

Adventure Inc.

6030

TSE Mothers

8-Dec.-2017

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FISCO Ltd.

<http://www.fisco.co.jp>

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Summary

Posted sharply higher sales and profits in FY6/17 with two upward revisions

1. Company profile

Adventure Inc. <6030> mainly operates the skyticket website for domestic and overseas airline reservations and sales. The website also handles trip products (including travel insurance, hotels, car rentals, and other services). Adventure aims to broaden site scope to living-related reservation services (massages, dentists, etc.) as well. Amid growing demand for comparison searches with advances by low-cost carriers (LCCs), it has expanded business by providing value with convenience (24-hour Internet availability for comparison searches and reservations), price advantages (provision of low-priced products and no charge for international flight fees), and multilingual support (18 languages on the website and 32 languages in the app). A key strength is handling airline tickets from a wide range of airlines (17 domestic airlines and over 500 international airlines) that cover not only LCCs, but also JAL (Japan Airlines Co., Ltd. <9201>), ANA (ALL NIPPON AIRWAYS CO., LTD. <9202>), and other major carriers. Its customers are primarily in the 20s and 30s age groups and the site attracts a high repeat rate of over 60%. Adventure is actively pursuing overseas service too and offers robust growth potential as it moves toward its goal of being a global online travel agent (OTA)*.

* Online travel agents (OTA) are travel companies that handle transactions just over the Internet, in contrast to conventional travel companies with sales activities at shops. Top global OTAs are Expedia (¥8tn in global transaction volume) and Priceline (¥6tn). They hold massive positions in the market built through aggressive M&A and other activities.

2. Overview of FY6/17 results

In FY6/17, Adventure reported ¥5,269mn in operating revenue (+96.3% YoY) and ¥414mn in operating income (+44.5%). It raised its forecast twice and realized sharply higher sales and profits. Adventure significantly expanded the number of reservations and transaction volume via the combined effect of multiple measures, including widening recognition with extensive advertising outlays, increase in smartphone app downloads, multi-language support (32 languages), multiple-language listings on global metasearch sites* (English and Chinese), and broadening of sales channels through alliances with other firms. The number of reservations climbed 128.9% YoY to 1,465,000, and transaction volume rose 113.1% to ¥37,683mn. Adventure achieved strong growth along with accumulation of repeat customers. We think it is increasing market share in Japan and lifting recognition as a global OTA centered in Asia thanks to overseas advertising and multiple language support.

* These are the world's largest travel search sites (searches hotels, airlines, and other Internet reservation services and compares prices and other aspects) and an important channel for customer recruitment by Adventure.

Summary

3. FY6/18 forecast

Adventure expects double-digit sales and profit growth in FY6/18 with ¥6,000mn in operating revenue (+13.9%) and ¥512mn in operating income (+23.5%). It also projects a steep 68.2% YoY rise in transaction volume to ¥65,000mn. It plans to continue driving growth through expansion of market share in Japan and further advances in overseas markets with aggressive allocation of advertising outlays. Adventure intends to use more than ¥10bn in advertising costs over the next two years. Furthermore, it is pursuing 7mn downloads in Japan and 1mn downloads in other countries of the key smartphone app. As product development to promote cross-selling business, meanwhile, besides car rental reservations added in FY6/17, it is preparing variety of transportation services (domestic ferries, highway buses, JR tickets, and others) and hotels, tours, and other package products. However, it does not factor income from these services into forecast. We think Adventure's forecast is conservative in light of FY6/17 results, recent conditions, and other aspects and see potential for upside.

