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On **August 13, 2019**, QB Net Holdings Co., Ltd. announced earnings results for full-year FY06/19.

## Quarterly results

Cumulative (JPYmn)	FY06/18				FY06/19				FY06/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Revenue	4,891	9,614	14,221	19,287	5,092	10,092	15,212	20,864	102.2%	20,406
YoY	10.3%	8.8%	8.2%	7.3%	4.1%	5.0%	7.0%	8.2%		5.8%
Gross profit	1,187	2,217	3,052	4,248	1,177	2,235	3,369	4,851		
YoY	9.4%	7.3%	5.7%	7.1%	-0.8%	0.8%	10.4%	14.2%		
GPM	24.3%	23.1%	21.5%	22.0%	23.1%	22.1%	22.1%	23.3%		
SG&A expenses	612	1,289	1,937	2,577	705	1,406	2,083	2,844		
YoY	25.7%	19.7%	20.9%	6.8%	15.2%	9.1%	7.5%	10.4%		
SG&A ratio	12.5%	13.4%	13.6%	13.4%	13.8%	13.9%	13.7%	13.6%		
Operating profit	580	930	1,113	1,641	475	849	1,307	1,969	103.6%	1,900
YoY	-1.2%	-5.5%	-12.5%	9.3%	-18.1%	-8.7%	17.4%	20.0%		15.8%
OPM	11.9%	9.7%	7.8%	8.5%	9.3%	8.4%	8.6%	9.4%		9.3%
Recurring profit	559	888	1,051	1,560	456	811	1,250	1,895	104.1%	1,820
YoY	-1.1%	-5.6%	-13.0%	10.1%	-18.4%	-8.7%	18.9%	21.5%		16.7%
RPM	11.4%	9.2%	7.4%	8.1%	9.0%	8.0%	8.2%	9.1%		8.9%
Net income	329	594	743	1,041	313	582	834	1,272	103.8%	1,226
YoY	-22.0%	-11.9%	-15.5%	1.8%	-4.9%	-2.0%	12.2%	22.2%		17.8%
Net margin	6.7%	6.2%	5.2%	5.4%	6.1%	5.8%	5.5%	6.1%		6.0%

  

Quarterly (JPYmn)	FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	4,891	4,723	4,607	5,066	5,092	5,000	5,120	5,652
YoY	10.3%	7.3%	7.1%	4.9%	4.1%	5.9%	11.1%	11.6%
Gross profit	1,187	1,030	835	1,196	1,177	1,058	1,134	1,482
YoY	9.4%	4.9%	1.8%	10.8%	-0.8%	2.7%	35.8%	23.9%
GPM	24.3%	21.8%	18.1%	23.6%	23.1%	21.2%	22.1%	26.2%
SG&A expenses	612	677	648	640	705	701	677	761
YoY	25.7%	14.7%	23.4%	-21.1%	15.2%	3.5%	4.5%	18.9%
SG&A ratio	12.5%	14.3%	14.1%	12.6%	13.8%	14.0%	13.2%	13.5%
Operating profit	580	350	183	528	475	374	458	662
YoY	-1.2%	-11.8%	-36.5%	129.6%	-18.1%	6.9%	150.3%	25.4%
OPM	11.9%	7.4%	4.0%	10.4%	9.3%	7.5%	8.9%	11.7%
Recurring profit	559	329	163	509	456	355	439	645
YoY	-1.1%	-12.5%	-39.0%	143.5%	-18.4%	7.9%	169.3%	26.7%
RPM	11.4%	7.0%	3.5%	10.0%	9.0%	7.1%	8.6%	11.4%
Net income	329	265	149	298	313	269	252	438
YoY	-22.0%	5.2%	-27.3%	106.9%	-4.9%	1.5%	69.1%	47.0%
Net margin	6.7%	5.6%	3.2%	5.9%	6.1%	5.4%	4.9%	7.7%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

In Q1 (Jul-Sep) and Q4 (Apr-Jun), quarterly revenue and gross profit tend to be higher than in Q2 (Oct-Dec) and Q3 (Jan-Mar). Profit lines from operating profit down tend to display the same sort of seasonality.

