COMPANY RESEARCH AND ANALYSIS REPORT

AlphaPurchase Corporation

7115

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Company's stock price showing signs of a rebound as it recovers from the impact of ASKUL

AlphaPurchase Corporation <7115> (hereafter, also "the Company") engages in the MRO Business, which operates the APMRO platform for purchasing indirect materials that include parts for repairing equipment and machinery and also office equipment, as well as the Infinite Catalog (electronic catalog). It also engages in the FM Business, which provides maintenance and other services for commercial facilities. The Company announced its financial results for 2Q FY12/26 on August 10. It had been significantly impacted by the suspension of shipments and procurement by ASKUL <2678>, which is both its parent company and a business partner, in FY12/25. Currently, however, it is generally on a recovery track, continuing to perform solidly in line with its forecast for FY12/26, which calls for higher sales and profits.

Expectations are also high for the launch of a new function in the Infinite Catalog as the Company gradually recovers from the impact of ASKUL

1. Overview of 2Q FY12/26 results

The Maintenance, Repair & Operations (MRO) Business, which provides systems and sells goods for indirect material purchasing, accounts for approximately 77% of net sales, with the FM Business and Other making up the remainder. In a breakdown of customer sales in the MRO Business, the manufacturing/construction and service/retail industries account for the largest proportion of customers, with direct sales to large enterprises, such as Toyota Motor Corporation, Sony Corporation, The Kansai Electric Power Company, Incorporated, and Mitsubishi Estate Co., Ltd., constituting approximately 86% and currently trending upwards. The rest is comprised of resales to small and medium-sized workplaces (net sales via ASKUL). The Company's customers primarily consist of large enterprises listed on the Prime Market, and the customer churn rate for direct sales to large enterprises is close to 0%, making it a recurring revenue-based business. In 2Q FY12/26, net sales increased 7.8% year on year (YoY) to ¥30,852mn and operating profit increased 5.5% to ¥757mn. The achievement rate for the full-year results forecast is progressing in line with trends seen in recent years. In the MRO Business, net sales rose 3.9% to ¥23,659mn and segment profit rose 9.0% to ¥626mn, reflecting an increase in both sales and profits. While the impact of the ransomware attack on ASKUL has not entirely subsided, the Company has by and large recovered. Also, while there was a drop-off in special demand for goods to combat heatstroke that the Company experienced in the previous fiscal year, its operating profit margin improved due to the optimization of fixed costs combined with a review of suppliers and procurement terms. The Facility Management (FM) Business, which provides services to commercial facilities, saw net sales increase 22.9% to ¥7,185mn, but segment profit decline 13.4% to ¥95mn. While customers enjoyed strong performance driven by demand from inbound tourism, and large-scale construction projects also performed well, a deterioration in this business's product and service mix caused its gross profit margin to fall. As the increase in sales was not enough to absorb the rise in personnel expenses and other fixed costs associated with the anticipated increase in the number of transactions, profits declined.

2. FY12/26 forecasts

For its consolidated results for FY12/26, the Company anticipates that net sales will increase 10.8% YoY to ¥65,300mn and that operating profit will increase 12.4% to ¥1,650mn. Overall, it anticipates double-digit sales growth driven largely by ongoing increases in purchases from existing customers and the resolution of the impact of ASKUL's shipment suspension, which occurred in 4Q FY12/25, in the MRO Business as well as by solid performance in large-scale construction projects in the FM Business. In terms of profit, while the Company expects profit margins to remain roughly on par with those of FY12/25, taking into consideration that the impact of ASKUL's shipment suspension will subside and the Infinite Catalog will see further penetration, among other factors, a forecast of flat profit margins could be seen as being on the conservative side. In other words, FISCO believes that if the Company can meet its net sales targets, it will likely revise its profit forecast upward, and that even if net sales fall short due to factors such as delays in major projects, it is still possible that the current profit forecast will be met.

Moreover, it is still fresh in FISCO's memory that the Company saw a greater-than-expected increase in gross profit owing to the automatic substitution function for recommended products in its Infinite Catalog (electronic catalog), which it launched at the end of 2024. The Infinite Catalog allows for multiple price quotes for the same product, which enables the Company to concentrate sales on highly cost-competitive suppliers (thereby boosting supplier motivation), expand sales for those suppliers, and consequently improve its gross profit margin. On April 28, 2026, the Company added a service called "Upload Search" to the Infinite Catalog as a new function. This allows users to perform searches simply by dragging and dropping an Excel file containing the product information to be searched for. By enabling the batch processing of search and order placement operations for a large number of items, which previously had to be performed one by one, this function significantly streamlines workflows. Naturally, the preexisting function that automatically replaces the target items with the lowest-priced alternatives continues to be implemented as is, contributing to cost reductions as well. This functionality is expected to help boost utilization rates.

Targeting net sales of ¥100.0bn, an operating profit margin of 3.5%, and ROE of 20% or more in FY12/29

3. The medium-term business plan, comparisons with similar companies, and shareholder returns

The MRO market size for large enterprises is approximately ¥1tn. Of this, the market size for the existing electronic catalog transactions (the Company's current business domain) is approximately ¥400.0bn. The target of this market is limited to large corporate groups with annual net sales of at least ¥100.0bn, and the number of such potential corporate groups is estimated to be about 1,000. Currently, in its MRO Business, the Company has only 72 major corporate group customers, meaning there is significant potential. The Company appears to intend to continue expanding its market share by focusing on growth in its current business domain. With its strong customer base, the Company seems poised to achieve sustained growth as it continues to expand sales to large corporate groups and gain greater recognition. In fact, net sales to large corporate groups have tended to grow with each passing year, and this trend will be spurred on by the enhancement of functions. While the impact due to ASKUL is by no means small, and will take time to offset, it does not materially change AlphaPurchase's growth scenario. Even if disruptions are prolonged, one can picture that achieving the target will be pushed back by 1–2 years.

Also, while there are no companies similar to AlphaPurchase in the strict sense, it is worth monitoring the figures for MonotaRO <3064>, which has an ROE of over 28%, expects an increase of 14.9% YoY in operating profit for FY12/26, and has a forecasted P/E ratio valued at 26 times. AlphaPurchase's ROE is just over 16%, but it expects profit growth of 12.4%, and has a forecasted P/E ratio of 13 times. In light of AlphaPurchase's figures compared to the average P/E ratio of 20 times for companies such as AS ONE <7476> and MISUMI Group <9962>, the stock appears increasingly undervalued following its recent stock price decline. The improvement in capital efficiency should be considered as potential for a valuation approaching that of MonotaRO, i.e., further upside potential. For FY12/29, AlphaPurchase is targeting net sales of ¥100.0bn, an operating profit margin of 3.5%, and ROE of 20% or more. From this, estimated earnings per share are approximately ¥250. Even taking a conservative P/E ratio of 15 times when the targets are achieved without specifying the timing of the medium-term business plan due to the impact of ASKUL, the share price is estimated at ¥3,750 (currently ¥1,555).

In terms of shareholder returns, the Company has continued to increase its dividend for consecutive fiscal years. This fiscal year, it is planning a dividend on par with the previous fiscal year's level of ¥37 per share, which included a commemorative dividend of ¥5 per share, for a projected dividend yield of 2.38%.

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