroponic plot and facility sales and an increase in plots under management. More than expected sales of hydroponic plots in the Special Needs Employment Support business was the main driver behind the higher-than-expected profits for company overall. Having revised up its full year sales unit forecast for hydroponic plots from 800 to 880 at the 1H results, the final FY19 figure far exceeded that new estimate and 922 plots were sold.

In addition to the strong performance of its two core businesses, S-Pool's new businesses, such as Professional Human Resources Bank (supporting retired professionals to find jobs) and OMUSUBI (employment process support service for retailers and restaurants), achieved record sales, the latter moved into the black. The Logistics Outsourcing segment saw sales decline 25.4% YoY – the fall was expected as unprofitable clients were removed – however, the business moved into the black.

One of the firm's farms was badly damaged by the Typhoon No. 15 which devastated the vast area of the Eastern part in the main island of Japan in September. There was associated costs (¥100mil) incurred due to the typhoon, but those costs were more than offset by the ¥157mil received in insurance cover.

In FY19, cash and cash equivalent rose by 55% YoY. Operating cash flow (CFO) doubled YoY to ¥1,696mil, thanks to the much-improved level of profit, resulting in CFO finally exceeding cash flow for investment (CFI). Cash flow from Financing was ¥809mil – the largest inflow was due to an increase in long-term debt in total of ¥600mil.

EXECUTIVE SUMMARY

- S-Pool Inc. (2471 JP) reported FY19 (Nov year-end) on 14 Jan: OP beat the company's guidance by 27.3% and hit ¥1,604mil (+63.1% YoY) on sales of ¥17,522mil (+18.4% YoY), notching up its 2nd consecutive year of record earnings.

- Record revenues were seen in two of its core businesses – HR Outsourcing Services (+20.5% YoY) and Special Needs Employment Service (+39.3% YoY) – as well as in new businesses such as OMUSUBI and Professional HR Bank. The Logistics Outsourcing business saw a drop in sales as several unprofitable clients were removed from its Shinagawa Centre, the result of which saw this segment finally turned profitable in FY19.

- The 27.3% overshoot in OP was mainly due to greater than expected sale of hydroponic plots. Compared to the firm's 1H revised guidance of 880 plots, FY19 unit sales hit 922 plots. Generating an OPM of 50%, the successful performance of Facility Sales boosted the firm's overall OP.

- S-Pool is guiding for another record year in FY20 with OP forecast to hit ¥2,000mil (+24.7% YoY) on sales of ¥20,636mil (+17.8% YoY). Both core businesses, HR Outsourcing Services and Special Needs Employment Support, will respectively continue to contribute ¥200mil+ increases in OP.

- Shareholder return policy was revised from a benchmark DOE 5% to a pay-out ratio of 20%. S-Pool prioritises investment on growth for the time being. FY20 dividend is estimate at ¥3.30/share, generating a dividend pay-out at 20.2%.

FY20 OUTLOOK

S-Pool is guiding for FY20 OP of ¥2,000mil (+24.7% YoY) on sales of ¥20,636mil (+17.8% YoY), with both HR Outsourcing Services and the Business Solutions Services segment expected to see a boost in OP of over ¥200mil each.

The current medium-term plan OPM of 10% (S-Pool has not announced any medium-term numerical target other than OPM) is expected to be completed in FY20. So far, the firm's development and growth plans has been based on three core competencies:

1. High levels of social return through its two core businesses: HR Outsourcing Services help young, inexperienced workers to gain access to the job market. In Special Needs Employment Support, S-Pool has created a system for jobseekers with intellectual disabilities to find work and become financially independent.

2. Being resilient against the macroeconomic turbulence: Since the firm's business model is focused on demand created by structural changes in the job market rather than economic trend, it is less sensitive to macroeconomic trend.

