

Sanrio (8136 JP): Global IP Compounding with Margin Upside

Rating: BUY Target Price: JPY 7,500 Currency: JPY Coverage: Initiation Date: Dec 2025

Investment Summary

We initiate coverage of Sanrio (8136 JP) with a BUY rating and a JPY 7,500 target price. Our conviction rests on (i) an increasingly licensing-weighted mix with structurally higher margins, (ii) a broadened character roster supporting global demand beyond a single franchise, and (iii) capital efficiency that is now demonstrably high as operating leverage is harvested.

Core Thesis

- Licensing flywheel: high incremental margins, low working capital intensity, and global scalability.
- Franchise depth: Hello Kitty remains central, but a wider roster improves resilience and monetization breadth.
- Operating leverage: brand momentum plus a more disciplined cost structure lifts profitability through the cycle.
- Balance sheet flexibility: substantial cash versus disclosed interest-bearing debt supports optionality.

Fundamentals Snapshot

Metric	Latest Disclosed	Comment
Sales (FY3/2025)	JPY 144.9bn	Record performance; global initiatives and anniversary-driven brand activity.
Operating Profit (FY3/2025)	JPY 51.8bn	Operating margin disclosed at 35.8%.
ROE (FY3/2025)	48.6%	High capital efficiency; monitor sustainability as growth normalizes.
Cash & Cash Equivalents (FY3/2025)	JPY 102.2bn	Meaningful liquidity buffer.
Interest-bearing debt (disclosed definition)	JPY 10.5bn	Disclosed includes long-term liabilities in the cited definition.

Valuation & Target Price Framework

We triangulate target price using a blended approach: (i) forward earnings multiple vs. IP peers, (ii) implied EV/EBIT on normalized operating profit, and (iii) a balance sheet and cash-generation sanity check.

Re-rating potential depends on the durability of growth and margins and the persistence of premium returns on equity.

Technical Overview (Risk Overlay)

Our technical work is used as a risk timing overlay—not a thesis substitute. We monitor trend regimes (50D vs. 200D), key support/resistance zones (weekly closes prioritized), momentum (RSI, MACD), and volume confirmation for breakouts.

Credit Profile & Balance Sheet View

Sanrio is fundamentally an asset-light IP monetization model with improving cash generation. Credit analysis focuses on liquidity, fixed-charge coverage, and stress capacity rather than heavy asset leverage. Disclosed cash materially exceeds the disclosed CB figure, supporting resilience.

Disclosure

This report is for informational purposes only and does not constitute investment advice. Past performance is not indicative of future results.