## Domestic salon sales (YoY)

(cumulative)	FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All salons sales			5.9%	5.2%	2.9%	4.1%	6.2%	7.6%
Comparable-store sales YoY			3.2%	2.6%	1.6%	2.4%	4.3%	5.6%

Source: Shared Research based on company data

Note: Comparable stores means operating salons that also operated throughout the entire previous fiscal year

Note: Covers Japanese salons including franchises; overseas salons are excluded

Note: Includes FaSS salons

## Salon numbers

Number of salons (cumulative)	FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All salons		664	668	671	676	684	692	694
YoY change			20	12		20	24	23
Japan		544	548	552	556	563	567	
YoY change			13	10		19	19	
QB House		534	537	541	545	550	554	
YoY change			11	9		16	17	
FaSS		10	11	11	11	13	13	
YoY change			2	1		3	2	
Overseas		120	120	119	120	121	125	
YoY change			7	2		1	5	
Singapore		34	36	36	36	35	35	
YoY change			1	1		1	-1	
Hong Kong		59	57	57	57	58	61	
YoY change			1	-		-1	4	
Taiwan		26	25	24	24	25	26	
YoY change			3	-		-1	1	
US		1	2	2	3	3	3	
YoY change			2	1		2	1	

Source: Shared Research based on company data

**Factors in earnings variation**

Cumulative (JPYmn)	FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	4,891	9,614	14,221	19,287	5,092	10,092	15,212	20,864
YoY change	457	777	1,081	1,316	201	478	991	1,577
Comparable stores			485	945	65	202	574	
New salon openings			600	413	158	318	462	
Other			-4	-42	-22	-42	-45	
Gross profit	1,187	2,217	3,052	4,248	1,177	2,235	3,369	4,851
YoY change	102	150	165	282	-10	18	317	603
Revenue					201	477	991	
Personnel costs at directly managed salons					-161	-350	-539	
Rents					-36	-86	-152	
Other					-14	-23	17	
SG&A expenses	612	1,289	1,937	2,577	705	1,406	2,083	2,844
YoY change	125	212	335	164	93	117	146	267
Personnel expenses at HQs, other			-	-	12	26	42	
Overseas and outside directors			33	30	21	23	34	
Stock market listing			40	40	7	14	-	
Other			262	94	53	54	70	
Operating profit	580	930	1,113	1,641	475	849	1,307	1,969
YoY change	-7	-54	-159	139	-105	-81	194	328
Comparable stores			302	322	35	104	398	
New salon openings			-137	-40	-45	-86	-81	
SG&A expenses			-334	-163	-92	-116	-145	
Other			10	20	-3	17	22	
Quarterly (JPYmn)	FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	4,891	4,723	4,607	5,066	5,092	5,000	5,120	5,652
YoY change	457	320	304	235	201	277	513	586
Comparable stores				460	65	137	372	
New salon openings				-187	158	160	144	
Other				-38	-22	-20	-3	
Gross profit	1,187	1,030	835	1,196	1,177	1,058	1,134	1,482
YoY change	102	48	15	117	-10	28	299	286
Revenue					201	276	514	
Personnel costs at directly managed salons					-161	-189	-189	
Rents					-36	-50	-66	
Other					-14	-9	40	
SG&A expenses	612	677	648	640	705	701	677	761
YoY change	125	87	123	-171	93	24	29	121
Personnel expenses at HQs, other				-	12	14	16	
Overseas and outside directors				-3	21	2	11	
Stock market listing				-	7	7	-14	
Other				-168	53	1	16	
Operating profit	580	350	183	528	475	374	458	662
YoY change	-7	-47	-105	298	-105	24	275	134
Comparable stores				20	35	69	294	
New salon openings				97	-45	-41	5	
SG&A expenses				171	-92	-24	-29	
Other				10	-3	20	5	

Source: Shared Research based on company data

**Full-year FY06/19 results**

- ▷ Revenue: JPY20.9bn (+8.2% YoY)
- ▷ Operating profit: JPY2.0bn (+20.0% YoY)
- ▷ Pre-tax profit: JPY1.9bn (+21.5% YoY)
- ▷ Profit attributable to owners of the parent: JPY1.3bn (+22.2% YoY)

**Overview of full-year FY06/19 results**

Revenues were up YoY buoyed by domestic comparable-store sales growth (up 7.6% YoY), new store openings in Japan and overseas, and higher service prices following the price revision at all domestic QB HOUSE salons.