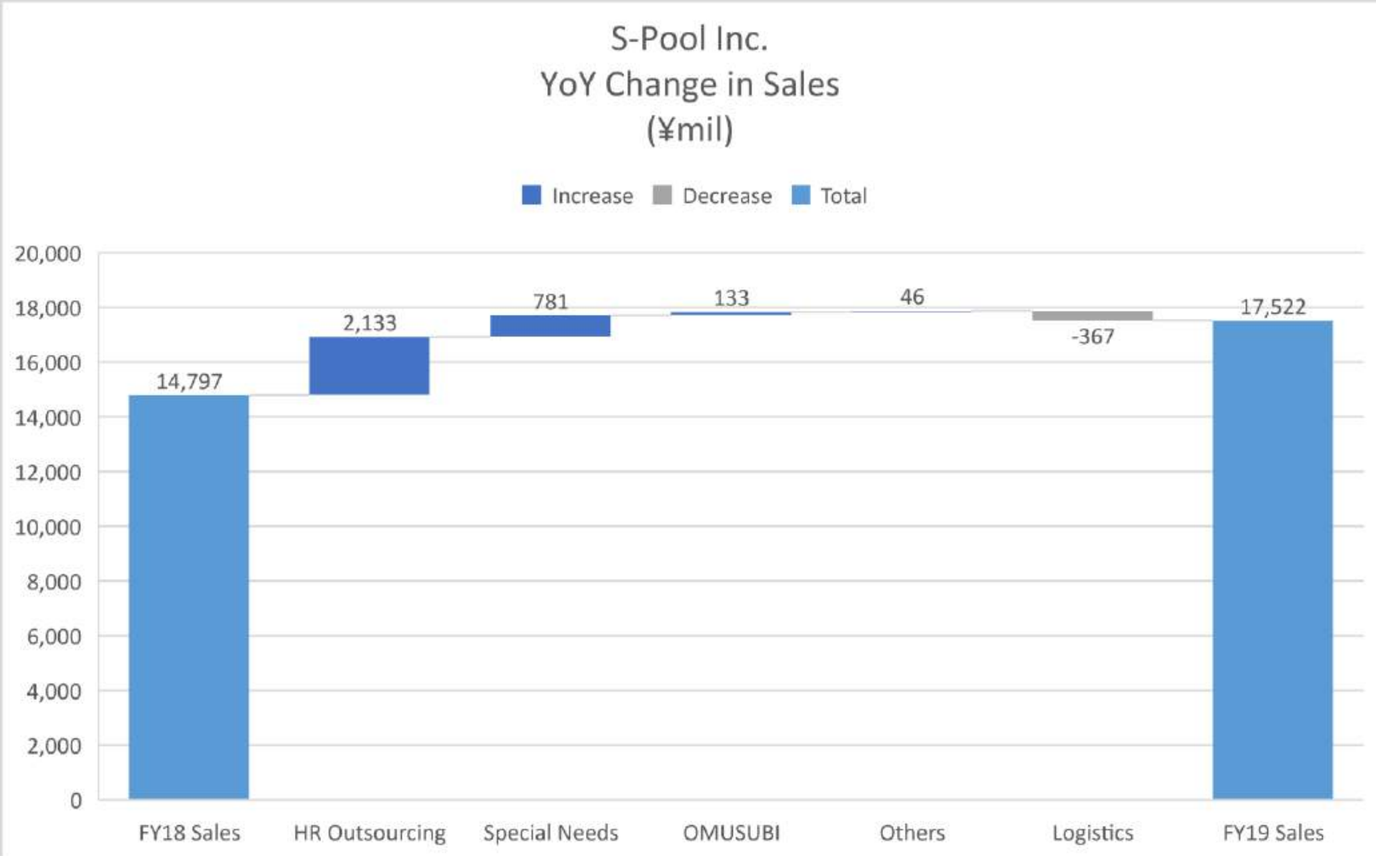
3. High barriers to entry through its unique services in niche market.

Under the medium-term management plan, S-Pool targets an OPM of 10% in FY20, which is slightly higher than the current target of 9.7% (see table below). The dividend forecast is currently ¥3.30/share, generating a pay-out ratio of 20.2% (discussed further below).

