

VT Holdings' Business Strategies and Earnings Reviewed by KCR

Growing with the Aim of Becoming One of the World's Best Megadealers. In the First Quarter, Profits Reached Record Highs, and the Inclusion of Keeper Technical Laboratory Co., Ltd. As an Equity-method Affiliated Contributed to Bottom-line Profit.

October 8, 2019

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 as of March 31, 2019, consolidated subsidiaries numbered 42 and equity-method affiliates totaled four. 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 ¥500.0 billion in consolidated net sales at an early stage.

During the period under review, VT Holdings posted record-high income, recording consolidated net sales of JPY53,723 million (down 1.2% YoY), operating profit of JPY1,868 million (up 26.3% YoY), ordinary profit of JPY1,624 million (up 22.6% YoY) and profit attributable to owners of parent of JPY961 million (up 12.1% YoY).

The August 6, 2019 acquisition of KOYO jidosha. inc was a newsworthy topic following the settlement of accounts for the period under review. KOYO jidosha is operating authorized dealerships for Volkswagen (3) and Audi (2) in the cities of Kitami, Asahikawa and Sapporo in Hokkaido. On September 20, the company announced a capital and business alliance (conversion to an equity-method affiliate) with KeePer Technical Laboratory Co., Ltd. KeePer, listed on the First Section of the Tokyo Stock Exchange, develops, manufactures, and sells car coatings and chemicals and machinery for washing

vehicles. The company acquired approximately 20% of KeePer's shares, which is expected to contribute to bottom-line profit.

VT Holdings' business growth model has three major strategies. The first is an M&A strategy, which the company has aggressively carried out. The second is a high base profit cover ratio. The third is a recurring-revenue business model. 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 fiscal year ending March 31, 2020, the Japanese government is planning to raise the consumption tax rate. Domestic automobile sales are likely to see a temporary demand surge ahead of the tax hike, falling off and causing the market to shrink once the higher taxes are in place. These fluctuations make the future difficult to forecast. Nevertheless, the Company will continue to concentrate on expanding new car sales, improving customer satisfaction, improving core sales and profits in the used-car and service segments, and striving to expand operations through M&A. For the fiscal year ending March 31, 2020, the company forecasts consolidated net sales of JPY225.0 billion, operating profit of JPY8.3 billion, profit before tax of JPY8.0 billion and profit attributable to owners of parent of JPY4.7 billion. Consolidated performance forecasts for the fiscal year ending March 31, 2020, are calculated in accordance with IFRS rather than conventional Japanese accounting standards.

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/20191004_kcr.pdf?201910

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

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

Attentions

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