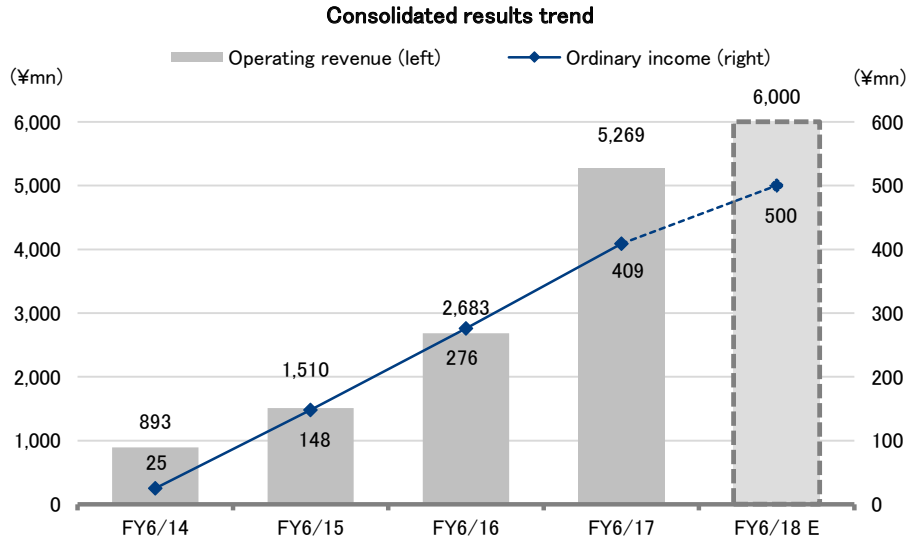
4. Growth strategy

Adventure's growth strategy largely consists of share expansion in existing areas, including overseas rollout, and broadening business scope. Overseas initiatives, in particular, offer significant growth room because Adventure plans to mainly target Asia and Africa, where OTA inroads are still limited (it does not face many competitors), through collaboration with major global metasearch sites and other efforts. Additionally, in expansion of business scope, Adventure hopes to solidify a "comprehensive reservations platform" by releasing new products (strengthening its lineup). As a medium-term goal, it targets ¥100bn in transaction volume in 2019 through expansion of existing business. It has also described a long-term growth image that aims for ¥1tn in transaction volume in 2030 through entry into living-related areas and progress with overseas activities. Adventure possesses large potential for developing business opportunities with its access to customers at entry point in travel of booking airline tickets. We expect its base of highly loyal customers in the 20s and 30s to favorably affect alliance efforts with other firms. A key issue is the extent to which Adventure is capable of accelerating its growth pace. With limited business resources (people, funds, time, and others), it needs to carefully select and set priorities in attractive business opportunities.

Key Points

- Posted sharply higher sales and profits in FY6/17 with two upward revisions
- Income growth drivers include aggressive advertising outlays, expansion of app downloads, and multiple language support
- Forecasts steep sales and profit increases again in FY6/18 led by robust advertising investments and other activities
- Plans to invest more than ¥10bn in advertising over the next two years and is putting priority on growth over profits
- Aims to realize ¥1tn in transaction volume over the long term

Summary



Source: Prepared by FISCO from the Company's financial results

Company profile

Operates the skyticket website for domestic and overseas airline reservations and sales
Rapidly expanding income through promotion of overseas business and other areas

1. Business overview

The skyticket website operated by Adventure is a one-stop reservations site for domestic and overseas airline tickets and travel-related products (travel insurance, hotels, car rentals, and a variety of optional tours). It handles airline tickets from a wide range of airlines (17 domestic airlines and over 500 international airlines) that cover not only LCCs, but also JAL, ANA, and other major carriers. Amid growing demand for comparison searches of multiple airlines to compare prices, service, and schedules due to advances by LCCs and other developments, it has expanded business by providing value with convenience (24-hour Internet availability for comparison searches and reservations), price advantages (provision of low-priced products and no charge for international flight fees), and multilingual support (18 languages on the website and 32 languages in the app). Its transaction volume currently consists of about 88% from domestic flights and roughly 12% from international flights. Nevertheless, Adventure is seeing increases in non-Japanese customers and airline reservations originating overseas, including Japanese users, owing to its provision of multiple language support and broadening of LCC coverage.

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Company profile

Adventure also offers the Suguyaku Relax website that handles reservations for massage and relaxation salons and dentists through Suguyaku, Inc.*, which it converted to a subsidiary. While this business is not contributing much to income at this stage, it is a step toward realizing a comprehensive reservations platform, the future vision.

* It established this company as a joint venture with EPARK, Inc. (operates the EPARK facility reservations website with over 10mn members) in January 2016.