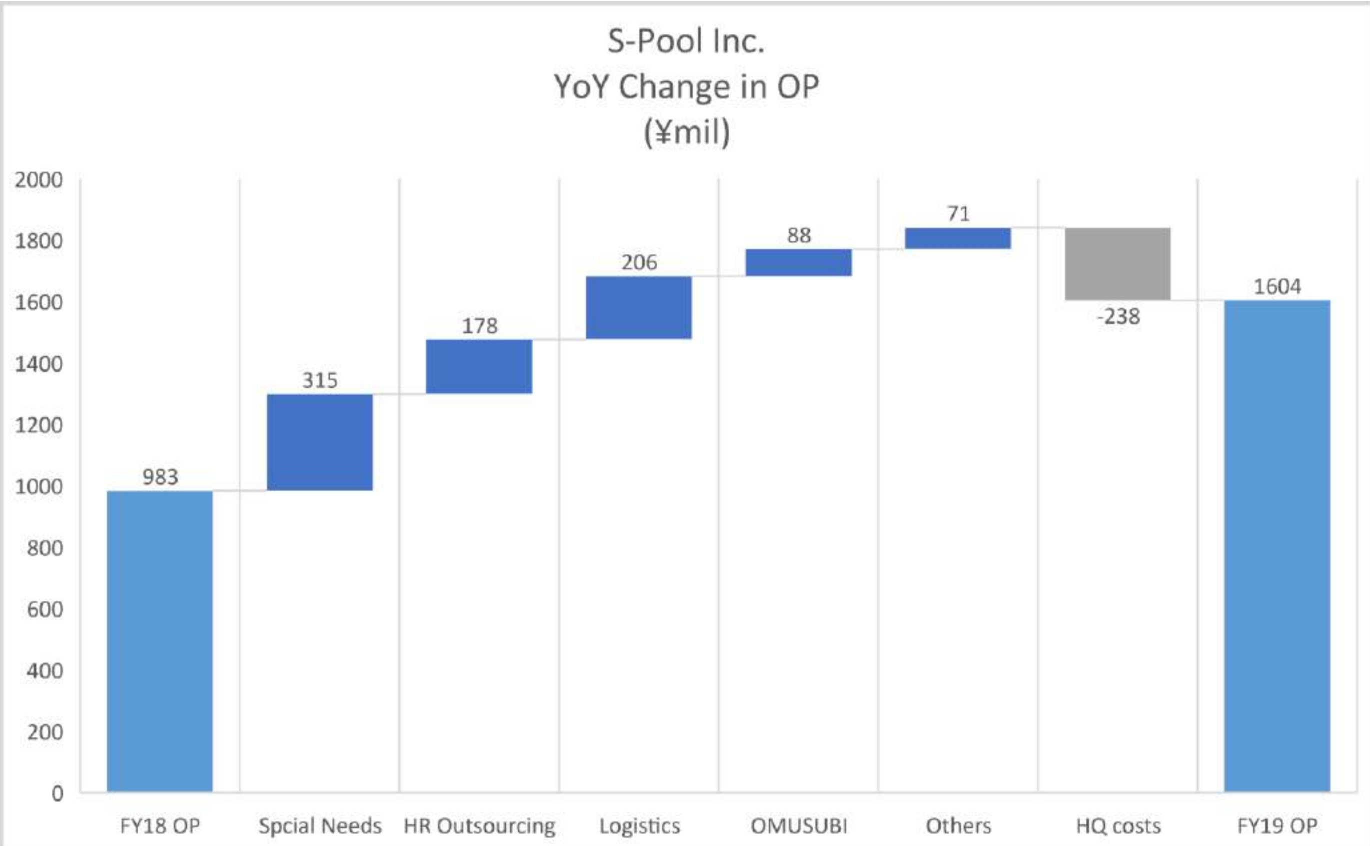
S-Pool Inc. (2471 JP) : Results & Forecasts

(¥mil)	FY18	FY19	YoY (%)	FY19CE	vs. CE(%)	FY20CE	YoY (%)
Sales	14,797	17,522	18.4	17,066	2.7	20,636	17.8
GP	4,022	5,214	29.6	4,834	7.9	6,122	17.4
GPM (%)	27.2	29.8	+2.6ppt	28.3	+1.6ppt	29.7	-0.1ppt
SG&A	3,038	3,610	18.8	3,573	1.0	4,121	14.2
SG&A/Sales (%)	20.5	20.6	+0.1ppt	20.9	+0.3ppt	20.0	-0.6ppt
OP	983	1,604	63.2	1,260	27.3	2,000	24.7
OPM (%)	6.6	9.2	+2.6ppt	7.4	+1.8ppt	9.7	+0.5ppt
RP	1,007	1,626	61.5	1,248	30.3	1,988	22.3
NP	619	1,082	74.8	811	33.4	1,288	19.0
EPS (¥)	7.58	13.7	80.9	10.28	33.4	16.3	18.9
Dividend (¥)	1.0	2.0	100.0	2	0.0	n/a	n/a
Dividend Pay-out (%)	12.7	14.6	+1.9ppt	19.5	-3.9ppt	n/a	n/a

Source: Nippon Investment Bespoke Research UK Ltd based on S-Pool Inc.'s presentation materials



Source: S-Pool Inc's FY19 results material



Source: S-Pool Inc.'s FY19 results material

SEGMENTS

HR SOLUTIONS SERVICES SEGMENT

The Human Resources Solutions segment performed in line with the firm's forecast, recording FY19 OP of ¥1,182mil (+17.7% YoY / +0.3% vs. CE) on sales of ¥12,516mil (+20.6% YoY / +0.9% vs. CE). Of the ¥2,724mil (+18.4% YoY) increase in total FY19 sales, the majority – ¥2,133mil – came from the rise in HR Outsourcing Service segment sales.

