

Fibergate (9450, Corporate)

Salesforce investment

4th March 2025

Share price: ¥927

Market cap: ¥19.1bn

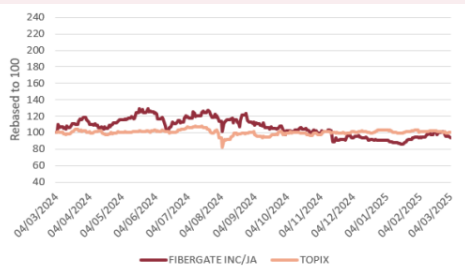
1H earnings highlighted fundamental strength alongside necessary salesforce investment to fully capitalise on robust demand.

Company sector

Diversified Telecommunication (GICS Industry)

Stock data

Price (¥)	927
Mkt cap (¥bn)/(\$m)	19.1 / 128.2
52-week range (¥)	850 – 1,310
Shares O/S (m)	20.6
Average daily value (\$m)	0.6
Free float (%)	45.4
Foreign shareholding (%)	7.2
Ticker	9450
Exchange	Tokyo Prime
Net Debt/Equity (%)	39.8



Source: Bloomberg

BUSINESS OVERVIEW

Fibergate is the #2 ranked supplier of domestic wireless telecom services, including free Wi-Fi spot construction, maintenance & operation.

Next event

1-3Q 6/25 results in May 2025.

Storm Corporate: +44 (0) 121 288 3402

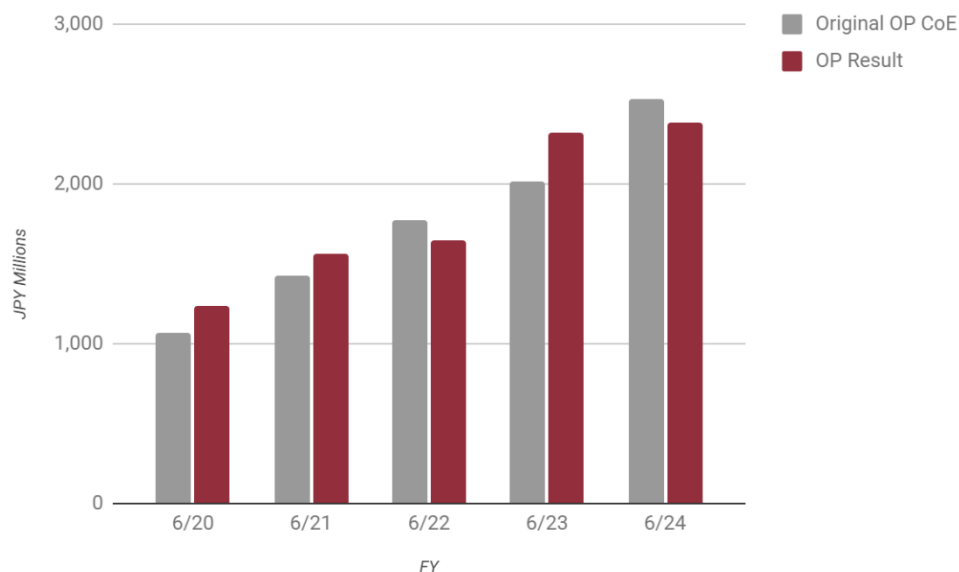
info@stormresearch.co.uk[Storm corporate profile page](#)