Gross profit was JPY4.9bn (+14.2% YoY) and GPM was 23.3% (+1.2 pp YoY). Cost of revenue increased, but profit rose as a result of higher revenue. Cost of revenue expenses increased YoY as the number of salon increased, as well as salon expenses such as rent and personnel costs for domestic store staff. The headcount expanded as salon worker turnover dropped and hiring was strong following the company's March 2018 listing on the stock market.

Profits from the operating profit down increased as gross profit growth offset the impact of higher SG&A expenses. SG&A expenses increased YoY due to an increase in end-of-term allowances for store staff in Japan to increase benefits following the price revision.

### Company initiatives

- ▷ Following from the openings in Tokyo, Osaka and Nagoya, the company opened its own training center in Fukuoka in July 2018 to train and develop newcomers with no prior experience of haircutting. The company could secure staff and expand its salon network by recruiting new employees and train them at its own training center.
- ▷ In February 2019, the company revised prices for all QB HOUSE salons in Japan. It intends to improve benefits for salon staff and their working environment and continue to invest in education and training. By doing so, the company aims to secure staff, improve its haircutting services, and expand salon network.
- ▷ QB Net opened 44 salons (including relocations) and closed 21 for a net increase of 23. It had 694 salons as of end-FY06/19. In terms of openings by region, it opened 29 salons in Japan, 3 salons in Singapore, 7 salons in Hong Kong, 4 salons in Taiwan, and 1 salon in the US.

### Full-year company forecasts

(JPYmn)	FY06/19			FY06/20			YoY		
	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.	1H Est.	2H Est.	FY Est.
<b>Revenue</b>	<b>10,092</b>	<b>10,772</b>	<b>20,864</b>	<b>11,129</b>	<b>11,213</b>	<b>22,342</b>	10.3%	4.1%	7.1%
Cost of revenue	7,856	8,156	16,012						
<b>Gross profit</b>	<b>2,235</b>	<b>2,616</b>	<b>4,851</b>						
GPM	22.1%	24.3%	23.3%						
SG&A expenses	1,406	1,438	2,844						
SG&A ratio	13.9%	13.3%	13.6%						
<b>Operating profit</b>	<b>849</b>	<b>1,120</b>	<b>1,969</b>	<b>1,225</b>	<b>975</b>	<b>2,200</b>	44.3%	-12.9%	11.7%
OPM	8.4%	10.4%	9.4%	11.0%	8.7%	9.8%			
<b>Pre-tax profit</b>	<b>811</b>	<b>1,084</b>	<b>1,895</b>	<b>1,180</b>	<b>932</b>	<b>2,112</b>	45.5%	-14.0%	11.5%
Pre-tax profit margin	8.0%	10.1%	9.1%	10.6%	8.3%	9.5%			
<b>Profit</b>	<b>582</b>	<b>690</b>	<b>1,272</b>	<b>778</b>	<b>625</b>	<b>1,403</b>	33.7%	-9.4%	10.3%
Profit margin	5.8%	6.4%	6.1%	7.0%	5.6%	6.3%			

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Company forecasts for FY06/20 call for revenue of JPY22.3bn (+7.1% YoY), operating profit of JPY2.2bn (+11.7% YoY), pre-tax profit of JPY2.1bn (+11.5% YoY), and profit attributable to owners of the parent of JPY1.4bn (+10.3% YoY).

Revenues are expected to increase as revenue at existing salons increase, along with a contribution from new store openings, as well as a full-year contribution from domestic price revision and the price revision in Hong Kong.

In terms of profit, although cost of revenue and SG&A expenses are expected to increase, profits from the operating profit down are expected to increase as a result of revenue growth. Cost of revenue will rise as personnel expenses (centering on salon staff) go up, with rent and depreciation costs also rising with the increase in the number of salons. Improvement of working conditions for salon staff is expected to lead to an increase in personnel costs. SG&A expenses will reflect an increase in personnel costs as the number of trainees at the company's training centers increases and also higher advertising expenses associated with the increase in salon openings.

The company plans to open 46 salons. The breakdown by region is 34 salons in Japan, 3 in Singapore, 4 in Hong Kong, 3 in Taiwan, and 2 in the US. In Japan, following openings in Tokyo, Osaka, Nagoya, and Fukuoka, the company opened a training center in Sendai in July 2019 to train and develop new hires with no prior experience of haircutting.

This note is the most recent addition to the [full report](#).

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