Every year, S-Pool opens 2~3 new branches to enhance marketing and hiring for call centres. However, due to the tight office supply in areas such as Shinjuku (Tokyo), Hakata (Fukuoka) and Naha (Okinawa) – where demand for call centre staff remains high – the firm only managed to open one new branch in FY19. This resulted in segment earnings staying in line with the company's estimate. Nevertheless, the firm enjoyed continuous growth in demand for the "group dispatch" – where several temp staff are dispatched as a team and are supervised by S-Pool's field consultant (FCs). The firm reckons that the success of group dispatch differentiates S-Pool's Staffing service, which became apparent in its sales growth by different customer base. For example, sales from Call Centre Staff Dispatch, which earns 76% of the segment sales, increased by 24.2% YoY.

S-Pool's competitors in the Call Centre Staff Dispatch business, such as Will Group (6089 JP) and CRG (7041 JP), only expect growth of between 3~9% YoY in the current fiscal year. S-Pool reckons that its higher level of growth is the result of its increasing market share at core customers (call centre operators) such as Bellsystem 24 (6183 JP). Sales from Bellsystem 24 doubled YoY in FY18 and continued to rise by 40% YoY in FY19. Sales from call centres grew by ¥1,855mil (+24.3% YoY) – sales from Bellsystem 24 contributed the most to the sales growth in FY19.

Another sub-segment within HR Solutions is Sales Support. In this business, S-Pool dispatch sales staff to mobile phone stores and electrical good retailers. In the past 1~2 years, sales growth of Sales Support was led by staff dispatch to mobile phone retailers such as Conexio (9422 JP) and T-Gaia (3738 JP). Due to a slash in handset subsidies from mobile carriers under new regulations, sales from mobile phone stores was flat in FY19, however, the slowdown in sales from mobile phone stores was offset by increase in sales from electrical retailers such as BIC Camera (3048 JP) and Yamada Denki (9831 JP). As a result, Sales Support revenues rose 11.0% YoY in FY19, although it undershot the firm's forecast by 7.2%.

Within the Sales Support business, FCs play an important role. Reasonably high levels of communication skills are required in both call centres and for sales support at mobile phone stores and retailers. Given such workplaces are also known for high volume of customer claims, the job retention rate tends to be low. Therefore, with an FC helping supervise the groups of staff on site, detecting early sign of problems and identifying issues to improve work efficiency and customer care, their presence often results in reducing the staff turnover. In FY19, the company was looking for the number of FCs to reach 240, but the actual figure hit 249, up from 196 FC in FY18.

In FY20, S-Pool estimates HR Solutions segment OP of ¥1,410mil (+19.3% YoY) on sales of ¥14,500mil (+15.9% YoY) based on the assumption that numbers of call centres will continue to rise amid increasing needs for customer services and support. The segment OPM is estimated at 9.7% in FY20. The firm aims to maintain the top market share at core customers by further enhancing the group dispatch model through hiring more FCs, with plans to hire 61 more FCs, making the total 310 by the end of FY20.

The need for customer service is not just limited to goods – Uber Eats, whose service started last year, requires service support for drivers as well as its customers. The launch of the digital money and cashless services concurrent with the introduction of the consumption tax hike in Oct 2019 triggered demand for call centres from services such as *Seven Pay*. Insurance companies are also increasing their online products, thus requiring more contact points for customers to call. Sales from Call Centres is estimated at ¥10.875mil (+14.3% YoY) in FY20. Sales Support sales is expected to be ¥3,000mil (+20.4% YoY) through direct engagement with electrical retailers.

One of the potential earnings risks is introduction of the Equal Pay for Equal Work system under the Workstyle Reform initiative led by the Abe administration from April 2020 – a system that emphasises equal pay for temping staff if they do the same job as the full-time employees. The system may cause S-Pool to cover extra costs, such as provision of transportation costs for call centre staff, which in some cases are not required to be paid for under the current system. S-Pool is willing to negotiate over any cost increase for the staff with its clients.

Temp staff companies such as Pasona (2168 JP) are said to have started negotiating a 10~20% fee increase with its customers to cover potential cost increase under the new system. S-Pool reckons that negotiations should favour staffing service providers given the current structural shortage of labour in Japan. However, there may be time lag during the negotiations until any resulting rise in cost is fully recovered.

