COPRO-HOLDINGS | 7059

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Sessa Investment Research

2Q Flash

FY24/3 2Q achieved significant increases in both sales and profits Profits soundly beat initial forecasts and the firm increased the 2H dividend

■ Earnings Summary

COPRO-HOLDINGS. Co., Ltd., (COPRO) announced its 2Q FY24/3 results after market close on Tuesday, November 14, 2023. Key consolidated figures included net sales of ¥11,137 mn (+28.5% YoY), operating profit of ¥737 mn (+56.9% YoY), ordinary profit of ¥810 mn (+71.8% YoY), and net income attributable to the parent company of ¥510 mn (+81.9% YoY). Sales were largely in line with initial forecasts, while profits were more than 10% higher than initial forecasts, mainly due to lower back-office-related labor costs. The company's full-year forecast for FY24/3 was also revised up from the initial forecast, reflecting 2Q upswing.

■ 2Q Trends by Business Segment

COPRO-ENGINEERED, which operates the company's core business of construction technician dispatching, saw a significant increase in sales due to record numbers of recruits. Operating profit increased by ¥169 mn year-on-year, absorbing an increase in standby labor costs during the training period, recruitment fees and labor costs due to the 1Q increase in the number of new graduate engineers. ATMOS, which provides mechanical design and development engineer dispatching and contracting services, recorded a significant increase in net sales and gross profit owing to improved unit sales prices and a lower cost of sales ratio, while a lower SG&A ratio also contributed to a ¥29 mn increase in operating profit YoY. Value Ark Consulting, a system engineering services (SES) company, reported an operating profit decline of ¥20 mn YoY, due to prior expenses from aggressive advertising and promotional spending. In head office relations, although SG&A expenses increased by 10.2% YoY in 2Q, they were significantly lower than the increase in sales. This was due to lower personnel and stock-based compensation costs as a result of streamlining back-office operations. Thus, the SG&A-to-sales ratio was 20.9%, down significantly from 24.4% in the previous 2Q.

■ FY24/3 full-year forecasts

The FY24/3 full-year forecast was revised up from the initial forecast due to exceeded 2Q results. Although demand for human resources will remain strong from 3Q onwards and administrative costs will continue to be controlled, the company cites its policy of flexibly investing in recruitment and other costs to ensure that it can capture growing demand in line with the application of overtime caps to the construction industry in April 2024. Further, it needs to secure as many engineers as possible, who are the foundation of business growth. These are the reasons that the firm left its 2H forecasts unchanged. Also, the Company decided to increase 2H DPS by 5 yen, resulting in 45 yen for full-year DPS. SIR plans to issue a follow-up report after an interview with the company.

FY	Net Sales (¥mn)	YoY (%)	Oper. profit (¥mn)	YoY (%)	Ordin. Profit (¥mn)	YoY (%)	Net profit (¥mn)	YoY (%)	EPS*(2) (yen)	DPS*(2) (yen)
FY2019/3	10,819	20.7	1,344	50.3	1,336	51.1	938	54.4	113.8	21.0
FY2020/3	13,122	21.3	1,592	18.4	1,585	18.6	1,084	15.5	115.1	30.0
FY2021/3	14,836	13.1	1,437	-9.7	1,439	-9.2	1,009	-6.9	53.4	37.5
FY2022/3(1)	15,589	5.1	1,621	12.8	1,619	12.5	962	-4.6	51.1	20.0
FY2023/3(2)	18,791	20.5	1,321	-18.5	1,324	-18.2	864	-10.2	46.5	25.0
FY2024/3 CE	24,298	29.3	2,042	54.5	2,115	59.7	1,361	57.4	72.3	45.0
FY2023/3 2Q	8,670	17.1	469	-25.7	472	-25.2	280	-14.6	14.9	5.0
FY2024/3 2Q	11,137	28.5	737	56.9	810	71.8	510	81.9	26.2	15.0

Source: Compiled by SIR from TANSHIN financial statements.
(1) The percentage change from the previous year is not shown due to the adoption of the "Accounting Standard for Revenue Recognition" from the beginning of 1Q FY2022/3. Note(2) : A two-for-one stock split of common stock was conducted on October 1, 2022. Note(3): EPS and DPS are retroactively adjusted to reflect a 1-for-2 stock split.

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