Pharmarise HDS | 2796

TSE Standard

New MTP launched – Growth in revenue and profit forecast for FY2026/5: Expectations for large-scale M&A effects

■ FY2025/5 Earnings Result Summary

In Q4 of FY2025/5, Pharmarise Holdings Corporation (hereafter, the Company) consolidated the performance of next PH Corporation (hereafter, next PH), driving a 22% year-on-year increase in net sales and a turnaround to operating profit for the full fiscal year. At GOOD AID Co., Ltd.(hereafter, GOOD AID), whose shares were acquired in January 2024, post-merger integration (PMI) has progressed following the resignation of the former management team and the replacement of pharmacists, and signs of a recovery in performance have begun to emerge. In Q4, the operating profit margin improved to 1.2%, though it remains low.

■ Record High Sales and a Significant Recovery in Profits Anticipated in FY2026/5

For the current fiscal year, the Company plans a 5.2% increase in sales to JPY 66,795 mn, a 282.2% increase in operating profit to JPY 1,123 mn, and a turnaround to profit of JPY 266 mn. The Company acquired GOOD AID in FY2024/5, adding 38 pharmacies, and brought next PH into the group in FY 2025/5, further expanding the chain by 54 pharmacies. This fiscal year (May 2026) is expected to be a turnaround year for the Company. GOOD AID, which had struggled until now, is showing signs of improvement in operation following the merger. In contrast, next PH, even though consolidated for only four months in the previous fiscal year, has begun contributing to the business earlier than expected, and is likely to be the driving force behind the significant recovery in profit this fiscal year.

■ New Medium-term Management Plan FY2026/5 to FY2028/5

The new medium-term management plan, titled “Make a Leap 2027 – Building on a Solid Foundation,” sets targets of JPY 70.0 bn in sales and JPY 1.6 bn in operating profit for FY2028/5, the final year of the plan. This corresponds to an operating profit margin of 2.3%, representing an improvement over the 1.7% and 0.4% recorded in the past two years. Furthermore, the Company’s near-term dividend policy is to target an annual dividend of JPY 14, and the shareholder benefit program is expected to continue.

■ Share price and valuation

Compared with industry peers, the PER based on FY2026/5 profit level does not indicate that the stock is undervalued. However, SIR regards the FY2028/5 targets in the medium-term management plan as fully achievable. Given that the current PBR remains below 1x, the stock may appear undervalued to individual investors who value shareholder benefits.

JPY mn, %	Net Sales	YoY (%)	Operating Profit	YoY (%)	Ordinary Profit	YoY (%)	Net Profit	YoY (%)	EPS	DPS
2022/5 C	51,608	-1.4%	1,520	22.0%	1,517	17.8%	447	4.9%	48.0	14.0
2023/5 C	52,030	0.8%	1,438	-5.4%	1,431	-5.7%	333	-25.5%	35.5	14.0
2024/5 C	54,466	4.7%	916	-36.3%	833	-41.8%	(351)	(TR)	(33.4)	20.0
2025/5 C	63,508	16.6%	293	-68.0%	136	-83.7%	(367)	(MR)	(32.5)	14.0
2026/5 CE	**66,795**	**5.2%**	**1,123**	**282.2%**	**941**	**587.3%**	**266**	**(TB)**	**23.5**	**14.0**

Source: Compiled by SIR from the Company TANSHIN report. TR=Turned Red, TB=Turned Black, MR=Maintained Red
Note: Figures may differ from the Company materials due to differences in SIR’s financial data processing and the Company TANSHIN reporting standards.

Q4 Follow-up

Focus Point

Pharmarise HD, one of the major dispensing pharmacy chain operators, is preparing for future industry consolidation. The Company announced its new Medium-Term Management Plan. It is expected that the initiatives implemented so far will begin to deliver results.

Key Indicators	
Share price (9/1)	503
52W H (25/6/26)	567
52W L (25/4/7)	456
10YH (20/9/29)	851
10YL (25/4/7)	456
Shrs out. (mn shrs)	12.06
Mkt cap (JPY bn)	6.08
Equity ratio (25/5)	21.5%
FY26/5 P/E (CE)	21.49x
FY25/5 P/B (act)	0.86x
FY25/5 ROE (act)	-5.2%
FY26/5 DY (CE)	2.8%

share price Chart 1 Year



Source: Trading view

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Segment Overview and Dispensing Business Trends

A Business Entity Primarily Engaged in the Dispensing Pharmacy Business

The Company operates four business segments, with the dispensing pharmacy business accounting for most of the Company's sales. As of the end of FY2025/5, 401 out of 449 pharmacies were dispensing pharmacies.

Accordingly, the sales and profits of this business are the Company's primary focus. Over time, sales in the dispensing pharmacy business have shown steady growth. This is due to the acquisition of multiple dispensing pharmacy chains in recent years, as well as due to the implementation of the Company's motto of "Patient-Centered Pharmacy Operation", leading to the growth in the number of prescriptions filled through the active participation of family pharmacists and their engagement in home healthcare and facility-based dispensing and in an increase in prescription unit price (technical fee per prescription) due to rising dispensing technical fees, such as the regional support system premium for pharmacies designated as family pharmacies and the generic drug dispensing system premium.