BUSINESS SOLUTIONS SERVICES SEGMENT

Special Needs Employment Support Business

Business Solutions Services segment includes S-Pool's unique business – Special Needs Employment Support – which generated OP of ¥1,514mil (+73.2% YoY / +29.4% vs. CE) on sales of ¥5,043mil (12.5% YoY / +5.7% vs. CE) in FY19. Special Needs Employment Service comprises 55% of segment sales but more than 90% of segment OP.

Special Needs reported sales of ¥2,766mil (+39.3% YoY / +10.3% vs CE). The business is designed to offer support to 1) Japanese corporates that need to hire people with disabilities due to mandatory requirement under the Act on Employment Promotion of Persons with Disabilities and 2) jobseekers with intellectual disabilities.

The Act is applicable for any company that hires more than 45.5 employees. Companies with more than 100 full-time employees must meet these requirements by hiring special needs jobseekers based on the allocated quota which is currently set at 2.2% (expected to be raised to 2.3% in April 2021). Should they fail to comply, they will be penalised with a hefty fine and they will also be left with a permanent record of misconduct. S-Pool's expertise in this area will help companies comply with the changes in the employment law.

S-Pool earns revenues from three sources in this business:

1. Facility (hydroponic plot) sales (flow revenue),
2. Farm management fee (stock-based revenue) and
3. Others, which include fees the firm charges its corporate clients which hire jobseekers with intellectual disabilities

Special Needs Employment Business : sales breakdown

(¥ million)	FY18	YoY (%)	FY19	YoY (%)	FY20CE	YoY (%)
Sale of facilities (flow revenue)	1,047	41.8	1,387	32.5	1,576	13.6
Facilities management fee (stock revenue)	683	52.7	1,038	52.0	1,654	59.3
Others (Recruitment Fee)	255	35.3	342	34.1	299	-12.6
Special Needs Employment Support Service	1,985	44.5	2,766	39.3	3,530	27.6

Source: S-Pool Inc. FY19 earnings presentation

In FY19, Facility Sales generated revenues of ¥1,576mil (+13.6% YoY). At the 1H, S-Pool revised up the full-year unit sales of facilities from 800 plots to 880 plots but by the end of the fiscal year, it sold 922 plots. Since Facility Sales earns a healthy OPM of 50%, the overshoot in unit sales led to significant boost to the Business Solutions Services segment OP (+73.2% YoY and overshot the firm's guidance by 29.4%) and overall OP (+63.2% YoY / 27.3% above CE.

Steady growth in Facility Sales is also important for the Farm Management Fee sub-segment, as it is linked to the hydroponic plots business. S-Pool charges a monthly subscription to corporates that have bought plots and hired workers. The monthly management fee is currently fixed at ¥40,000 per plot.

As of the end of FY19, total number of hydroponic facilities under management reached 2,961 plots, which are let to 259 corporates clients. The number of farm locations also increased by 5 to 922 in FY19.

S-Pool expects demand for its facilities and recruitment of special needs jobseekers to remain firm as ca. 54% of 100,000 companies that need to comply with the Act have failed to do so. However, most of the positions available for special needs jobseekers tend to go to those with physical disabilities over those with intellectual disabilities, and they are quickly filled. To hire 2.2% of staff out of special needs jobseekers, those corporates who have yet to comply will have to hire 40,000 special needs workers. In April 2021, when the quota goes up to 2.3%, 66,000 special needs workers will need to be employed. Given those with physical disabilities are hired more readily over those with intellectual disabilities, S-Pool's strategy is to become the dominant player in the recruitment system for jobseekers with intellectual disabilities as the number of people with intellectual disabilities is almost half compared to that of people with physical disabilities, therefore, it has long been an ignored market.

In FY20, S-Pool plans to sell 1,026 plots, however, in Dec 19 – the first month of the new fiscal year – the firm already received orders for 300 plots. While there are several new potential clients tapping its door, some 30% of those orders came from the firm's existing client base. An increase in repeat customers helps improve APRU of the Farm Management. Fee business. S-Pool is planning to launch the urban type indoor hydroponic farms in Tokyo from 2H onwards, which is expected to be an attractive proposition for repeat customers who wish to have facilities in Tokyo.

The indoor hydroponic farms are a completely new system as the facilities can be located in warehouses, office buildings and commercial properties, giving companies leeway to choose a variety of locations. Leasing a property in Tokyo may be expensive compared to the running costs of farms in suburban locations, however, S-Pool reckons it should be able to maintain ca. 50% OPM on indoor facility sales. This is because the higher cost from leasing a property can be offset by not having the running costs that existing suburban farms are exposed to, such as shuttle bus services between the nearest stations to farms, equipping rest facilities mandatory, in order to run the facilities.