Fibergate is a research client of Storm Research

- **1H sales & OP achieved 45.6% & 37.4% of the FY forecast, the latter slightly below plan. Sales growth was driven by all divisions, including a real estate sale & a small contribution from Fibergate's new renewable energy business. The OP decline was due to the introduction of an outright sales option for Home-Use equipment, which inflated CoGS, as well as Business-Use sales mix deterioration.**
- **Whilst Home-Use division contract volumes were strong, the short-term negative impact from outright Home-Use equipment sales weighed on OP. Fibergate is focusing on cross-selling additional products to improve margins, with the greatest success in new construction projects, & we expect further improvement in the 3Q when the number of new construction projects is typically higher.**
- **Strong 1H Business-Use division sales were slightly below plan. We note demand remains robust, but to capitalise Fibergate believes its salesforce needs strengthening. 2Q Business-Use profitability was weaker due to tough hurdles from the timing of higher-margin hospital & care home projects, which we expect to improve in the 2H as more sophisticated projects tend to be concentrated later in the FY.**
- **Fibergate foresees significant growth potential in both its Home-Use & Business-Use divisions & it plans to allocate part of its annual ¥3bn strategic investment budget towards its salesforce to achieve it. Corporate restructuring outlined in Fibergate's MTP is also set to focus on enhancing manpower, cutting costs & increasing efficiency.**
- **Whilst the new Renewable Energy business is in its start-up phase, Fibergate believes it has significant potential in light of its Home-Use & Business-Use sales channels. It is also aiming to accelerate sales opportunities by bolstering this business via M&A.**
- **In addition to the increased dividend announced in Mar 2024, Fibergate has confirmed a share buyback, which we consider a clear indication of management's ongoing commitment to reward shareholders. On 13x FY 6/25 earnings, we recommend investors schedule time with senior management to build the investment thesis: [here](#).**

Year end	6/2023	6/2024	1H 6/2025	6/2025E
Sales (¥bn)	12.8	12.6	6.6	14.4
OP (¥bn)	2.3	2.4	1.0	2.6
NP (¥bn)	1.5	1.6	0.7	1.7
EPS (¥)	72.7	77.2	32.3	81.4
DPS (¥)	10.0	17.5	13.5	27.0
Sales growth YoY (%)	20.4	-1.4	12.9	13.9
OP growth YoY (%)	40.4	2.9	-10.9	9.7
NP growth YoY (%)	38.1	5.7	-10.5	5.3
EPS growth YoY (%)	38.2	6.2	-10.2	5.4
PER (x)	20.5	14.4	12.2	12.6
EV/EBITDA (x)	8.6	6.2	5.0	5.2
PBR (x)	6.4	3.9	2.9	3.0
ROE (%)	37.1	29.8	26.4	n/a
ROIC (%)	16.7	16.5	15.6	n/a
FCF yield (%)	6.2	2.2	8.4	n/a
Dividend yield (%)	0.7	1.6	n/a	2.9

Source: Company & Bloomberg

RESULTS VS
FORECAST HISTORY

EARNINGS

1H sales were 45.6% of the FY forecast, but OP was 37.4%, falling slightly short of the company's expectation. This shortfall was mainly due to the impact from the introduction of outright Home-Use equipment sales on Home-Use business OP, as well as tough YoY hurdles in the Business-Use division related to the timing of higher-margin projects.

Fibergate notes Business-Use orders were also slightly weaker than expected but believes market demand remains strong. To harness this demand, it intends to strengthen its salesforce, allocating part of its strategic investment budget to achieve this.

- *FY 6/25 outlook:* Fibergate expects continued steady contract growth in the Home-Use business but notes the risk of outright Home-Use equipment sales continuing to weigh on OPM. The more complex & high-margin Business-Use projects tend to be skewed to the 2H, supporting some OPM improvement.

To accelerate sales growth & facilitate OPM improvement, Fibergate plans to strengthen its salesforce as part of its MTP (details below). Whilst this is likely a constructive strategy, its impact on FY 6/25 earnings may be limited, potentially leading to OP falling below the company forecast.

MTP

Fibergate is restructuring to become an On-Premise Infrastructure Integrator (OPIIer). This includes **raising OP per employee by approx. +50% to ¥15m by FY 6/27** through strengthening its salesforce, & upgrading its IT systems to improve efficiency & cut costs.