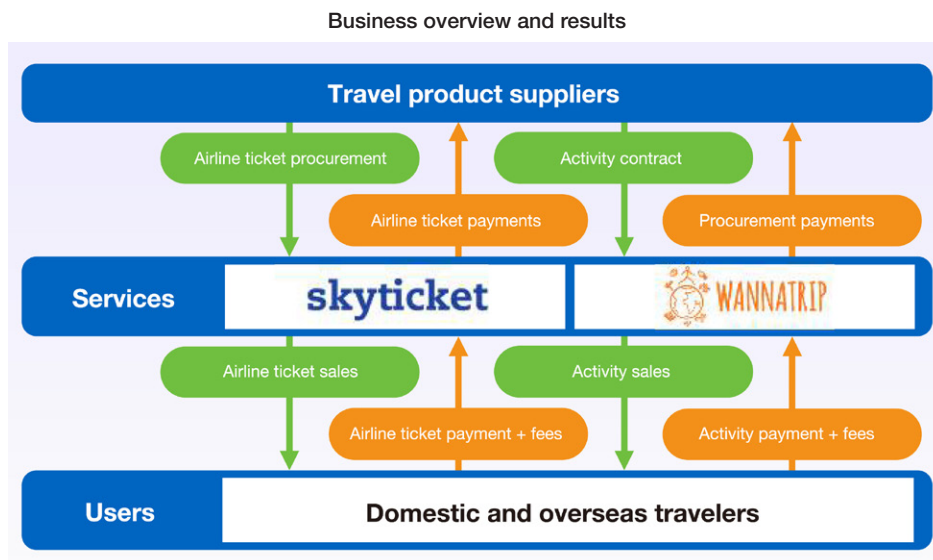
Adventure operates two business segments – online business and investment business. However, the investment business, which makes investments in venture companies, etc., is not that important in income and business strategy at this point.

Adventure has three consolidated subsidiaries – Big Heart Travel Agency, Inc., which handles ticket issuance procedures, AppAge, Limited (Hong Kong), which plans the smartphone app, and above-mentioned Suguyaku.

Procures tickets from airlines and travel companies and conducts direct sales to end customers over the Internet

2. Business model and income structure

Adventure provides a service that procures airline tickets, travel products, and other items from airlines and travel companies and directly sells them to domestic and overseas customers (travelers) over the Internet.



Source: Company materials

Company profile

Operating revenue, which corresponds to net sales at an ordinary company, consists of sales fees from customers and commissions from airlines and travel companies. While operating revenue thus fundamentally correlates to transaction volume, which is the total value of sales to users, Adventure does not receive uniform sales fees and commissions on transaction volume. With commissions, in particular, the amount differs by airline and route as well as supply-demand conditions at the time and negotiations with airlines. Sales fees reflect Adventure's sales policy decisions. Past results show that operating revenue ranges from 10% to 15% of transaction volume. However, it is important to recognize risk of income fluctuation in commissions due to impacts from airline sales policies and other factors.

The cost structure, meanwhile, has a relatively low presence of personnel costs and management costs, as an online business with high management efficiency, but an extremely large percentage of advertising and promotional costs. Adventure spent ¥3,601mn on advertising and promotional costs in FY6/17, or about 68.3% of operating revenue. It hence could raise profits by adjusting advertising and promotional outlays. However, these are vital upfront costs for acquisition of customers. We see room to lower fees paid to credit card companies and others for fund settlements through expansion of transaction volume to strengthen negotiating clout.

Seasonality in income results because of the nature of Adventure's business also needs to be considered. Busy periods come in 1Q (Jul-Sep) with summer holidays and 4Q (Apr-Jun) with the major extended holiday in Japan.

Adopted an OTA business model, which was growing in overseas markets, ahead of other Japanese firms

3. History

The company was founded in December 2006 as Cyber Travel Inc. It was a subsidiary of former Adventure Inc. (an Internet advertising agency) that Shunichi Nakamura, the current CEO, created in his student years. In June 2013, Cyber Travel absorbed its parent Adventure and changed its name to Adventure Inc. for the purpose of enhancing business efficiency.

Mr. Nakamura saw an opportunity in Japan with the rollout of e-tickets amid growing use of the Internet and changes in the airline framework with market entry by LCCs and decided to begin online sales of airline tickets, a market that had already expanded in the US and other countries.

The company began operation of skyticket in June 2008. At its founding, the site mainly handled JAL and ANA tickets. Market entry by LCCs, however, increased the number of airlines and demand for cross searches, thereby driving expansion of Adventure's business. The industry slumped in 2011-12 on setbacks from the Great East Japan Earthquake and JAL failure. Some peers exited the market or scaled back operations in this environment. Adventure benefited as a survivor and invested aggressively in the recovery phase. These factors supported its strong advances from 2013. The decision to take the company public reflected strong awareness of the importance of reinforcing the financial base and enhancing recognition and general trust as a listed entity in order to sustain stable business in an industry that is heavily affected by the external environment.

Adventure further enhanced the business foundation, including multiple language support to facilitate inbound demand, and successfully listed its shares on the TSE Mothers market in December 2014.