Although the earnings structure is largely the same as that of existing farms, the indoor model has some distinctive advantages as they are more resilient to natural disasters such as typhoons, have greater accessibility to a larger labour market in urban locations which can lead to more recruitment of special needs people. Full details of the indoor system are yet to be announced. One location is currently under negotiation and scheduled to open in FY20 3Q.

In FY20, S-Pool estimates existing facility unit sales to be 738 plots (-20% YoY) and that of indoor facility to be 288. Should the 3Q scheduled opening of the indoor facility be delayed, the firm will offset that by selling more outdoor facilities. The firm is guiding for sale of Facilities (plots in hydroponic farms) revenues of ¥1,576mil (+13.6% YoY). Furthermore, sales from the Facilities Management Fee is expected to exceed revenue from Facilities sales. Guidance for Facilities Management Fee income is ¥1,654mil (+59.3% YoY) – a higher YoY growth rate thanks to more than expected facility sales in FY19 and improvement in APRU.

Logistics Outsourcing Services

One of the two businesses that turned profitable in FY19 was Logistics Outsourcing Services. Sales (¥1,097mil (-25.4% YoY)) dropped YoY because the firm changed the way it charges delivery costs to customers. Until FY19, S-Pool charged the delivery cost (plus handling commission) as a part of sales. From FY19, the delivery cost is charged as an advanced payment. Sales of eCommerce and mail order logistics-related services included in the Logistics Outsourcing Service was ¥925mil (-27.4% YoY). The removal of a number of unprofitable customers saw to the business move into the black, generating OP of ¥120mil, up from a loss of ¥90mil the year before.

In this business, S-Pool focuses more on optimising sales from two of its logistics centres in Shinagawa and Tsukuba. Tsukuba's utilisation rate has already hit 90% but Shinagawa's utilisation fell to 75% because of removal of unprofitable customers as well as increasing partitioned capacity. S-Pool is guiding for FY20 sales of ¥1,200mil (+9.6% YoY) in Logistics Outsourcing Services but flattish growth in OP because of potential investment in automation systems. The amount of investment is estimated at maximum ¥90mil – though if that is not utilised, FY20 OP could reach ¥200mil (+2x YoY).

OMUSUBI – Employment Process Support Service

Another previously loss-making business is OMUSUBI, a service that supports the employment process of retailers and restaurants. Services include prompt replying to candidates' applications by email and setting up interviews on behalf of customers. In FY19, OMUSUBI turned profitable on sales of ¥437mil (+42.7% YoY). Currently, the fee of this service is charged on per-job basis. Average monthly job applications hit 33,922 (+50% YoY) in FY19. S-Pool opened its 5th branch in Aomori and is looking to achieve average monthly applications of 48,000 applications (+41.5% YoY) in FY20.

While aiming to improve workflow, S-pool also plans to introduce additional services such as online job interview platform and move its existing customers – 90 branches of restaurants and retailers – to a subscription-based service package. In FY20, the firm is guiding for OMUSUBI sales of ¥600mil (+40% YoY) and by shifting to the subscription-based fee, management is hoping to achieve an OPM of 30% on sales of ¥1,000mil in this business.

Professional HR Bank – Supporting Senior Professionals to Find Suitable Employment

A relatively new business – Professional HR Bank – has been providing support for retired senior professionals, some at management level, to find a suitable employment since FY18. In FY19, the business generated sales of ¥235mil (+20% YoY). In FY20, the firm is guiding for sales of ¥600mil from this business. Since senior jobseeker represents a sizeable market and it is profitable, S-Pool may consider allocating more resources going forward.

CHANGE IN SHAREHOLDER RETURN POLICY

S-Pool announced a change to its shareholder return policy in FY19. Under the existing system, the firm set DOE of 5% as a benchmark for dividend. The management used DOE because the historical trend of the firm's ROE was misleading due to past BS insolvency issues that arose when the business plunged after the Lehman Crisis.

Under the new shareholder return policy, the firm clarifies that it places the priority in investment for growth for the time being. While considering capital efficiency and further optimising BS, the firm is willing to pay a stable and sustainable dividend. The new benchmark is a dividend pay-out ratio of 20% for the time being. Should earnings decline YoY, the firm has committed to maintaining its cash dividend unless the dividend pay-out in that year exceeds 60%.

Other shareholder return method such as share buyback remains unlikely because of rather small free float (5.6%). After the 1:5 stock split in Sept 2019, the number of shareholders increased to 4,669 compared to 1,991 in May 19. Also, institutional investors own 54.2% of the company.

