



VT Holdings' Business Strategies and Earnings Reviewed by KCR

Growing with the Goal of Becoming a Leading Global Mega Dealer. Focusing Efforts on Service Business. Expanding Rental Car Business to Include Car Sharing Service.

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NOTE TO EDITORS: This release contains investment opinion issued by KCR Inc.

Tokyo – [VT Holdings Co., Ltd. \(TOKYO:7593\)](#), an auto dealership holding company located in Aichi Prefecture, announced that recently it has been reviewed by KCR Inc., an independent research and investor relations support company providing reports on various publicly traded Japanese companies. In the report, KCR provides analysis of the company's business model and earnings.

Report Highlights

VT Holdings Co., Ltd. is an auto dealership holding company located in Aichi Prefecture, comprising 44 subsidiaries. The company's auto dealership business is made up of Honda dealerships, Nissan dealerships, import car dealerships, auto importers and overseas car dealerships and the company continue to grow as a global auto dealer through M&A. VT Holdings is positioned to proactively pursue M&A in overseas markets and intends to achieve its target of JPY500.0 billion in consolidated net sales at an early stage.

VT Holdings' business model for growth consists of three strategies: aggressive M&A, a high base profit cover ratio and recurring-revenue businesses. In terms of profits, the company is focused on services rather than new car sales, with approximately 40% of gross profit coming from the service division. Their entry into car sharing services will be the core of the car rental business. The rental car business is expanding, characterized by a high level of gross profit margins around 40%.

In the first six months of the fiscal year ending March 31, 2019, VT Holdings recorded consolidated net sales of JPY109,035 million (up 11.3% YoY), operating income of JPY2,930 million (down 8.1% YoY), ordinary income of JPY2,894 million (down 14.5% YoY) and profit attributable to owners of parent of JPY1,537 million (down 13.2% YoY). The company achieved record-high net sales for the seventh straight fiscal year, driven by an aggressive overseas M&A strategy. The overseas net sales ratio increases every year, growing to 40.04% in the first six months of the fiscal year ending March 31, 2019.

The Nissan faulty inspections scandal adversely affected profits. Recalls do not have a direct negative impact on dealers. Currency exchange rates are also a factor. If the yen weakens against the pound and euro, this will be a positive factor. Fallout from the scandal involving Carlos Ghosn will be limited to dealers. An increase in new models amid a Nissan recovery in Japan will be positive over the medium term. In the fiscal year ending March 31, 2020, the company plans to transition to IFRS, and at present, expects to add pre-tax profit of approximately JPY1.2 billion.

VT Holdings is proactive in its shareholder return initiatives, with a target consolidated dividend payout ratio of 40%. In addition to a high dividend yield over 4%, the company is also expected to engage in aggressive share buybacks. VT Holdings has a shareholder benefit plan in place.

KCR expects VT Holdings to grow steadily toward its goal of becoming a global mega dealer. We assign an overall rating of +2 (BUY) and maintain our buy recommendation with a target share price of JPY670.

Read the full research report (KCR Inc.), please see:

http://www.vt-holdings.co.jp/eng/ir/library/pdf/20190107_kcr.pdf

For details about VT Holdings Co., Ltd. (TOKYO:7593), please see:

<http://www.vt-holdings.co.jp/eng/index.html>

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