Fibergate also plans to reduce the order-to-sales lead time & enhance installation efficiency by bringing construction works in-house, accelerating this shift through the acquisition of a construction company. Increased in-house construction capacity will enable Fibergate to boost its renewable energy projects, with Fibergate also **considering the purchase of a renewable energy business to bolster its current range.**

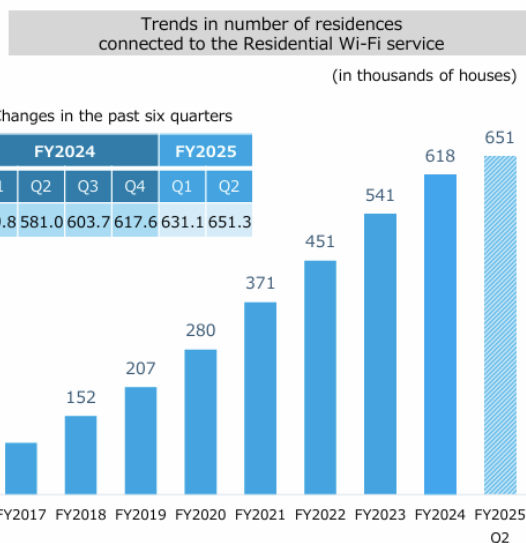
Strengthening the salesforce is a key factor to driving growth in both the Home-Use & Business-Use divisions, but the tight labour market has slowed recruitment more than anticipated,

particularly for high-level mid-career talent. As a result, Fibergate has allocated a portion of its ¥3bn strategic investment budget to securing personnel.

HOME-USE BUSINESS

(JPY Millions)	6/24 Results	YoY	1Q 6/25 Results	YoY	1H 6/25 Results	YoY	6/25 CoE	YoY
Sales	10,386	8.2%	2,643	4.8%	5,285	3.9%	11,140	7.3%
OP	2,910	-2.0%	668	-6.4%	1,331	-10.2%	3,110	6.9%
OPM	28.0%	-2.9%	25.3%	-3.0%	25.2%	-4.0%	27.9%	-0.1%

1H divisional sales increased +3.9%YoY, with contract growth of +20,000 units QoQ to 651,300 outpacing 1Q growth of +13,500.



* Source: Fibergate Inc., Explanation of Financial Results for the Six Months of Fiscal Year Ending June 2025, 14 Feb 2025, p.13

A 1H OP decline of -10.2%YoY was due to the impact from the introduction of outright Home-Use equipment sales, although we expect the shift **to boost longer-term profitability**.

- *Sales method:* Fibergate primarily provides communication equipment through rental, retaining the equipment as assets. Whilst it continues to install equipment on a loan basis, it has also introduced an outright sale option in FY 6/25, which is proving attractive to some customers.

For outright sales, Fibergate records its initial equipment as a lump sum cost, reducing short-term profitability, which caused the 2Q OP decline YoY.

Outright sales benefit from the absence of depreciation & fixed asset taxes, as Fibergate does not retain ownership of the equipment. Rentals require Fibergate to pay a higher upfront capex but generate higher usage fees than outright sales. Fibergate expects the main long-term advantage of outright sales to be improved cash flow from upfront customer payments.

- *FY 6/25 outlook:* Given 3Q is the peak sales period, Fibergate anticipates new build apartments driving 2H sales growth. This growth will be supported by greater exposure to housebuilders as sales agents, who typically offer a higher OPM.

- *Cross-sell ratio:* The 1H cross-sell reached 14.6% +0.1%QoQ, +7.2ppt YoY, with the 2H ratio likely to increase further as exposure to new builds increases in the peak new build period. In addition to WiFi, the most popular product is the network camera for security, but delivery boxes & smart doorbell (FG Smart Call) products are also gaining popularity.

