

## Nintendo Co., Ltd (7974 JP, BUY, TP: JPY9,400.00)

BUY

HOLD

SELL

Target Price: JPY9,400.00 Price: JPY7,597.00

Potential up/downside to TP +/-% +24%  
52-Week High/Low (JPY) 9,028.00/5,590.00  
Market Cap (US\$mn) 56,852  
Shares Outstanding (mn) 1,164  
3-mth ADTV (US\$mn) 232  
Free Float (%) 99

### Major Shareholder (%)

JPMorgan Chase & Co 11  
Public Investment Fund 9  
Government Pension Invest 8

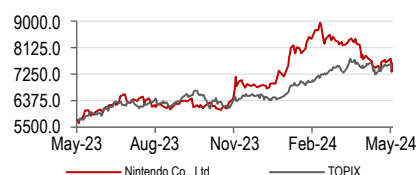
Price as of close on May 09, 2024.

Source: FactSet

### Key Changes

	New	Old	Diff
Rating	BUY	BUY	N/A
Target Price (JPY)	9,400.00	9,100.00	3%
2025E EPS (JPY)	301.06	318.79	-6%
2026E EPS (JPY)	340.76	356.75	-4%
2027E EPS (JPY)	373.98	391.98	-5%

### Price Performance



Source: FactSet

### China Renaissance vs Consensus (% Diff)

	2025E	2026E
Rev (JPYmn)	1,670,300 (-1%)	1,823,600 (+7%)
EPS (JPY)	315.38 (-5%)	350.03 (-3%)

Note: Consensus estimates displayed, sourced from Visible Alpha. Positive % diff = CR estimate above consensus; negative = CR estimate below consensus.

## Nintendo Switch successor to be announced within FY25

- FY24 revenue/ operating profit was largely in line with expectations.
- Conservative guidance for FY25 (19% YoY revenue decline); new hardware confirmed to be announced in FY25 but not included in guidance.
- Reiterate BUY and raise TP to JPY9,400 (26x discounted FY26E P/E + net cash).

Nintendo reported FY24 (ending Mar 31, 2024) revenue of JPY1,672bn (+4% YoY or -2% on a constant currency basis), 1% below our estimate of JPY1,693bn but 1% ahead Visible Alpha (VA) consensus of JPY1,662bn. Operating profit was JPY529bn (32% margin), 2% below CRe and consensus. Within FY24, the company delivered 15.7mn/199.7mn Nintendo Switch hardware/software unit sales, down 13%/7%, respectively. For FY25, Nintendo guided revenue of JPY1,350bn (down 19% YoY) and operating profit of JPY400bn (down 24%). On its earnings call, management elaborated that guidance does not include a contribution from new hardware. Separately, the company posted on X ([link](#)) saying it "will make an announcement about the successor of Nintendo Switch within this fiscal year (FY25)".

**FY24 key financials:** Nintendo's revenue rose 4% YoY in FY24, with dedicated video platform revenue +1%, and mobile and IP-related income +82%. For the dedicated video platform, lower shipments (13%/ 7% decline in hardware/ software unit sales) were offset by the higher-ASP OLED model accounting for a higher proportion (59% of unit sales in FY24 vs. 51% in FY23) and first-party software also accounting for a higher mix (81% of revenue in FY24 vs. 79% in FY23). For mobile and IP-related income, the growth was driven by the co-produced movie *The Super Mario Bros. Movie*. Operating margin was flattish YoY at 32% in FY24, although behind its peak during the Switch lifecycle of 36% in FY21 (fifth year since Nintendo Switch launch). The company announced a JPY211 per share dividend (50% payout, per its pre-set dividend policy), representing a yield of 2.8%.

**FY25 outlook:** We view Nintendo's FY25 guidance as conservative (19% YoY decline in revenue), evidenced by its FY24 guidance practice. It guided only JPY1,450bn for FY24 revenue when it reported 4QFY23 results, but completed the year with revenue 15% higher than the initial guidance. We expect the new hardware to be launched by end-FY25 at the earliest (vs. Mar 2025 reported by Nikkei, [link](#)), as Nintendo still projects robust Switch unit sales (13.5mn in FY25, dropping only 2.2mn YoY). **Model update:** We slightly trim our FY25E-FY27E revenue forecasts by 2-3%, factoring in a slight delay in the new hardware launch. Accordingly, we cut FY25E-FY27E net profit by 5-6% on operating deleverage.

**Reiterate BUY, lift TP to JPY9,400 from JPY9,100.** We assign a 26x FY26E P/E target (discounted back) in valuing Nintendo, at 1STD above its historical average and a 30% premium to global game publishers' average (20x). We now use FY26E as our valuation basis as it should be the year that captures growth from a new hardware launch. **Catalysts:** new game IP development and live service operation in selected games. **Risks:** delays in release of next-gen console; weak hardware/software sales; slower digital rollout; FX risks.

