

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.

On **January 30, 2019**, Anritsu Corporation announced earnings results for Q3 FY03/19.

Cumulative (JPYmm)	FY03/17				FY03/18				FY03/19			FY03/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Revenue	20,283	41,194	62,262	87,636	19,424	40,689	62,258	85,967	20,964	44,334	71,120	72.6%	98,000
YoY	-14.2%	-16.0%	-13.8%	-8.3%	-4.2%	-1.2%	0.0%	-1.9%	7.9%	9.0%	14.2%		14.0%
Gross profit	10,214	19,658	29,982	42,468	9,121	19,458	30,561	41,943	10,793	22,146	36,575		
YoY	-19.4%	-23.7%	-21.0%	-13.3%	-10.7%	-1.0%	1.9%	-1.2%	18.3%	13.8%	19.7%		
GPM	50.4%	47.7%	48.2%	48.5%	47.0%	47.8%	49.1%	48.8%	51.5%	50.0%	51.4%		
SG&A expenses	9,487	18,790	28,314	38,235	9,283	18,886	27,895	37,031	9,163	18,664	28,859		
YoY	-14.9%	-16.6%	-13.6%	-11.2%	-2.2%	0.5%	-1.5%	-3.1%	-1.3%	-1.2%	3.5%		
SG&A ratio	46.8%	45.6%	45.5%	43.6%	47.8%	46.4%	44.8%	43.1%	43.7%	42.1%	40.6%		
Operating profit	727	868	1,667	4,231	-162	574	2,666	4,911	1,630	3,481	7,716	70.1%	11,000
YoY	-52.5%	-73.2%	-67.8%	-28.2%	-	-33.9%	59.9%	16.1%	-	506.4%	189.4%		124.0%
OPM	3.6%	2.1%	2.7%	4.8%	-	1.4%	4.3%	5.7%	7.8%	7.9%	10.8%		11.2%
Pre-tax profit	7	55	1,213	3,627	-163	478	2,638	4,602	1,752	3,678	7,850	71.4%	11,000
YoY	-99.6%	-98.3%	-76.3%	-33.2%	-	769.1%	117.5%	26.9%	-	669.5%	197.6%		139.0%
RPM	0.0%	0.1%	1.9%	4.1%	-	1.2%	4.2%	5.4%	8.4%	8.3%	11.0%		11.2%
Profit	6	-97	695	2,716	-222	193	1,464	2,886	1,690	3,124	6,257	73.6%	8,500
YoY	-99.5%	-	-82.2%	-27.8%	-	-	110.6%	6.3%	-	1518.7%	327.4%		194.5%
Profit margin	0.0%	-	1.1%	3.1%	-	0.5%	2.4%	3.4%	8.1%	7.0%	8.8%		8.7%

Quarterly (JPYmm)	FY03/17				FY03/18				FY03/19		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	20,283	20,911	21,068	25,374	19,424	21,265	21,569	23,709	20,964	23,370	26,785
YoY	-14.2%	-17.6%	-9.1%	8.7%	-4.2%	1.7%	2.4%	-6.6%	7.9%	9.9%	24.2%
Gross profit	10,214	9,444	10,324	12,486	9,121	10,337	11,103	11,382	10,793	11,353	14,429
YoY	-19.4%	-27.9%	-15.2%	13.2%	-10.7%	9.5%	7.5%	-8.8%	18.3%	9.8%	30.0%
GPM	50.4%	45.2%	49.0%	49.2%	47.0%	48.6%	51.5%	48.0%	51.5%	48.6%	53.9%
SG&A expenses	9,487	9,303	9,524	9,921	9,283	9,603	9,009	9,136	9,163	9,501	10,195
YoY	-14.9%	-18.3%	-6.9%	-3.8%	-2.2%	3.2%	-5.4%	-7.9%	-1.3%	-1.1%	13.2%
SG&A ratio	46.8%	44.5%	45.2%	39.1%	47.8%	45.2%	41.8%	38.5%	43.7%	40.7%	38.1%
Operating profit	727	141	799	2,564	-162	736	2,092	2,245	1,630	1,851	4,233
YoY	-52.5%	-91.7%	-58.8%	255.6%	-	422.0%	161.8%	-12.4%	-	151.5%	102.3%
OPM	3.6%	0.7%	3.8%	10.1%	-	3.5%	9.7%	9.5%	7.8%	7.9%	15.8%
Pre-tax profit	7	48	1,158	2,414	-163	641	2,160	1,964	1,752	1,926	4,171
YoY	-99.6%	-96.9%	-39.1%	649.7%	-	1235.4%	86.5%	-18.6%	-	200.5%	93.1%
RPM	0.0%	0.2%	5.5%	9.5%	-	3.0%	10.0%	8.3%	8.4%	8.2%	15.6%
Profit	6	-103	792	2,021	-222	415	1,271	1,422	1,690	1,434	3,132
YoY	-99.5%	-	-49.0%	-	-	-	60.5%	-29.6%	-	245.5%	146.4%
Profit margin	0.0%	-	3.8%	8.0%	-	2.0%	5.9%	6.0%	8.1%	6.1%	11.7%