S-Pool Inc. (2471): Segment Sales and Operating Profit

(¥million)			FY18	FY19CE	YoY (%)	FY19 Actual	YoY (%)	vs. CE (%)	FY20CE	YoY (%)
Human Resources Solution	Call Centres	Sales	7,663	9,411	22.8	9,518	24.2	1.1	10,875	14.3
	Sales Support		2,245	2,686	19.6	2,492	11.0	-7.2	3,000	20.4
	Others		474	303	-36.1	505	6.5	66.7	625	23.8
	Segment Total		10,382	12,400	19.4	12,516	20.6	0.9	14,500	15.9
		OP	1,004	1,179	17.4	1,182	17.7	0.3	1,410	19.3
		OPM (%)	9.7	9.5	-0.2ppt	9.4	-0.3ppt	-0.1ppt	9.7	+0.3ppt
Business Solutions	Special Needs Employment Support Service	Sales	1,985	2,508	26.3	2,766	39.3	10.3	3,530	27.6
	Logistics Outsourcing Service		1,467	1,040	-29.1	1,095	-25.4	5.3	1,200	9.6
	Sales Support		536	538	0.4	517	-3.5	-3.9	600	16.1
	Employment process support (OMUSUBI)		304	450	48.1	437	43.8	-2.9	600	37.3
	Professional HR Bank		195	236	21.0	235	20.5	-0.4	282	20.0
	Segment Total		4,482	4,772	6.5	5,043	12.5	5.7	6,214	23.2
		OP	858	1,170	36.4	1,514	76.5	29.4	1,808	19.4
		OPM (%)	19.1	24.5	+5.0ppt	30.0	+10.5ppt	+5.5ppt	29.1	-0.9ppt
Total		Sales	14,865	17,172	15.5	17,559	18.1	2.3	20,714	18.0
		OP	1,862	2,349	26.2	2,696	44.8	14.8	3,218	19.4
Adjustment		Sales	-68	-108	n/a	-37	n/a	-65.7	-78	n/a
		OP	-895	-1,089	n/a	-1,093	n/a	0.4	-1,217	n/a
Value as in P&L		Sales	14,797	17,066	15.3	17,522	18.4	2.7	20,636	17.8
		OP	967	1,260	30.3	1,604	65.9	27.3	2,000	24.7
		OPM (%)	6.5	7.4	+0.8ppt	9.2	+2.6ppt	+1.8ppt	9.7	+0.5ppt

Source: Nippon Investment Bespoke Research UK Ltd based on publicly available information on S-Pool Inc.

BUSINESS MODEL SUMMARY

Human Resources Solutions Segment					
Business	*Services*	*Target workforce*	*Clients*	*Business environment*	*Competitors*
Temporary Staffing Service	Dispatch workers in a group with S-Pool's Field Consultants (group supervisors). Staff work as call centre staff and sales support at mobile phone stores and electrical retailers.	Those with no previous work experience (housewives) or workers who used to do different jobs, people in their 20s-30s with no notable job experiences	Call centre operators, makers of smartphones and electrical goods who need sales staff at retailers' stores	Demand from call centres remain solid. FY19 Sales from its top client Bell System 24 (6183 JP) doubled YoY. Demand for smartphone sales staff has already peaked. On the other hands, demand for onsite sales staff team from non-Japanese manufacturers of electrical goods and electrical retailers are rapidly surging.	WILL Group (6089 JP) CRG (7041 JP) Like (2462 JP) Hito Comm (3654 JP)
Business Solutions Segment					
Business	*Services*	*Target workforce*	*Clients*	*Business environment*	*Competitors*
Special Needs Employment Service	Bringing employers and jobseekers with intellectual disabilities together by providing work placement solutions (hydroponic farms)	Workers with disabilities, especially intellectual disabilities.	Firms with 45.5+ employees: Apparently, there are around 91,000 workers able for employment under the quota specified by the Employment Act	Under the Act on Employment Promotion of Persons with Disabilities, it is mandatory for companies with staff of more than 45.4 to hire 2.2% of its employees from people with disabilities. Nearly 46% of firms that meet this criterion are still in breach of the Act, risking a hefty penalty and having it on their permanent record. Jobseekers with physical disabilities are already fully employed. Therefore, to meet the mandatory requirements, the need to source workers from those with intellectual challenges will rise.	Startline (unlisted)
Logistics Outsourcing	E-commerce merchandise dispatch outsourcing services	No previous work experience, such as students and housewives	Small-to-medium e-commerce companies, especially so-called "repeat ECs"	S-Pool cancelled contracts with agencies which used to find tenants for the firm and cut off those that were unprofitable. With trucking companies having raised their fees, it also changed the fee structure to customers, therefore, sales fell YoY in FY19, but the business moved into the black.	Scroll (8005 JP)
OMUSUBI	Recruitment support for restaurants and branches	Part-time workers	Restaurants and retailers	Restaurant and retail branch managers are busy with day to day operations and often miss the opportunity to hire suitable part-time workers.	Misc.
Sales Support	Provide part-time workers for roles in merchandising and promotion, i.e. stacking shelves at supermarkets and drug stores	No previous work experience, especially housewives who often are unable to have fixed dates and/or times to work but prefer working in jobs that fits their day-to-day routines	Daily consumables makers	Supermarket and drug stores see daily merchandise offers as baits to draw more customers to their stores. Therefore, they are eager to fill shelf spaces with competitive and attractive products.	Mediaflag (6067 JP)