### Summary Financial Data

	2023A	2024A	2025E	2026E	2027E
<b>FY to Mar 31</b>					
Revenue (JPYmn)	1,601,677	1,671,865	1,652,144	1,943,365	2,028,799
Net Income (JPYmn)	432,768	490,602	350,502	396,724	435,403
EPS (JPY)	371.41	421.39	301.06	340.76	373.98
P/E (x)	15.5	16.0	25.2	22.3	20.3
P/S (x)	5.5	5.3	5.4	4.6	4.4

Note: Historical valuation ratios calculated on yearly average price.

### Research Team

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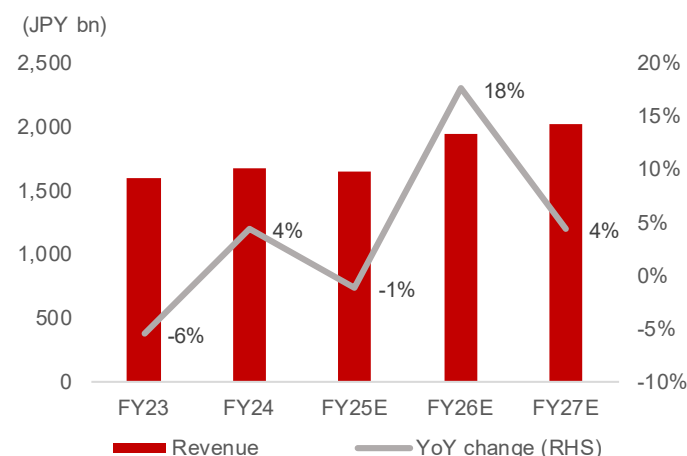
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**Exhibit 1: Nintendo – FY24 results review**

(JPY bn)	FY20	FY21	FY22	FY23	FY24	YoY	CR Est.	vs. CR	VA Consensus	vs. con
<b>Revenue</b>	<b>1,308.5</b>	<b>1,758.9</b>	<b>1,695.3</b>	<b>1,601.7</b>	<b>1,671.9</b>	4.4%	<b>1,692.9</b>	-1.2%	<b>1,661.6</b>	0.6%
1) Dedicated video platform	1,254.2	1,700.1	1,639.2	1,544.9	1,567.8		1,587.1			
- Hardware	654.7	895.9	793.4	704.5	683.6		658.9			
- Software	599.5	804.1	845.8	840.4	884.3		928.2			
2) Mobile, IP related income	51.3	57.1	53.3	51.1	92.7		95.2			
3) Playing cards	3.1	1.8	2.8	5.7	11.3		10.6			
<b>Gross profit</b>	<b>641.7</b>	<b>970.5</b>	<b>946.0</b>	<b>885.4</b>	<b>954.3</b>	7.8%	<b>957.1</b>			
Gross margin	49.0%	55.2%	55.8%	55.3%	57.1%	1.8ppt	56.5%			
- SG&A expense	289.3	329.8	353.3	381.1	425.4		417.8			
<b>Operating income</b>	<b>352.4</b>	<b>640.6</b>	<b>592.8</b>	<b>504.4</b>	<b>528.9</b>	4.9%	<b>539.3</b>	-1.9%	<b>540.0</b>	-2.0%
Operating margin (%)	26.9%	36.4%	35.0%	31.5%	31.6%	0.1ppt	31.9%			
<b>Net income attributable</b>	<b>258.6</b>	<b>480.4</b>	<b>477.7</b>	<b>432.8</b>	<b>490.6</b>	13.4%	<b>480.3</b>	2.2%	<b>457.0</b>	7.4%
Net margin (%)	19.8%	27.3%	28.2%	27.0%	29.3%	2.3ppt	28.4%			
<b>Diluted EPS (JPY)</b>	<b>217.1</b>	<b>403.3</b>	<b>404.7</b>	<b>371.4</b>	<b>421.4</b>	13.5%	<b>413</b>			

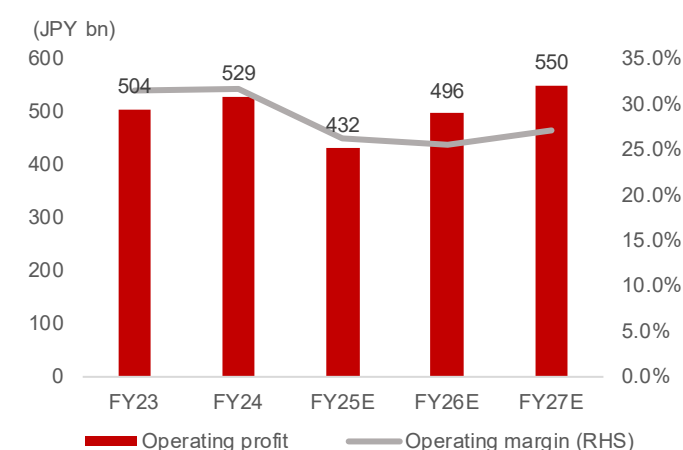
Source: Company data, Visible Alpha consensus, CRSHK estimates