**BUSINESS-USE
BUSINESS**

(JPY Millions)	6/24 Results	YoY	1Q 6/25 Results	YoY	1H 6/25 Results	YoY	6/25 CoE	YoY
Sales	1,675	10.8%	405	23.9%	816	19.5%	2,220	32.5%
OP	480	66.1%	72	28.6%	151	-1.9%	690	43.8%
OPM	28.7%	9.5%	17.8%	0.7%	18.5%	-4.0%	31.1%	2.4%

2Q Business-Use OPM improved QoQ but the 1H OPM declined -4.0ppt YoY to 18.5%. Both 1H sales & OP were slightly below the company forecast.

Demand from Fibergate's core target markets of hospitals, care homes, hotels & transport infrastructure remains strong, but long lead times & volatile timing for larger higher-margin hospital & care home project sales have resulted in short-term sales mix deterioration given greater exposure to lower-margin transport & hotel projects. Fibergate believes it can strengthen its pipeline of high-margin projects in tandem with its salesforce.

- *FY 6/25 outlook*: 1H projects were lower margin YoY & faced tough hurdles. Fibergate expects to deliver some higher-margin projects in the 2H & for the overall FY OPM to improve. It believes market demand remains strong but recognises the need to strengthen its sales capabilities by increasing the number of high-level salespeople to harness demand. Given long lead times for more complex projects, the impact from the strengthened sales team initiative is likely to benefit earnings from FY 6/26 onwards.

**REAL ESTATE,
RENEWABLE, &
OTHER BUSINESSES**

(JPY Millions)	6/24 Results	YoY	1Q 6/25 Results	YoY	1H 6/25 Results	YoY	6/25 CoE	YoY
Sales	551	-67.2%	4	0.0%	455	1263.8%	1,010	83.3%
OP	64	-53.6%	-4	n/a	65	650.0%	180	181.3%
OPM	11.6%	3.4%	-100.0%	n/a	14.3%	-13.5%	17.8%	6.2%

1H divisional sales & OP increased significantly YoY, mainly due to a 2Q one-off real estate sale. There was also a small contribution to these figures from Fibergate's first renewable energy sales through its Home-Use channel.

Fibergate assumes ¥1bn divisional sales for FY 6/25 – ¥400m from real estate & ¥600m from renewable energy – with a forecast OP of ¥180m, comprising approx. ¥60m from real estate & ¥120m from renewable energy.

Its renewable energy business is currently in the start-up phase. Whilst it gauges significant potential demand through its existing Home-Use & Business-Use sales channels, Fibergate has also encountered challenges such as construction delays with the new business.

Consequently, FY sales & OP targets are potentially optimistic, & Fibergate is considering the acquisition of a construction company &/or renewable energy provider to accelerate its ability to grow this business.

- *Renewable Energy business*: Fibergate made its first sale in the Home-Use business in the 2Q, & although the sales & OP contribution remain small, it expects a 2H increase.

As part of its Medium term plan, Fibergate assumes sales ¥3.5bn by FY 6/27, with ¥3bn coming from the renewable business.

**SHAREHOLDER
RETURNS**

As part of its MTP to FY 6/27, Fibergate plans to shift its focus from improving the balance sheet & generating FCF to leveraging its financial strength to maximise returns. With the release of the new MTP, Fibergate raised its dividend payout ratio policy to >33% & forecasts a FY 6/25 dividend of ¥27, implying a payout ratio of 33.2%.

In addition, Fibergate announced a share buyback at 1H results, & plans to purchase 150,000 shares of treasury stock (approx. 1% of the total) for up to ¥170m, between 17th Feb 2025 & 30th Jun 2025, to improve capital efficiency.