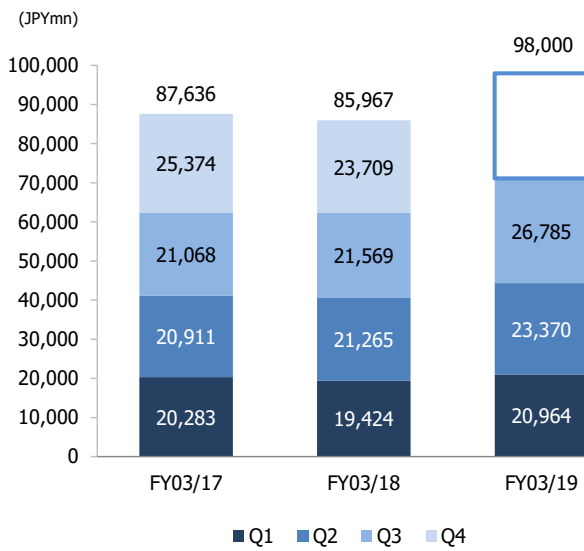
Source: Shared Research based on company materials

Figures may differ from company materials due to differences in rounding methods.

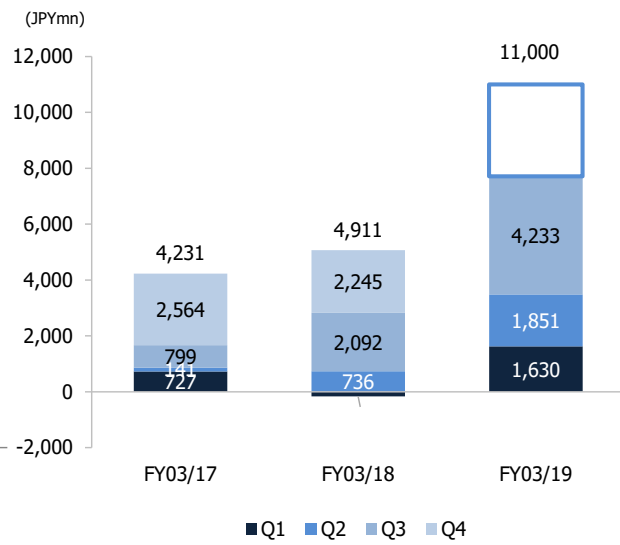
Until Q2 FY03/16, the company included basic research expenses in adjusted operating profit, but from Q3 on, it moved these expenses to the Test and Measurement segment, impacting figures by about JPY200mn on a quarterly basis.

In FY03/19, Anritsu changed its method of distributing head office management expenses across the various segments. Figures for Q1 FY03/18 onward have been retroactively adjusted.