Profit levels began to decline significantly from the latter half of FY2024/5. In addition to rising drug procurement costs, the costs incurred to acquire GOOD AID in January 2024 and subsequent integration costs weighed on profitability. These costs were regarded as one-off, and a recovery was expected in FY2025/5. However, the integration costs for GOOD AID exceeded expectations, and the dispensing business continued to face challenges from external factors, including the FY2022 revision to the payment system for medical services, which introduced a system that lowered dispensing technical fees for pharmacy chains with more than 300 stores.

However, SIR believes that the Company is now positioned to enter a recovery trend in FY2026/5, supported by the positive contribution of the newly acquired next PH in Q4 of FY2025/5 (see next page), and GOOD AID is also making significant progress in improving its unprofitable pharmacies.

Net sales and profit by segment

JPY mn, %	FY2021/05 act	FY2022/05 act	FY2023/05 act	FY2024/05 act	FY2025/05 act
Net Sales by Segment					
Dispensing Pharmacy	42,530	42,038	42,327	44,178	52,625
Drug/Convenience Store	7,963	7,602	7,771	8,283	8,696
Medical Mall	491	503	505	506	609
Storage and Management of Medical Documents	622	699	646	664	511
Segment Profit					
Dispensing Pharmacy	1,444	1,745	1,685	1,096	578
Drug/Convenience Store	(42)	(146)	(199)	(50)	(44)
Medical Mall	60	67	90	91	51
Storage and Management of Medical Documents	64	107	81	113	103

Source: Compiled by SIR from the company IR material.

FY2025/5 Full-Year Results

Earnings results summary: New Consolidation of next PH

Since next PH contributed for a full three months in Q4 of FY2025/5, sales increased by over 22% year-on-year. One of the factors responsible for the return to operating profit in Q4 was that next PH began contributing to revenue earlier than expected.

In addition, signs that the turmoil at GOOD AID is heading toward resolution can also be regarded as a positive development. GOOD AID, which sought to expand sales and profit margins by introducing Pharmarise-style pharmacy management in the previous fiscal year, unfortunately did not achieve sufficient results through Q3 of FY2025/5. However, according to management's comments at the financial results briefing, signs of improvement are emerging: the former management team has resigned, and pharmacists who were working under the previous incentive program are gradually being replaced with those more aligned with the company's culture.

In fact, GOOD AID's operating profit margin improved to 1.2% in Q4, compared to 0.3% in both Q1 and Q2 and a loss in Q3. Although still low compared to the past, a sense of recovery is emerging.

Quarterly Financial Results

¥mn, %		Sales	YoY	Operating Profit	YoY	Ordinary Profit	YoY	Net profit	YoY	EPS
FY24/05	Q3	13,726	5.7%	153	-52.6%	98	-69.8%	(96)	(TR)	(8.2)
	Q4	13,792	3.7%	53	-90.2%	34	-93.7%	(528)	(TR)	(47)
FY25/05	Q1	15,231	13.1%	52	-84.3%	23	-93.1%	(131)	(TR)	(12)
	Q2	15,313	13.6%	48	-87.3%	6	-98.4%	18	-88.0%	1.59
	Q3	16,035	16.8%	(5)	(TR)	(47)	(TR)	(159)	(MR)	(14)
	Q4	**16,929**	**22.7%**	**198**	**273.6%**	**154**	**352.9%**	**(95)**	**(MR)**	**(8.4)**

Source: Compiled by SIR from the Company IR material.

FY2026/5 Full-year Forecast

Expecting steady revenue growth and a recovery in profit levels

The Company's plan for FY2026/5 is as follows.

	AMT	YoY
Net sales	JPY 66,795 mn	5.2%
Operating profit	JPY 1,123 mn	282.2%
Net profit	JPY 266 mn	TB
EPS	JPY 23.45	—
Dividend per share	JPY 14	Same level as the previous fiscal year

Source: Compiled by SIR from the Company IR material.

At first glance, this appears to be a significant recovery in profit, but the operating profit margin has recovered only to 1.7% in the current fiscal year, from 0.5% in the previous fiscal year. Given that the operating profit margin was 2.8% in FY2023/5, it can be said that the recovery is still ongoing.

The factors behind the improvement in the current fiscal year from the previous fiscal year are 1) Full consolidation of next PH, contributing JPY 180 mn, 2) Policies implemented at GOOD AID in the prior fiscal year bore fruit, contributing JPY 220 mn, 3) Higher dispensing technical fees per prescription, adding JPY 280 mn, 4) A reduction in drug unit prices following the drug price revision, resulting in a negative impact of JPY 190 mn, and 5) A projected 1.8% increase in the number of prescriptions filled compared to the previous fiscal year, contributing JPY 310 mn. Considering that impairment losses of approximately JPY 200 mn were recorded in FY2025/5 due to factors such as the closure of unprofitable pharmacies, a current net profit of JPY 266 mn for FY2026/5 appears reasonable.

