

NEXT Co., Ltd. (2120 JP)

Operates HOME'S, a housing and real estate information site that leads the industry in the number of properties listed.

Key Point

- (1) The industry environment is good, with a record high number of total homes, total households, and vacant homes and a record high vacancy rate.
- (2) The site has been renewed and globalized with the aim of becoming the overwhelming leader.
- (3) Although strong enough to resist the impact of rising taxes, growth in its profits has been temporarily halted by prior investment.

Priority is to surpass being No. 1 in domestic real-estate information services to becoming the overwhelming leader.

According to the Ministry of Internal Affairs and Communications, a new record high in both number of homes and number of households was set in 2013. And the number of vacancies and the vacancy rate also set new record highs, contributing to a growing need to advertise properties. In this environment, the medium term strategy at NEXT Co., Ltd. is to aim to become a global company. Its housing and real estate listing site, HOME'S, is the industry's top site, with more than twice as many listings as sites operated by other companies (according to a survey by another company), and it leads the nation in the number of affiliated dealers. In the current fiscal year, it will expand its services for the soaring number of smart devices and strengthen its insurance shop information, regional information, and its furniture and interior information. Another of the company's goals is to become the overwhelming leader in sites providing information about senior citizens' homes, rental housing for the elderly, and renovations by upgrading these sites and making them easier to use. Overseas, it has expanded into Taiwan, Thailand, and Indonesia. It is working vigorously to become a world leader by building a multi-lingual highly versatile web site. It is a promising company that performs favorably compared with overseas companies in its industry while still appearing to be undervalued.

With no sign of a decline in response to rising consumer taxes, its sales increase, while prior investment holds down its profits.

For the first quarter of the fiscal year ending March 2015, a period threatened with the effects of the consumer tax increase of April 2014, income from site fees etc. grew astonishingly as total sales rose by 13.4% over the same period of the previous year. An examination of changing monthly sales since the tax increase shows year-on-year increases in April and May, and in June, a 15.9% jump over June of 2013, but absolutely no signs of the impact of the tax increase. Operating profit, on the other hand, was down 17.5% and current profit fell 17.0% from the previous year. These declines are results of an increased burden of strategic investment on television commercials and other branding promotion to boost market share, web marketing, and measures to strengthen the company's response to smart devices; it was not a fall in its ability to earn operating profit. It also projects increased revenues and falling profits for the first half period ending September, but this will be a result of continuing strategic investment to build a world in which HOME'S will be an indispensable real-estate information service. Throughout the period, the harvest season will bring a return to rising profits. We have high expectations of profits beginning the next period.

NEXT (2120 JP) Consolidated Earning Result & Forecast

FY	Sales ¥mn	Net Profits ¥mn	EPS ¥	DPS ¥	PER (X)	PBR (X)	Asset ¥mn	Equity ¥mn	Liabilities ¥mn	FCF ¥mn	Cash EQV ¥mn
2012/03	10,320	466	8.3	1.23	0.0	0.8	10,119	8,478	1,641	-2,698	5,414
2013/03	11,962	614	10.9	2.17	0.0	1.9	11,554	9,064	2,489	1,719	6,940
2014/03	14,690	1,337	23.7	4.74	0.0	4.4	13,410	10,250	3,160	-550	8,343
Q1 YTD	3,398	517	9.2	-	23.7	0.0	11,651	9,465	2,187	433	7,200
Q2 YTD	6,852	827	14.7	-	47.2	0.0	12,018	9,740	2,279	601	7,608
Q3 YTD	10,409	1,282	22.7	-	52.6	0.0	12,263	10,193	3,160	502	7,877
2015/03											
Q1 YTD	3,852	419	7.4	-	38.7	4.6	13,183	10,409	2,773	-883	7,300
2015/03 CE	17,240	1,386	24.6	4.92	-	-	-	-	-	-	-

Source: Company, GIM CE: Company Estimates

Company Profile

Exchange	TSE1
Fiscal Year Ended	March
Incorporation	1997
Listed	2006
Capital (¥bn)	1.99
No. of Employees	608
Representative	Takashi Inoue
Head Office	Minato, Tokyo

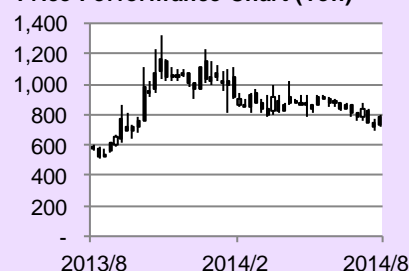
Business

"Next" provides real estate related informations in Japan and Asian countries. "HOME'S", its core website provides real estate and housing information on properties for rent and sale. The company also manages a financial portal site "MONEYMO", a local community information site "Lococom", and a furniture & interior EC site "HOME'S Style Market".

Key Information

Share Price (08/21;¥)	779
Market Cap (08/21;¥bn)	44.0
(08/21;\$mn)	423.5
Avg. Daily T/O (3M;¥mn)	154.1
(3M;\$mn)	1.5
52w k High (13/11/14;¥)	1,318
52w k Low (13/08/30;¥)	513
Foreign Ownership (14/3)	35.11%
ROE (5yr Avg.)	11.42%
ROA (5yr Avg.)	8.84%

Price Performance Chart (Yen)



Source : GIM from Bloomberg

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