**Quarterly revenue**



**Quarterly operating profit**

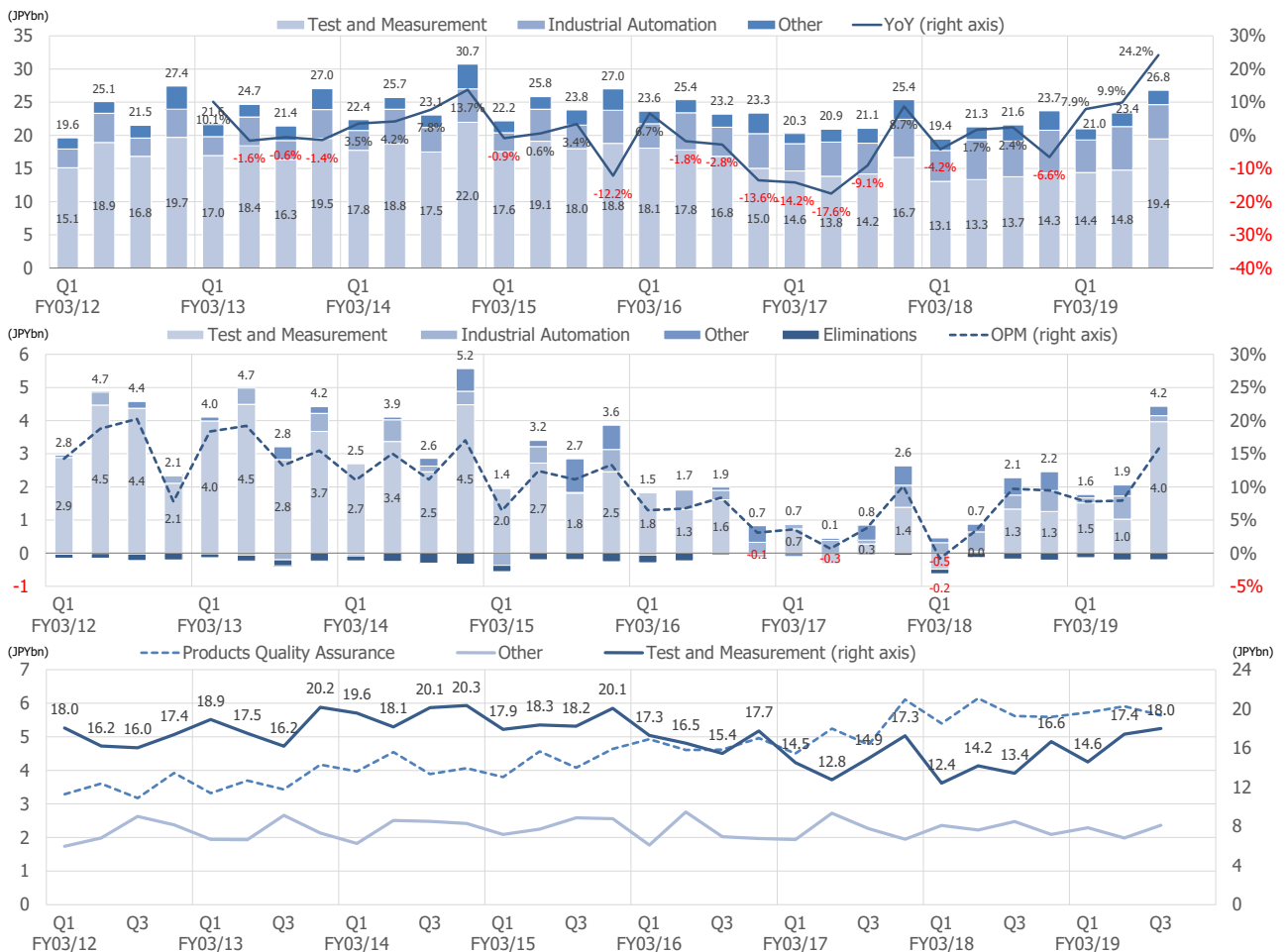


Source: Shared Research, based on company data

## Q3 FY03/19 results (out January 30, 2019)

- ▷ For the nine-month period through Q3 FY03/19, the company reported a 15.1% YoY increase in orders, 14.2% increase in revenue, and 189.4% increase in operating profit. The JPY8.5bn increase in revenue was driven by demand for 5G-related equipment at the Test and Measurement business.
- ▷ The company once again raised its forecasts for full-year revenue and operating profit to JPY98.0bn (+JPY6.0bn in the Test and Measurement business) and JPY11.0bn (+JPY4.0bn in the Test and Measurement business), respectively.
- ▷ Revenue by region: The JPY6.0bn upward revision to the company's full-year forecast for revenue at its Test and Measurement business reflects growing demand in North America and Asia for test and measuring equipment used in 5G system-related R&D.
- ▷ Changes in costs booked under SG&A spending: Instead of allocating corporate overhead costs to individual segments under their SG&A expenses, the company began booking these costs as company-wide expenses; the change will be shown retroactively going back to FY03/18.