Source: Nippon-IBR based on publicly available materials

S-Pool Inc (2471 JP)

(JPY million)	FY14	FY15	FY16	FY17	FY18	FY19	FY20CE
Sales	6,604	7,267	9,236	11,696	14,797	17,522	20,636
Operating Profit	207	59	507	674	983	1,604	2,000
Recurring Profit	191	49	496	687	1,007	1,626	1,988
Net Profit	165	-68	408	423	619	1,082	1,288
EPS (JPY)	58.89	-22.86	135.85	136.60	39.27	13.71	16.30
Adjusted EPS (JPY)	-	-	130.24	134.14	39.20	13.70	-
Cash flow from operation (CFO)	291	-253	725	801	724	1,696	-
Cash flow from investment (CFI)	-188	-388	-480	-577	-878	-1,474	-
Cash flow from finance (CFF)	229	513	138	-58	1	809	-
Cash and cash equivalent	819	691	1,074	1,240	1,087	2,119	-
Free cash flow (FCF)	103	-641	245	224	-154	1,032	-
CFO per share (JPY)		-84.24	241.40	258.43	45.88	-	-
FCF per share (JPY)	36.67	-213.43	81.58	72.27	-9.76	-	-
Total asset	2,155	2,664	3,717	4,493	5,801	8,659	-
Liabilities	1,399	2,000	2,675	3,019	3,769	5,623	-
Net asset	756	663	1,041	1,473	2,032	3,035	-
Capital	351	351	351	366	368	372	-
Shareholders' equity	756	657	1,035	1,459	2,024	3,035	-
BPS (JPY)	251.66	218.74	344.52	462.71	128.27	38.42	-
OPM (%)	3.13	0.81	5.49	5.76	6.64	9.15	9.69
ROE (%)	34.96	-9.62	48.23	33.92	35.54	42.78	-
ROA (%)	10.59	2.08	15.61	16.27	19.00	22.02	-
Shareholders' equity ratio (%)	35.08	24.66	27.85	32.47	34.89	35.05	-
D/E ratio (%)	185.05	304.41	258.45	206.92	186.22	185.27	-
Total asset turnover (X)	3.61	3.02	2.89	2.85	2.87	2.42	-
Interest coverage (x)	15.92	6.56	56.33	112.33	164.00	133.67	-
Current ratio (%)	138.46	126.14	111.64	110.17	100.51	109.32	-
Interest-bearing debt	494	1,037	1,204	1,144	1,203	2,091	-
EBITDA	253	144	673	913	1,286	2,006	-
EBITDA margin (%)	3.83	1.98	7.29	7.81	8.69	11.45	-
Number of full-time employees	243	341	411	546	623	721	-
Annual dividend (JPY / share)	10.00	10.00	10.00	18.00	5.00	2.00	3.30
Normal dividend	10.00	10.00	10.00	18.00	5.00	1.40	-
Commemorative dividend	-	-	-	-	-	0.60	-
Dividend pay-out ratio (%)	17.00	-	7.40	13.20	12.70	14.60	-
DoE (%)	6.20	4.30	3.60	4.50	4.50	6.20	-
Shares outstanding as of the end of fiscal year (shares)	3,003,400	3,003,400	3,003,400	3,153,400	15,780,500	79,007,500	-
Interim average shares outstanding (shares)	2,809,089	3,003,338	3,003,338	3,099,494	15,776,586	78,965,047	-
Treasury shares (shares)	62	62	62	129	692	3,855	-
Potential dilution (shares)	-	-	129,407	56,886	30,393	38,731	-

Source: Nikkei Value Search

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