PREVIOUS REPORTS

- 6th December 2024: [‘Rising cross-sell ratio’](#)
- 27th August 2024: [‘Transformation’](#)
- 30th May 2024: [‘Business-Use emergence’](#)
- 5th March 2024: [‘Business-Use traction’](#)
- 1st Dec 2023: [‘Growth in tandem’](#)
- 28th Sep 2023: [‘Improving momentum’](#)
- 5th Jun 2023: [‘Renovation & new build WiFi’](#)
- 3rd March 2023: [‘Laying foundations’](#)
- 25th Nov 2022: [‘Strong residential WiFi’](#)
- 11th Nov 2022: Initiating coverage: [‘Residential & business WiFi’](#)

COMPANY
INFORMATION

Key corporate timeline	
2003	Began fully-fledged operations. Core business: selling broadband lines via the internet and a network of multiple brick-and-mortar locations
2004	Started business: free internet for communal housing
2005	Established Tokyo Office in Minato-ku, Tokyo Started business: free internet for communal housing using wireless LAN Unified all services and began operation using the FGBB® Series across the board
2006	Began providing free internet for communal housing using a private brand
2008	Started business: internet connection for monthly serviced apartments
2009	Call centre began providing customer service to tenants of FGBB® equipped properties in multiple languages Started business: the free Wi-Fi service “Wi-Fi Nex®”
2011	Established Osaka Office in Chuo-ku, Osaka
2013	Established NOIS Inc. as a wholly-owned subsidiary to plan, develop, and sell computer hardware and software, and to act as an internet line agency
2014	Started business: the sale of company-developed communication devices Began providing Wi-Fi services for stores and commercial facilities under a private brand Established Fukuoka Office in Hakata-ku, Fukuoka Established Nagoya Office in Atsuta-ku, Nagoya
2015	Acquired Telecommunications Contractor Authorization (Governor of Hokkaido Authorization (Fune-26) Ishi No.22017) Began providing the Wi-Fi service “SHINOBI Wi-Fi” to visiting foreigners Established Fibergate Taiwan Inc. as a wholly-owned subsidiary in Taiwan Acquired a license as a telecommunications business in accordance with the Telecommunications Business Act (Registration Number: No.358)
2016	Certified as a Management Innovation Plan Approval Company by the Governor of Hokkaido (Sekishoro: No.74-33) Acquired Privacy Mark certification (Registration Number: No. 17002586 (01) End of fiscal year changed from December to June Nagoya Office moved to Naka-ku, Nagoya
2017	Satellite office opened in the Tokyo Office Osaka Office moved to Chuo-ku, Osaka Established Sendai Office in Miyagino-ku, Sendai Fukuoka Office moved within Hakata-ku, Fukuoka
2018	Listed on TSE Mothers Began providing the “One-Touch Wi-Fi” service as a Wi-Fi service for offices and stores Acquired certification as an Information Security Management System (ISMS) (Certification No.: MSA-IS-284)
2019	Transferred to the TSE 1 st Section Listed on the Main Market of the Sapporo Securities Exchange
2020	Established FG-Lab Inc. as a wholly-owned subsidiary that researches and develops company-provided telecommunication devices and systems Established BizGenesis Inc. to provide telecommunication services to corporations Relocated Fukuoka office within Hakata-ku, Fukuoka
2021	Established FG Smart Asset Inc. as a wholly-owned subsidiary to engage in real estate-related business including the purchase, sale, leasing, and management of real estate Established OffGrid-Lab Inc. to operate a renewable energy business
2022	Acquired TM Asset Inc. as a wholly-owned sub-subsiary to engage in real estate sales and leasing Merged with BizGenesis Inc., a telecommunication service provider for enterprises
2023	Started the Renewable Energy business
2024	Established Enepulse Inc., a joint venture company that operates as an energy agency

Company contact details

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Major shareholders	Stake %
MI Corporation	23.42
Masanori Inomata	13.78
Custody Bank of Japan (Trust Account)	12.08
Sumitomo Mitsui Trust Bank (Trust Account no. 23)	8.38
The Master Trust Bank of Japan, Ltd. (Trust Account)	6.54
Taizou Matsumoto	5.41
Hikari Tsushin	4.90
BNYMSANV AS AGENT / CLIENTS LUX UCITS NONTREATY (Permanent Agent: MUFG Bank, Ltd)	1.74
Taichi Yabu	0.88
Shigenori Imagawa	0.69