### Quarterly earnings: revenue (top), operating profit (middle), and orders (bottom)



Source: Shared Research based on company data

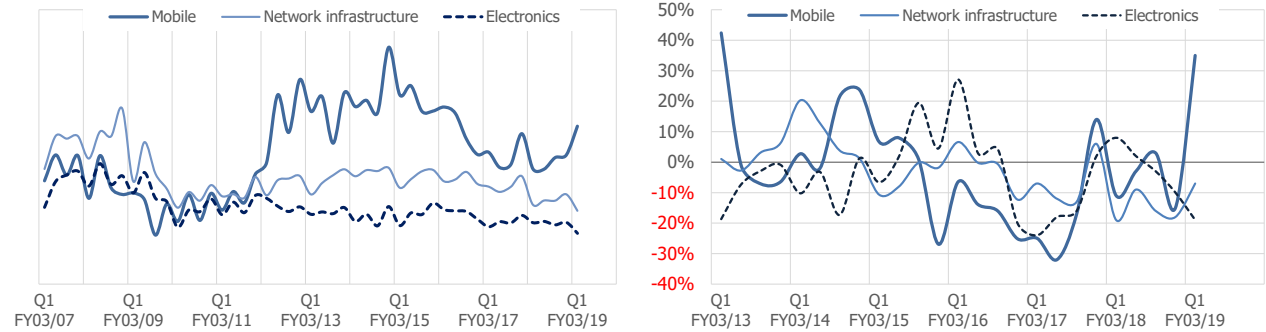
## Results by segment

### Test and Measurement

- ▷ For the nine-month period through Q3 FY03/19, the Test and Measurement business saw continued growth with revenue rising 21.1% YoY and operating profit jumping 630.8% YoY.

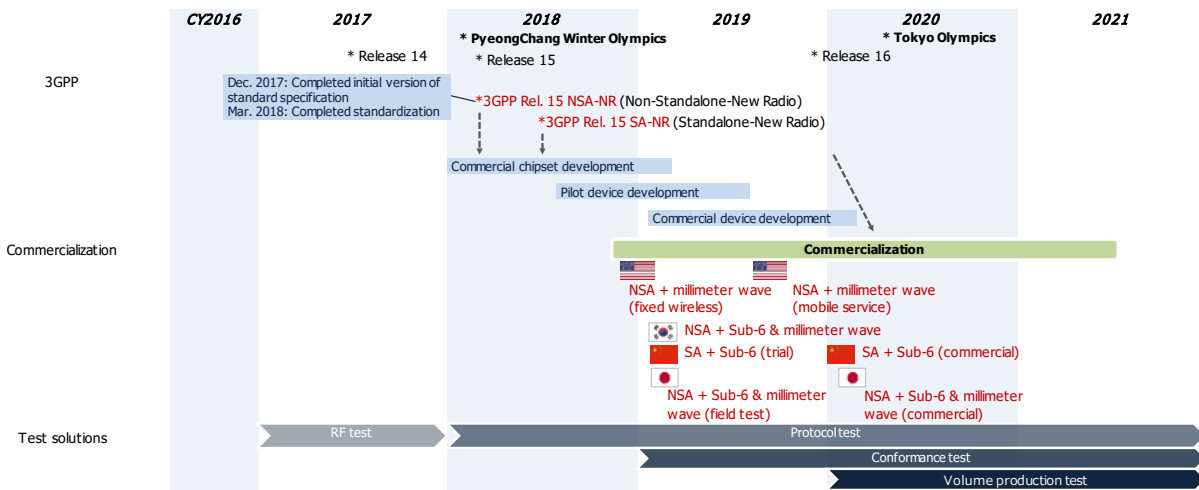
▷ The gains reflected growing demand from the mobile market related to the LTE-Advanced Pro standard and the rising demand for test and measurement equipment used in 5G system-related R&D.

**Test and Measurement business: Revenue by business category (left, rough idea), YoY growth rate (right), (to be updated following company interview)**