Established unique positioning with convenience, price advantages, and multiple language support

4. Characteristics (strengths)

(1) Established unique positioning

We think Adventure's growth has been possible thanks to its solidification of unique positioning ahead of other firms by obtaining early-bird profits (as well as survivor profits) by bringing the OTA format, which had already grown significantly in overseas markets with advances in e-commerce and LCCs, into Japan and differentiation with convenience, price advantages, and multiple language support. This is a difficult market for large players to enter because of relationships with airlines and conflicts (opposing interests) with existing businesses. Venture companies, meanwhile, face a major barrier from Adventure's utilization of economies of scale in various scale policies, including advertising and promotional outlays.

(2) Significant accumulation of technology capabilities and knowhow

Adventure holds an advantage versus other firms (domestic travel-related businesses and new entrants) because of accumulated IT-related technology capabilities and infrastructure and overseas rollout knowhow from its early focus on an OTA model.

(3) Possesses an attractive customer base with high loyalty

Adventure's customer base mainly consists of people in the 20s and 30s (61% of its customers come from age groups in the 30s and younger) and enjoys a robust repeat ratio of over 60%. We think sales measures, such as coupon provision, and excellent convenience play an important role in supporting the high repeat ratio. Adventure has significant potential if it continues to build a customer base with these younger age groups and maintains a high repeat ratio due to future evolution into a base of customers with extensive purchasing power at some point. Its possession of an attractive customer base also broadens the possibility of future business expansion, including an advantageous position in alliances with other firms. The repeat ratio appears to be moving even higher recently with increase in smartphone app users. Advances in the repeat ratio help lower customer acquisition costs and boost profitability.

Results trends

Accelerating growth through aggressive advertising and promotional outlays and other measures and with rising demand as a tailwind

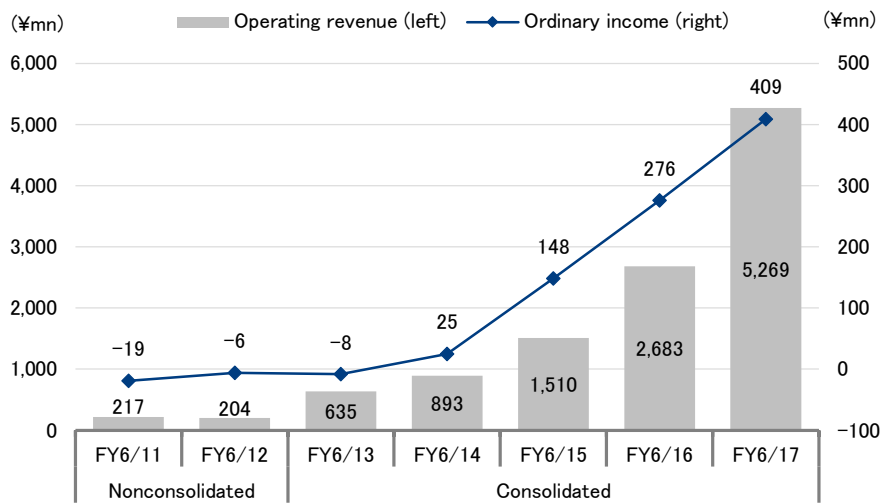
Looking at past results, income weakened from FY6/11 to FY6/12 due to cutbacks in commissions paid by airlines after the Great East Japan Earthquake and JAL's bankruptcy. Since FY6/13, however, Adventure's growth accelerated on improved commissions with stabilization of airline management and expansion of the number of reservations and transaction volume due to the full-fledged start of handling LCCs. The number of reservations climbed from 106,000 to 1,465,000 in the five years since FY6/13 accompanying the rise in the LCC ratio.

In earnings, while profits remained low due to upfront costs for advertising and promotional expenses and other items, ordinary income grew substantially along with sales expansion. Nevertheless, ordinary income margin was still at just 7.8% in FY6/17 as a result of being in the investment phase.

