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On **August 9, 2018**, Snow Peak, Inc. announced earnings results for 1H FY12/18 and a revision to its full-year financial forecast.

Cumulative (JPYmn)	FY12/17				FY12/18				FY12/18	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	2,236	5,053	7,613	9,910	2,308	5,966			51.0%	11,700
YoY	10.6%	4.1%	5.9%	7.5%	3.2%	18.1%				18.1%
Gross profit	1,103	2,535	3,820	4,931	1,205	3,176				
YoY	14.7%	7.3%	6.6%	6.1%	9.2%	25.3%				
GPM	49.3%	50.2%	50.2%	49.8%	52.2%	53.2%				
SG&A expenses	1,129	2,387	3,736	5,073	1,255	2,677				
YoY	34.5%	33.0%	35.0%	33.7%	11.2%	12.1%				
SG&A ratio	50.5%	47.2%	49.1%	51.2%	54.4%	44.9%				
Operating profit	-26	148	84	-142	-51	498			83.1%	600
YoY	-	-74.0%	-89.7%	-	-	237.1%				-
OPM	-	2.9%	1.1%	-	-	8.4%				-
Recurring profit	-14	163	116	-39	-91	413			82.7%	500
YoY	-	-66.7%	-84.2%	-	-	153.0%				-
RPM	-	3.2%	1.5%	-	-	6.9%				-
Net income	-33	27	-31	-251	-96	208			87.2%	238
YoY	-	-89.8%	-	-	-	663.1%				-
Net margin	-	0.5%	-	-	-	3.5%				-

Quarterly (JPYmn)	FY12/17				FY12/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	2,236	2,817	2,560	2,297	2,308	3,658		
YoY	10.6%	-0.5%	9.6%	13.0%	3.2%	29.8%		
Gross profit	1,103	1,432	1,285	1,111	1,205	1,971		
YoY	14.7%	2.2%	5.3%	4.3%	9.2%	37.6%		
GPM	49.3%	50.8%	50.2%	48.4%	52.2%	53.9%		
SG&A expenses	1,129	1,258	1,349	1,336	1,255	1,422		
YoY	34.5%	31.6%	38.7%	30.1%	11.2%	13.0%		
SG&A ratio	50.5%	44.7%	52.7%	58.2%	54.4%	38.9%		
Operating profit	-26	174	-64	-225	-51	549		
YoY	-	-61.0%	-	-	-	215.5%		
OPM	-	6.2%	-	-	-	15.0%		
Recurring profit	-14	177	-47	-155	-91	504		
YoY	-	-53.4%	-	-	-	184.3%		
RPM	-	6.3%	-	-	-	13.8%		
Net income	-33	61	-59	-220	-96	304		
YoY	-	-72.2%	-	-	-	401.3%		
Net margin	-	2.2%	-	-	-	8.3%		

Source: Shared Research based on company data

Note: Amounts in the table may differ from company data due to differences in rounding methods.

Because Snow Peak primarily sells car camping goods, sales tend to be higher in Q2 and Q3 (Spring to Summer) than Q4 and Q1 (Autumn to Winter).

Number of stores

	FY12/17				FY12/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Directly managed stores	25	29	29	30	30			
Japan	19	22	22	22	22			
US	2	2	2	2	2			
Taiwan	2	2	2	2	2			
South Korea	2	3	3	4	4			
In-store	66	67	69	71	72			
Japan	60	60	62	64	65			
Taiwan	6	7	7	7	7			
Shop-in-shop	142	152	156	159	163			
Japan	130	140	144	145	147			
South Korea	12	12	12	14	16			

Source: Shared Research based on company data

Sales by segment

Cumulative (JPYmm)	FY12/17				FY12/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales	2,236	5,053	7,613	9,910	2,308			
YoY	10.6%	4.1%	5.9%	7.5%	3.2%			
Outdoor	1,933	4,478	6,626	8,503	1,735			
YoY	5.5%	1.2%	1.5%	3.6%	-10.2%			
% of total sales	86.5%	88.6%	87.0%	85.8%	75.2%			
Apparel	219	435	690	983	322			
YoY	39.5%	46.0%	39.4%	32.3%	47.0%			
% of total sales	9.8%	8.6%	9.1%	9.9%	14.0%			
Urban outdoor	41	63	90	113	25			
YoY	127.8%	53.7%	40.6%	3.7%	-39.0%			
% of total sales	1.8%	1.2%	1.2%	1.1%	1.1%			
Gramping	-	-	-	-	13			
YoY	-	-	-	-	-			
% of total sales	-	-	-	-	0.6%			
Regional Revitalization	-	-	-	-	176			
YoY	-	-	-	-	-			
% of total sales	-	-	-	-	7.6%			
Urban outdoor	3	-	-	-	20			
YoY	-	-	-	-	566.7%			
% of total sales	0.1%	-	-	-	0.9%			