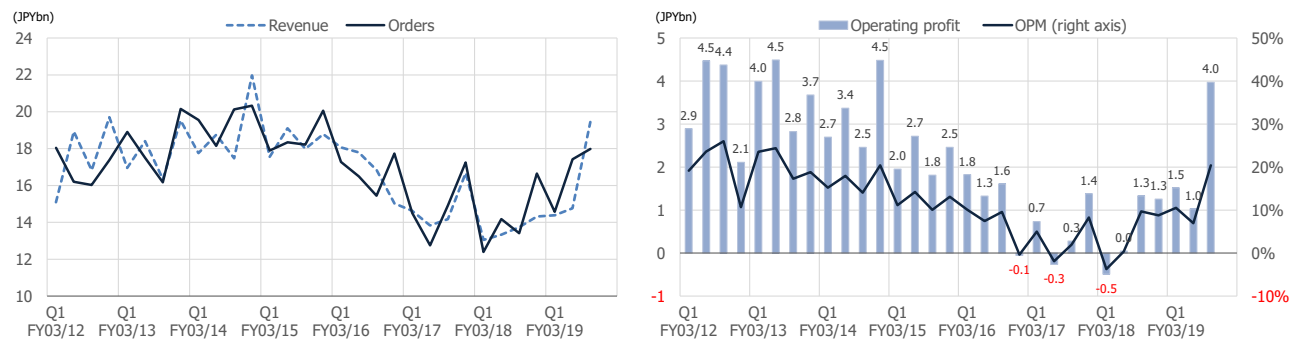
Source: Shared Research based on company data

**5G roadmap (as of Q1)**



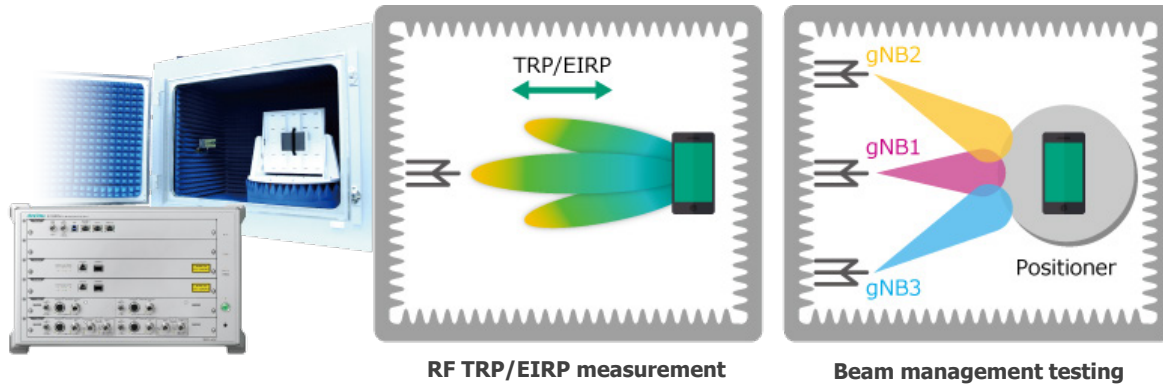
Source: Shared Research based on company data

**Test and Measurement earnings; Revenue and orders (left), operating profit (right)**



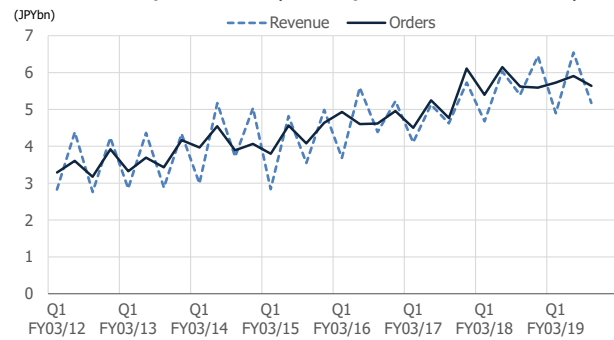
Source: Shared Research based on company data