Results trends

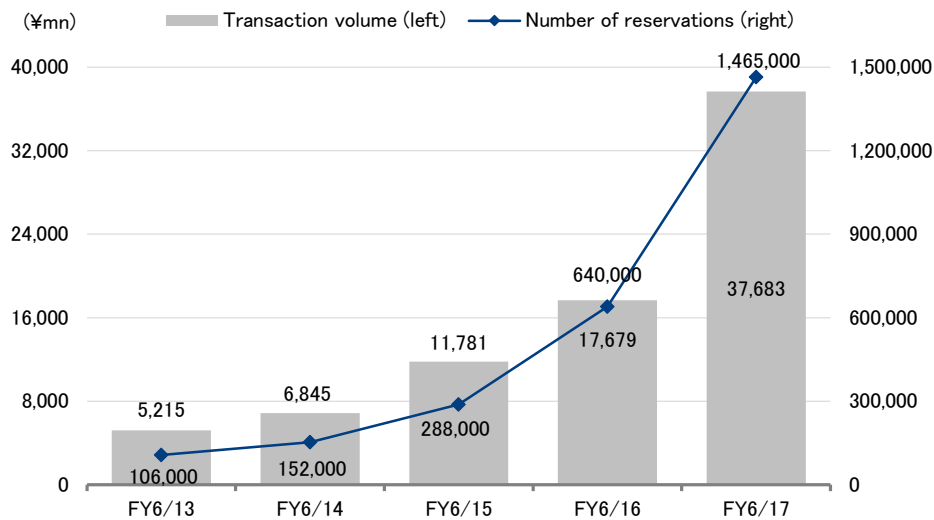
The equity ratio, which reflects stability of the financial base, also stayed at a low level, issuance of new shares for the listing lifted it to 54.0% in FY6/15. Reinforcement of the financial base through the listing offers robust support to Adventure’s efforts to expand the customer base with robust advertising and promotional outlays and broaden businesses including M&A deals. With the equity ratio at 41.9% and 17.8% ROE at end-FY6/17, Adventure does not face issues with stability of the financial base and capital efficiency.

Trends in operating revenue and ordinary income



Source: Prepared by FISCO from the Company's financial results

Trends in the number of reservations and transaction volume



Source: Prepared by FISCO from the Company's financial results

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■ Business performance trends

Realized higher sales and profits on a sharp rise in transaction volume in FY6/17, with earnings growth driven by robust advertising investments and multiple language support

1. Overview of FY6/17 results

In the FY6/17 results, operating revenue increased 96.3% YoY to ¥5,269mn, operating income rose 44.5% to ¥414mn, ordinary income grew 48.2% to ¥409mn, and net income climbed 65.6% to ¥242mn. The results exceeded the initial forecasts and two upward revisions for major increases in sales and income.

Adventure significantly expanded the number of reservations and transaction volume via the combined effect of multiple measures, including widened recognition with extensive advertising outlays, increase in smartphone app downloads, multi-language support (32 languages), multiple language listings on global metasearch sites*1 (English and Chinese), and broadening of sales channels through alliances with other firms. The number of reservations climbed 128.9% YoY to 1,465,000, and transaction volume rose 113.1% to ¥37,683mn. Adventure achieved strong gains along with accumulation of repeat customers*2. Key points to notice are 1) growing usage by non-Japanese (both domestic and international flights), 2) substantial growth in international flights even though the domestic flight ratio remains high, and 3) rising overseas use with overseas originations. We hence think it is increasing market share in Japan and lifting recognition as a global OTA centered in Asia thanks to overseas advertising and multiple language support. Additionally, downloads of the smartphone app that started in May 2016 reached 3.96mn as of June 30, 2017. While Adventure missed its ambitious goal (5mn downloads), this healthy growth is still impressive. Sales (fee income) from non-airline ticket services offered by skyticket (such as travel insurance, hotels, and car rental the number of reservations), meanwhile, though small, appear to be posting upbeat growth (car rental reservations started in the previous fiscal year, in particular, are doing well). Adventure seems to be making steady progress in sales from the Suguyaku Relax reservations site for massage and relaxation salons, dentists, and other services, albeit this business is still minor.

*1 These are the world's largest travel search sites (search hotels, airline tickets, and other Internet reservation services and compare prices and other aspects). They provide an important channel for customer recruitment by Adventure, which lists information on skyscanner, kayak, Google flights, tripadvisor, and other sites.

*2 Repeat rates in the most recent month (as of end-June 2017) were just over 60% in domestic flights and just over 50% in international flights.

Adventure posted higher earnings, despite higher upfront costs for advertising and promotional expenses to accelerate growth and system investments, thanks to offsetting impact from higher sales. Operating margin, however, dropped to 7.9% (from 10.7% in FY6/16) because of large expansion of advertising and promotional costs with a 104.5% YoY increase to ¥3,601mn. Adventure believes it is currently in a phase that demands top priority on expansion of transaction volume (increasing market share in Japan and overseas initiatives). Aggressive advertising should be viewed as adhering to a strategy that seeks to increase business scale.