New Medium-term Management Plan

Next fiscal year marks the first year of the new medium-term management plan, and SIR believes that the Company has presented figures with a high probability of achievement.

＜Make a Leap 2027 Building on a Solid Foundation＞

The Company announced its financial results for FY2025/5 and, at the same time, unveiled its medium-term management plan ending in FY2028/5. The new plan, titled “Make a Leap: Building on a Solid Foundation” targets, by FY2028/5, net sales of JPY 70.0 bn, operating profit of JPY 1.6 bn, and net profit of JPY 0.7 bn, as shown in the table below.

While the Company’s operating profit target of JPY 1,123 mn for FY2026/5 may appear modest compared with the operating profit target of JPY 1,600 mn set for the final fiscal year of the medium-term management plan, the Company sees this as a sufficiently achievable goal. The Company also plans to achieve an operating profit margin of 2.3%, thereby returning to its pre-COVID level.

The new medium-term management plan also takes into consideration a future growth phase, positioning the past few years as the sowing period, the current medium-term plan period as the harvest period, and the next medium-term plan period as the growth period. First, if the incorporation of GOOD AID and next PH into the Company following their merger is successfully completed in the current fiscal year, the next step should become clear.

Quantitative targets

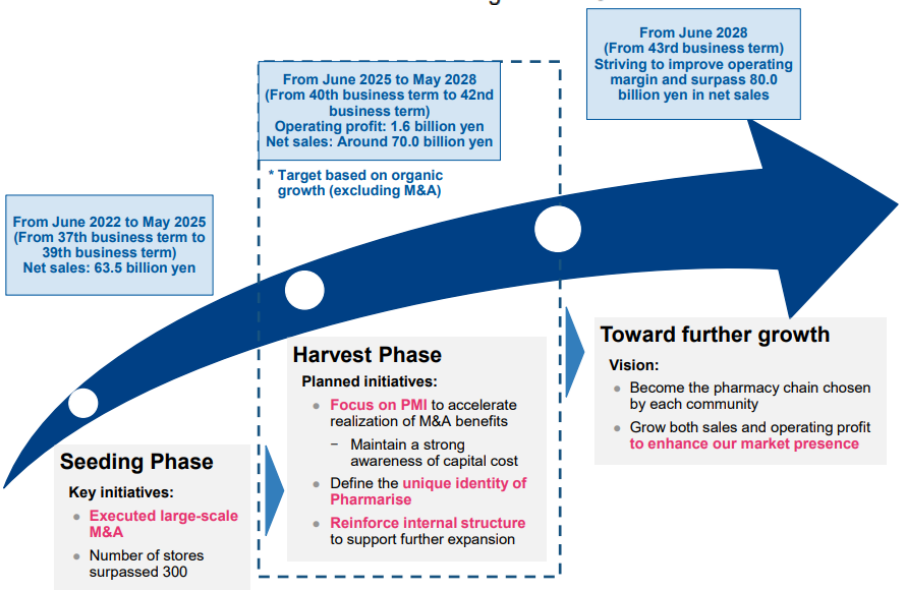
■ FY May 2028 targets: Net sales: 70.0 billion yen, Operating profit: 1.6 billion yen, ROIC: 4.5%

	FY May 2024 Results	FY May 2025 Results	FY May 2028 Plan
Net sales	54.5 billion yen	63.5 billion yen	**70.0 billion yen**
Operating profit	0.9 billion yen	0.2 billion yen	**1.6 billion yen**
Operating profit margin	1.7%	0.4%	2.3%
Profit	-0.3 billion yen	-0.3 billion yen	**0.7 billion yen**
ROIC	2.1%	-0.4%	**4.5%**

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Growth phase design

■ Solid Foundation in Place—Now Accelerating into the Growth Phase



Source : Excerpt from the company IR material

Share Price Insight

Achieving the Medium-Term Management Plan Could Result in the Stock Appearing Undervalued

Based on the share price as of August 15 (approximately JPY 500) and the Company's earnings target for FY2026/5, the valuation results in a PER of 21.3x. As this is the first fiscal year of the recovery phase, the stock does not yet appear undervalued. The PBR is low at 0.8x, but with ROE projected to remain at 3.8% based on this fiscal year's plan, the stock still does not appear undervalued when the cost of equity is taken into account.

However, based on the medium-term management plan targets and assuming no change in the number of shares outstanding, EPS would be approximately JPY 61.7. This equates to a PER of 8.1x and an ROE of 10%. At this level, SIR considers the share price to be significantly undervalued. The first step for the Company will be to achieve its plan for the current fiscal year, thereby strengthening credibility in the stock market.

Relative share price Chart vs. TOPIX (1 year)



Source: TradingView

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