## MT8000A and OTA anechoic chamber MA8171A

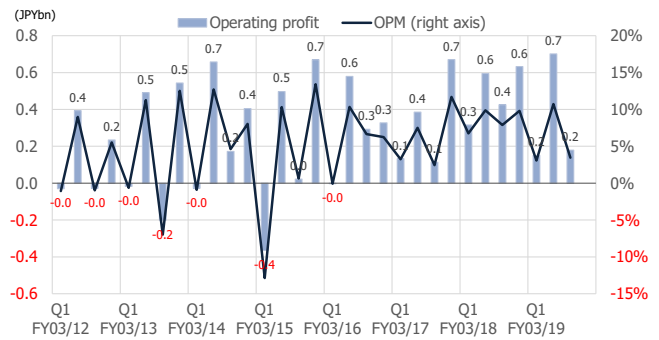


Source: Shared Research based on company data

## Products Quality Assurance (formerly Industrial Automation)

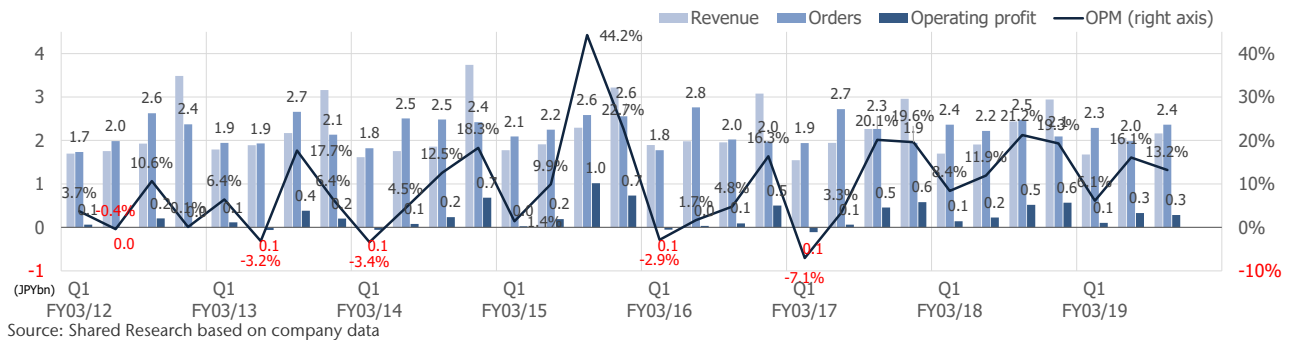


Source: Shared Research based on company data



- ▷ With more and more companies moving to increase process automation in response to labor shortages, capital spending on faster and more precise equipment grew steadily both in Japan and overseas. Anritsu saw rising demand for x-ray inspection equipment used on the quality assurance processing lines of processed food manufacturers.
- ▷ During the nine-month period through Q3 F03/19, the company worked to expand its sales network in overseas market and, having increased investment spending, realized a 3.2% YoY increase in revenue and 22.9% increase in operating profit.

## Others



Source: Shared Research based on company data

- ▷ The Others segment includes the company's information and communications equipment business, device business, logistics business, welfare services business, and property leasing business among others.
- ▷ For the nine-month period through Q3 FY03/19, the segment reported a 2.3% YoY decline in revenue and 18.8% decline in operating profit.

## Full-year forecast for FY03/19

The company raised its earnings forecasts for the full year on January 30, 2019, citing the following reasons:

- ▷ Its mainstay Test and Measurement business continues to enjoy growing demand from the mobile phone market for test and measurement equipment used in 5G system-related R&D.
- ▷ Revenue is expected to finish ahead of its previous estimate thanks to stronger-than-expected demand, especially from North America and Asia, for test and measurement equipment used in early-stage R&D work on 5G chipsets and handsets.
- ▷ In the wake of strong results through Q3, the company raised the earnings outlook for its Test and Measurement business based on expectations of strong top-line gains and a higher-than-expected gross profit margin.

Along with the upward revision to its earnings forecast for the full year, the company also raised the forecast for its fiscal year-end dividend payment. The company is now forecasting a fiscal year-end dividend payment of JPY13.5 per share, an increase of JPY5.0 versus its previous forecast of JPY8.5 per share. Combined with its interim dividend payment of JPY8.5, this brings the projected annual dividend payment for FY03/19 to JPY22.0 per share.

Shared Research will provide more details regarding the company's full-year forecast when we update this report following our upcoming interview with the company.

Consolidated (JPYmn)	Revenue	Operating profit	Pre-tax profit	Profit	Net income attributable to owners of parent	EPS (JPY)
Previous Est.	92,000	7,000	7,000	5,500	5,500	40.03
Revised Est.	98,000	11,000	11,000	8,500	8,500	61.87
Difference	+6,000	+4,000	+4,000	+3,000	+3,000	-
Diff. as % of Prev. Est	+6.5%	+57.1%	+57.1%	+54.5%	+54.5%	-
FY3/18 Act.	85,967	4,912	4,602	2,898	2,880	20.97
Dividends (JPY)	Q2	Year-end	Total			
Previous Est.	-	8.5	17.0			
Revised Est.	-	13.5	22.0			
FY03/19 Act.	8.5	-	-			
FY03/18 Act.	7.5	7.5	15.0			

Source: Shared Research based on company data

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

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