In financial conditions, the equity ratio declined to 41.9% (vs. 45.7% a year earlier), even though the shareholders' equity rose 32.1% YoY to ¥1,543mn at end-FY6/17 on accumulation of retained profits, because total assets expanded 44.0% to ¥3,685mn through increases in accounts receivable, software (including in the provisional account), and deposits and guarantees. However, increase in accounts receivables is a temporary factor, and actual financial conditions have not changed much. Software covers the skyticket renewal, and deposits and guarantees are related to guarantees given to airlines and the office relocation.

Overview of FY6/17 results

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Business performance trends

	FY6/16 results		FY6/17 results		Change		FY6/17 initial forecast		Achievement rate
	Ratio		Ratio		Change rate		Ratio		Rate
Operating revenue	2,683	100.0%	5,269	100.0%	2,585	96.3%	3,500	120.0%	150.5%
Operating expenditure	2,396	89.3%	4,821	91.5%	2,425	101.2%	-	-	-
Advertisement cost	1,760	65.6%	3,601	68.3%	1,841	104.5%	-	-	-
Operating income	286	10.7%	414	7.9%	128	44.5%	420	12.0%	98.7%
Ordinary income	276	10.3%	409	7.8%	133	48.2%	400	11.4%	102.3%
Net income	146	5.4%	242	4.6%	96	65.6%	240	6.9%	100.8%
Transaction volume (after cancellations)	17,679		37,683		20,004	113.1%			
Number of reservations	640		1,465		825	128.9%			
Total assets	2,559		3,685		1,127	44.0%			
Shareholders' equity	1,168		1,543		375	32.1%			
Equity ratio	45.7%		41.9%		-3.8pt	-			

Source: Prepared by FISCO from the Company's financial results and financial results briefing materials

2. Activity results

(1) Overseas initiatives

In alliances with global metasearch sites, an important channel for customer recruitment, Adventure added tripadvisor besides its existing ties with skyscanner, kayak, and others, and is placing listings in multiple languages such as English and Chinese (Korean preparing) with each site (for domestic flights in Japan and international flights originating in Japan). It intends to continue increasing affiliated metasearch sites and the number of languages. Furthermore, it has rolled out a multi-language smartphone app (supports 32 languages). These efforts resulted in expansion of transaction volume with non-Japanese (in over 98 countries). The start of an information alliance* with Jetstar Airways, an Australian LCC, also appears to have contributed significantly to results. Adventure plans to pursue information alliances with other overseas LCCs as well.

* This type of alliance utilizes API collaboration between the airline ticket reservation system and domestic airline tickets. It enables real-time confirmation of airline ticket prices and seat openings and fully automates reservations.

(2) Concentrated investment in the smartphone app

As mentioned above, the number of downloads of the smartphone app launched in May 2016 missed the ambitious goal of 5mn downloads, but had a solid outcome with 3.96mn downloads. However, this area remains in an investment phase in terms of income given the upswing in domestic app CPI*. Adventure plans to promote the app mainly in Southeast Asia with low CPI as well as South America and Africa (allocating advertising outlays, etc.).

* CPI is the abbreviation of cost per install (mainly for advertising costs).

(3) Initiatives to widen recognition

Adventure has worked to widen recognition with young people and the women in their 20s and early 30s by employing entertainers popular with the target segment and distributing video ads primarily on YouTube, Facebook, and Instagram.

Business performance trends

(4) Promotion of cross-selling business

Adventure promotes cross-selling business too aimed at enhancement of user convenience and service profitability. In particular, it has achieved steady growth in domestic car rental reservations that started in July 2016. It also launched overseas Wi-Fi router rentals and dentist reservations.

| * Subsidiary Suguyaku operates dentist reservations. |

(5) Other

Adventure has also taken steps to broaden the product lineup and sales channels and bolster member services through information collaboration with i.JTB (domestic accommodation site handled by JTB Corp.), an alliance with Lawson Travel, Inc. (procurement of travel products), an alliance with Benefit One Inc. <2412> (member services), and alliances with other firms.

■ Outlook

Intends to maintain strong growth rates in FY6/18 with robust advertising outlays

1. FY6/18 forecast

Adventure expects double-digit sales and profit growth in FY6/18 with ¥6,000mn in operating revenue (+13.9%), ¥512mn in operating income (+23.5%), ¥500mn in ordinary income (+22.2%), and ¥300mn in net income (+23.9%). It also projects a steep 68.2% YoY rise in transaction volume to ¥65,000mn.