Source: Company

J GAAP Financial statements

Income statement (¥bn)	FY 6/22	FY 6/23	FY 6/24
Sales	10.6	12.8	12.6
COGS	5.8	7.1	6.8
Gross profit	4.8	5.7	5.8
Gross profit margin (%)	45.5	44.9	46.1
Operating expense	3.2	3.4	3.4
Total OP	1.7	2.3	2.4
OP margin (%)	15.5	18.1	18.9
Non-Op Income (Loss)	0.1	0.1	0.1
Pretax Income	1.6	2.2	2.3
Tax	0.5	0.7	0.7
Effective tax rate (%)	32.2	31.7	31.8
Net income	1.1	1.5	1.6

Balance sheet (¥bn)	FY 6/22	FY 6/23	FY 6/24
Cash & equivalents	2.3	2.4	2.1
Accounts & notes receivable	1.4	1.6	1.8
Inventories	2.1	1.3	1.2
Other short-term assets	0.1	0.1	0.1
Current assets	6.0	5.6	5.3
Property, plant & equipment (net of depreciation)	6.2	6.6	7.2
Long term investments & receivables	0.1	0.1	0.0
Other long-term assets	0.8	0.6	0.5
Total non-current assets	7.1	7.2	7.7
Total assets	13.1	12.8	13.1
Payables & accruals	0.9	1.1	1.0
Short-term debt	2.6	1.4	1.3
Other short-term liabilities	2.2	2.1	1.8
Total current liabilities	5.6	4.7	4.1
Long term debt	4.1	3.3	3.1
Other long-term liabilities	0.1	0.0	0.1
Total non-current liabilities	4.2	3.3	3.2
Total liabilities	9.8	8.0	7.2
Share capital & APIC	0.9	0.9	0.9
Treasury stock	0.2	0.2	0.4
Retained earnings	2.6	4.0	5.2
Other equity	0.0	0.0	0.0
Equity before minority interest	3.3	4.7	5.8
Total equity	3.3	4.8	5.8
Total liabilities & equity	13.1	12.8	13.1

Cash flow statement (¥bn)	FY 6/22	FY 6/23	FY 6/24
Net income/pre-tax profit	1.1	1.5	1.6
Depreciation/amortization	1.2	1.5	1.7
Other non-cash items	0.1	0.6	0.0
Changes in working capital	-0.1	0.8	-0.4
Net cash from discontinued operations	0.0	0.0	0.0
Cash from Operating Activities	2.3	4.3	2.8
Change in fixed & intangible assets	-2.3	-2.2	-2.4
Net change in long-term investments	0.0	0.0	0.0
Net cash from acquisitions & divestitures	-0.3	0.0	0.0
Other investing activities	0.0	0.0	0.0
Net cash from discontinued operations	0.0	0.0	0.0
Cash from Investing Activities	-2.6	-2.2	-2.4
Dividends paid	-0.1	-0.1	-0.3
Cash from (repayment) debt	0.6	-1.9	-0.2
Cash from (repurchase) of equity	-0.1	0.0	-0.2
Other financing activities	-0.1	0.0	-0.2
Net cash from discontinued operations	0.0	0.0	0.0
Cash from Financing Activities	0.4	-2.0	-0.7
FX impact	0.0	0.0	0.0
Net cash flow	0.1	0.1	-0.3
Free cash flow	0.1	1.9	0.5
EBITDA	2.9	3.8	4.0

Key metrics	FY 6/22	FY 6/23	FY 6/24
Profitability			
Gross margin (%)	45.5	44.9	46.1
Operating margin (%)	15.5	18.1	18.9
Net margin (%)	10.1	11.6	12.4
ROIC (%)	12.6	16.6	16.5
Liquidity			
Current ratio (x)	1.1	1.2	1.3
Quick ratio (x)	0.7	0.8	1.0
Leverage			
Debt/Equity ratio	202.9	99.1	76.7
Net Debt/Equity ratio	132.6	48.1	39.8

DISCLAIMER

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