Quarterly (JPYmm)	FY12/17				FY12/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales	2,236	2,817	2,560	2,297	2,308			
YoY	10.6%	-0.5%	9.6%	13.0%	3.2%			
Outdoor	1,933	2,545	2,148	1,877	1,735			
YoY	5.5%	-1.9%	2.3%	11.5%	-10.2%			
% of total sales	86.5%	90.3%	83.9%	81.7%	75.2%			
Apparel	219	216	255	293	322			
YoY	39.5%	53.2%	29.4%	18.1%	47.0%			
% of total sales	9.8%	7.7%	10.0%	12.8%	14.0%			
Urban outdoor	41	22	27	23	25			
YoY	127.8%	-4.3%	17.4%	-48.9%	-39.0%			
% of total sales	1.8%	0.8%	1.1%	1.0%	1.1%			
Gramping	-	-	-	-	13			
YoY	-	-	-	-	-			
% of total sales	-	-	-	-	0.6%			
Regional Revitalization	-	-	-	-	176			
YoY	-	-	-	-	-			
% of total sales	-	-	-	-	7.6%			
Urban outdoor	3	-	-	-	20			
YoY	-83.3%	-	-	-	566.7%			
% of total sales	0.1%	-	-	-	0.9%			

Source: Shared Research based on company data

Note: Amounts in the table may differ from company data due to differences in rounding methods.

Sales by region

Cumulative (JPYmn)	FY12/17				FY12/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	2,236	5,053	7,613	9,910	2,308			
YoY	10.6%	4.1%	5.9%	7.5%	3.2%			
Japan	1,717	3,931	6,043	7,757	1,794			
YoY	12.7%	2.4%	4.7%	4.9%	4.5%			
% of sales	76.8%	77.8%	79.4%	78.3%	77.7%			
US	147	308	471	618	174			
YoY	-2.6%	-5.2%	-1.5%	1.3%	18.4%			
% of sales	6.6%	6.1%	6.2%	6.2%	7.5%			
Taiwan	216	450	575	734	169			
YoY	-6.1%	15.7%	11.0%	3.1%	-21.8%			
% of sales	9.7%	8.9%	7.6%	7.4%	7.3%			
South Korea	123	310	471	622	129			
YoY	10.8%	12.3%	18.6%	23.2%	4.9%			
% of sales	5.5%	6.1%	6.2%	6.3%	5.6%			

Quarterly (JPYmn)	FY12/17				FY12/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	2,236	2,817	2,560	2,297	2,308			
YoY	10.6%	-0.5%	9.6%	13.0%	3.2%			
Japan	1,717	2,214	2,112	1,714	1,794			
YoY	12.7%	-4.3%	9.3%	5.6%	4.5%			
% of sales	76.8%	78.6%	82.5%	74.6%	77.7%			
US	147	161	163	147	174			
YoY	-2.6%	-7.5%	6.5%	11.4%	18.4%			
% of sales	6.6%	5.7%	6.4%	6.4%	7.5%			
Taiwan	216	234	125	159	169			
YoY	-6.1%	47.2%	-3.1%	-18.0%	-21.8%			
% of sales	9.7%	8.3%	4.9%	6.9%	7.3%			
South Korea	123	187	161	151	129			
YoY	10.8%	13.3%	33.1%	39.8%	4.9%			
% of sales	5.5%	6.6%	6.3%	6.6%	5.6%			

Source: Shared Research based on company data

Note: Amounts in the table may differ from company data due to differences in rounding methods.

1H FY12/18 results

For 1H FY12/18, the company reported sales of JPY6.0bn (+18.1% YoY), operating profit of JPY498mn (+237.1% YoY), recurring profit of JPY413mn (+153.0% YoY), and net income attributable to parent company shareholders of JPY208mn (+663.1%).

The company set out its three-year medium-term management plan up to FY12/20. It has emphasized its key priorities: 1) strengthening the existing businesses, 2) accelerating overseas development, 3) strengthening the group businesses, and 4) digitizing its services. According to this plan, Snow Peak aims for sales of JPY15.3bn in FY12/20 (up 54.8% compared to FY12/17) and operating profit of JPY1.6bn (compared with an operating loss of JPY142mn in FY12/17).

1H sales increased from a boost in the existing businesses in Japan backed by full-scale shipments of the company's principal new product, Entry Pack TT (from April 2018) and the release of a range of commemorative products to mark Snow Peak's 60th anniversary.

Sales performance in the existing businesses in Japan, the overseas businesses, and the new businesses was as follows.

Sales: existing businesses in Japan

Large-scale shipments of Snow Peak's flagship new product for 2018, Entry Pack TT, began in Q2. The company's 60th anniversary commemorative products were launched in April. Sales since Golden Week have been strong.

Trends by sales channel

- ▷ Comparative store sales increased by 15.9% YoY. Continuing on from Q1, directly managed store sales performed favorably, boosted by the introduction of spring/summer season clothing products along with strong outdoor product sales.
- ▷ Sales from the company's e-commerce site (updated in 2017) were up 42.1% YoY.
- ▷ Sales from wholesale to dealers increased by 7.4% YoY. Revenue fell YoY in Q1, ahead of the start of the season and before the launch of new products, but for the first half overall sales were up versus the previous year, helped by a strong Q2.