It plans to continue driving growth through expansion of market share in Japan and further advances in overseas markets with aggressive advertising outlays. Adventure intends to use more than ¥10bn in advertising costs over the next two years. Goals for smartphone app downloads are 7mn in Japan and 1mn in overseas markets. As for product development to promote cross-selling business, meanwhile, besides car rental reservations added in FY6/17, it is preparing variety of transportation services (domestic ferries, highway buses, JR tickets, and others) and hotels, tours, and other package products. However, it does not factor income from these services into forecast.

In earnings, as mentioned above, Adventure forecasts a profit increase led by higher sales, despite the prospect of larger upfront costs through robust advertising expenditures and spending to bolster service capabilities, and a rise in operating margin to 8.5% (from 7.9% in FY6/17).

Outlook

We think Adventure's forecast (transaction volume and operating revenue) is conservative in two areas. One is a cautious outlook for transaction volume (growth rate) judging from FY6/17 results and recent conditions (July and August monthly activity, etc.)*1, and the other is the low level of operating revenue relative to transaction volume (fee rate)*2 compared to past results. While it might make sense to take a cautious view at this point because of the large impact of external factors and other situations that the Company cannot control, we see significant potential for earnings upside. Earnings prospects, meanwhile, depend heavily on a policy decision regarding the extent to which Adventure utilizes advertising and promotional costs and other upfront expenses. Given Adventure's priority on accelerating growth, we think it might allocate upside in transaction volume and operating income to additional outlays of advertising and promotional costs, rather than profits.

*1 Adventure is having an upbeat start in FY6/18 with monthly transaction volume at ¥6,634mn in July (+113% YoY) and ¥5,695mn in August (+121%). July set an all-time high.

*2 The estimated fee rate works out to about 9% using transaction volume and the operating revenue forecast (we obtain the fee rate by dividing transaction volume by operating revenue). This is clearly lower than FY6/17 result (about 14%) and the past range (10% to about 15%). We hence see a possibility of upside in operating revenue even if transaction volume was on track with Adventure's projection.

FY6/18 forecast

	FY6/17 results		FY6/18 forecast		Change	
		Ratio		Ratio		Change rate
Operating revenue	5,269	100.0%	6,000	100.0%	731	13.9%
Operating income	414	7.9%	512	8.5%	98	23.5%
Ordinary income	409	7.8%	500	8.3%	91	22.2%
Net income	242	4.6%	300	5.0%	58	23.9%

Source: Prepared by FISCO from the Company's financial results

2. Policy for business activities

(1) Selectivity and focus

Adventure plans to make concentrated investments in the travel business (particularly with advertising and promotional outlays) in order to maintain a high growth rate in the travel business (including travel products) that mainly handles airline ticket reservations and sales. With its priority on growth over earnings, Adventure has presented transaction volume goals of ¥65bn in FY6/18 and ¥100bn in FY6/19 and a long-term vision of ¥1tn.

(2) Seeking to become a global OTA

Adventure intends to proceed further in the overseas initiatives from FY6/17 with test marketing in various countries (it plans to begin large-scale advertising in South Korea, Taiwan, Thailand, Vietnam, and the Philippines). As mentioned earlier, it expects to spend more than ¥10bn on advertising costs over the next two years and focus on branding to widen recognition. It also will continue to strengthen collaboration with overseas LCCs and place information listings on global metasearch sites (including in multiple languages).

(3) Reinforcing the smartphone app

Adventure is targeting 7mn domestic downloads and also 1mn overseas downloads (it began full-fledged advertising in July 2017) in FY6/18. In July and August, it ranked high in iPhone and android app downloads for East Asia, Southeast Asia, and Africa. These results suggest that the advertising effect is already showing up.

(4) Widening recognition in Japan

In Japan, Adventure is focusing on advertisements besides the Internet that aim to broadly enhance recognition, such as train ads and station ads. It started this activity, which involves use of entertainers popular with the younger generation, mainly in Tokyo, Osaka, Hokkaido, Nagoya, and Fukuoka in July 2017.

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Outlook

(5) Product development

Adventure will also release new services through bundled sales with airline tickets (cross-selling) that aim to improve user convenience and increase profitability. Car rental reservations service started in FY6/17 is going well. Given this success, Adventure intends focus on reservations and sales of transportation services (such as domestic ferries, highway buses, and JR tickets). It will enter hotel reservations (domestic and overseas) too*. Other areas include handling tours (domestic and overseas) that are in strong demand by airlines and development of dynamic packages (such as airline ticket and rental car packages) and other multifaceted products.

* Adventure currently collaborates with the accommodations reservation system from Booking.com, the world's largest online accommodation booking site that lists 820,000 accommodations in 220 countries).

Growth strategy

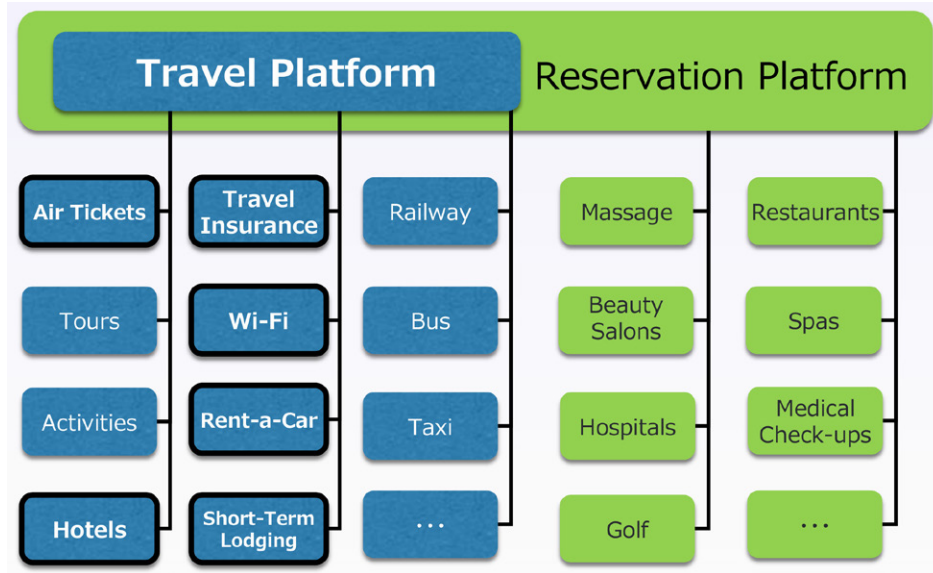
Long-term vision of ¥1tn in transaction volume

Adventure's growth strategy largely consists of expanding market share in existing business, including overseas initiatives, and broadening business scope. Overseas initiatives, in particular, offer significant growth room because Adventure plans to mainly target Asia and Africa, where OTA inroads are still limited (it does not face many competitors), through collaboration with major global metasearch sites and other efforts. Additionally, in expansion of business scope, Adventure hopes to solidify a comprehensive reservations platform by pursuing travel-related areas and also entering living-related businesses. As medium-term goals, it has brought forward the target date for ¥50bn from 2020 to 2018 and is targeting ¥100bn in transaction volume in 2019 through expansion of existing business. It has also described a long-term growth image that aims for ¥1tn in transaction volume (¥300bn in Japan, ¥700bn in other countries) in 2030 through entry into living-related areas and progress with overseas activities.

Adventure possesses large potential for developing business opportunities with its access to customers at entry point in travel of booking airline tickets. We expect its base of highly loyal customers in the 20s and 30s to favorably affect alliance efforts with other firms. We also think Japan's policy of promoting tourism as a major industry, including the Tokyo Olympics in 2020, should be a major advantage in acquiring non-Japanese users. A key issue is the extent to which Adventure is capable of accelerating its growth pace. With limited business resources (people, funds, time, and others), it needs to carefully select and set priorities in attractive business opportunities. Another challenge is likely to be judgment and negotiating skills because of the need to effectively form alliances with other companies and engage in M&A activities in order to accelerate growth as seen in the cases of global OTAs (such as Expedia and Priceline) closely watched by Adventure.

Growth strategy

Image of the comprehensive reservations platform



Source: Company materials

Shareholder returns

Paid a ¥30 dividend per share in FY6/17, undecided on the FY6/18 level

Adventure had not paid a dividend after its establishment due to being in an investment phase and having a weak financial base. It implemented the first dividend at ¥22 per share (33.8% payout ratio) in FY6/16 and continued for a second straight fiscal year with ¥30 in FY6/17 (28.0%). At this point, however, it has not decided what will happen next. While Adventure might make decisions about the dividend from a variety of perspective, we think it is currently in a phase of putting priority on fund allocation to accelerate growth considering its many growth opportunities.



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