- ▷ In-store sales increased by 12.1% YoY.

Sales: Overseas business

- ▷ Sales in Taiwan decreased 27.3% YoY, with supply starting to exceed demand. The market as a whole is now entering an inventory adjustment phase. Wholesale sales, including in-store sales, declined.
- ▷ US sales increased by 25.3% YoY, helped by successful operational improvements since Q3 FY12/17. Sales of outdoor products grew, with wholesale to dealers mainly driving improvement.
- ▷ Sales in Korea were up 21.6% YoY. Directly managed store sales and wholesale revenues have grown.
- ▷

New businesses

- ▷ Sales were boosted by an increase in the number of companies introducing the Outdoor Office, arranged by Snow Peak Business Solutions. Favorable media exposure led to an increase in orders.
- ▷ Urban Outdoor sales continued to grow, helped for example by its newly developed tarps for use on house terraces, and an increase in inquiries for overseeing the design of houses and facilities.
- ▷ Glamping and Regional Revitalization sales increased, with an increase in contracts for glamping facilities and campgrounds utilizing mobile homes, organization of events, and consulting contributing to this growth.
- ▷

On the profit side, gross profit was JPY3.2bn (+125.3% YoY) due to higher sales and an increased GPM. The GPM was 53.2% (+3.1pp), reflecting an improved product mix due to strong sales of new products in 2018 and a more favorable channel mix due to an increased proportion of directly managed store sales in Japan and overseas. In addition, inventory writedowns were lower, mainly in apparel, continuing the trend from Q1.

The GPM increase drove an increase in operating profit, although this was partially offset by increased SG&A expenses due to higher fixed costs as a result of strategic investment implemented in the previous quarter.

Higher operating profit also meant a YoY increase in recurring profit and net income, notwithstanding the impact of a JPY79mn forex loss in non-operating income and expenses.

Full-year company forecasts

(JPYmn)	FY12/17			FY12/18		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	5,053	4,857	9,910	5,966	5,734	11,700
YoY	4.1%	11.2%	7.5%	18.1%	18.1%	18.1%
CoGS	2,518	2,461	4,979	2,790		
Gross profit	2,535	2,396	4,931	3,176		
YoY	7.3%	4.9%	6.1%	25.3%		
GPM	50.2%	49.3%	49.8%	53.2%		
SG&A expenses	2,387	2,685	5,073	2,677		
SG&A ratio	47.2%	55.3%	51.2%	44.9%		
Operating profit	148	-289	-142	498	102	600
YoY	-74.0%	-	-	237.1%	-135.1%	-
OPM	2.9%	-	-	8.4%	1.8%	5.1%
Recurring profit	163	-202	-39	413	87	500
YoY	-66.7%	-	-	153.0%	-142.8%	-
RPM	3.2%	-	-	6.9%	1.5%	4.3%
Net income	27	-348	-320	208	30	238
YoY	-89.8%	-	-	663.1%	-108.8%	-

Source: Shared Research based on company data

Note: Amounts in the table may differ from company data due to differences in rounding methods.

Note: Net income from FY12/16 on refers to net income attributable to owners of the parent.

Factors contributing to YoY increase (decrease) in operating profit

Factors contributing to OP increase		Factors contributing to OP decrease	
Increase in gross profit due to increased sales	JPY795mn	Expenses arising from year-round operation of HQ2 and the SAP system	JPY300mn
Absence of expenses from the previous period (expenses relating to establishing HQ2 and the SAP system)	JPY300mn	Store-opening expenses	JPY130mn
		Expenses in preparation for overseas expansion	JPY120mn
		EC, app expenses	JPY100mn
		Expenses relating to customer-engagement system (SAP Hybris Marketing)	JPY60mn

Source: Shared Research based on company data

Note: Figures are based on information prior to forecast revisions announced in August 2018.

FY12/18 company forecasts

In August 2018, the company announced a revision to its full-year FY12/18 forecast. The new targets are as follows: sales of JPY11.7bn (+18.1% YoY), operating profit of JPY600mn (JPY142mn loss in FY12/17), recurring profit of JPY500mn (JPY39mn loss in FY12/17), and net income attributable to parent company shareholders of JPY238mn (JPY251mn loss in FY12/17).

This revision is driven by a stronger than expected results outcome for 1H FY12/18. 1H sales were JPY220mn ahead of the plan, helped by better than expected domestic sales. The GPM for the first half increased by 3.1pp YoY due to 1) an increased proportion of sales from new products, such as Entry Pack TT, which have a relatively high gross profit margin, 2) an increased proportion of directly managed store sales in the revenue mix, 3) a reduction in inventory writedowns due to operational improvements, and 4) tightening of procurement costs for overseas products helped by a stronger yen.

The following outlook is based on information before the company revised its forecast. Shared Research will review this after interviewing the company.

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

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