**Exhibit 2: Nintendo – Revenue and YoY growth**



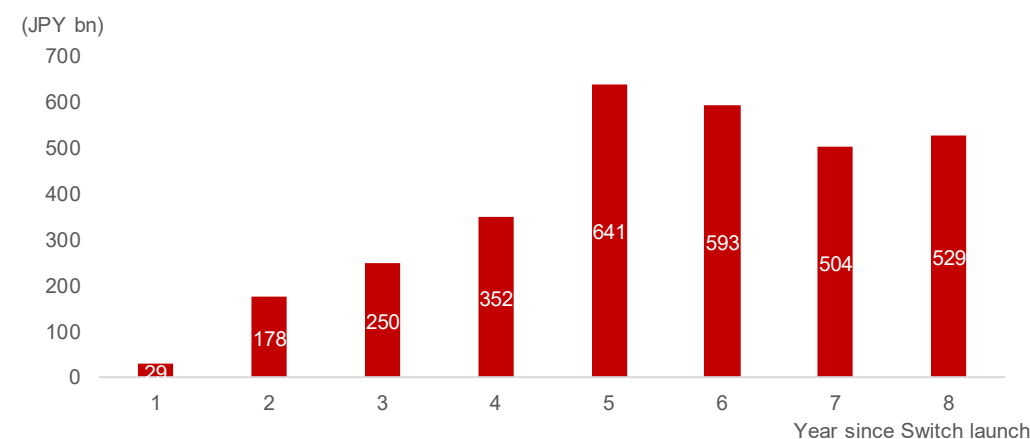
Source: Company data, CRSHK estimates

**Exhibit 3: Nintendo – Operating profit and margin**



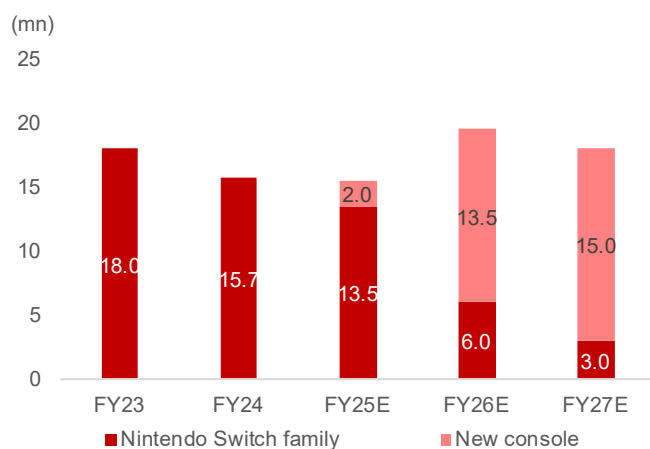
Source: Company data, CRSHK estimates

**Exhibit 4: Nintendo – Operating profit jumped in fifth year following the Switch launch in 2017**



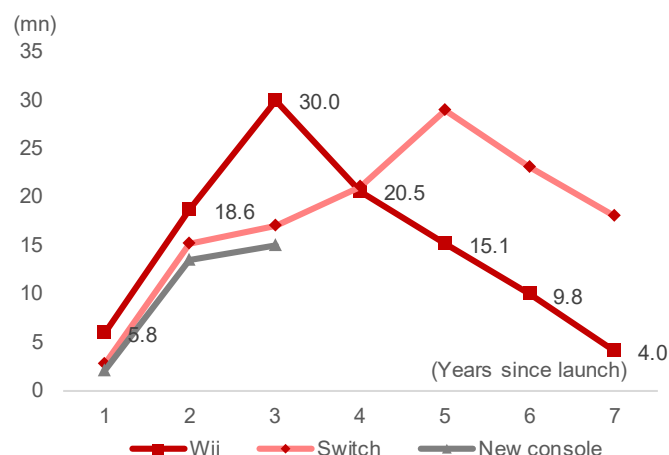
Source: Company data

**Exhibit 5: Nintendo – Console unit sales**



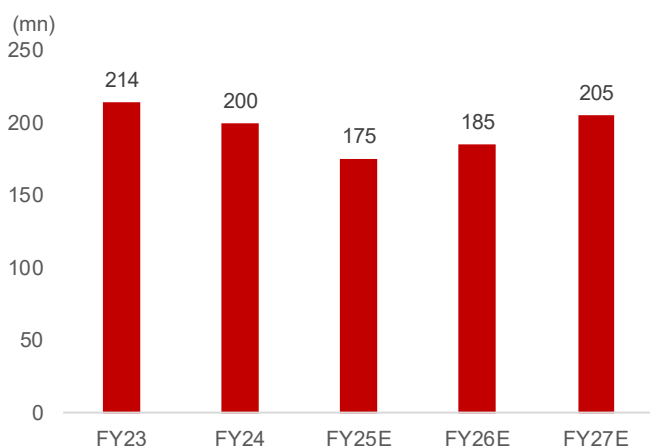
Source: Company data, CRS HK estimates

**Exhibit 6: Nintendo – Annual shipments for different-generation consoles**



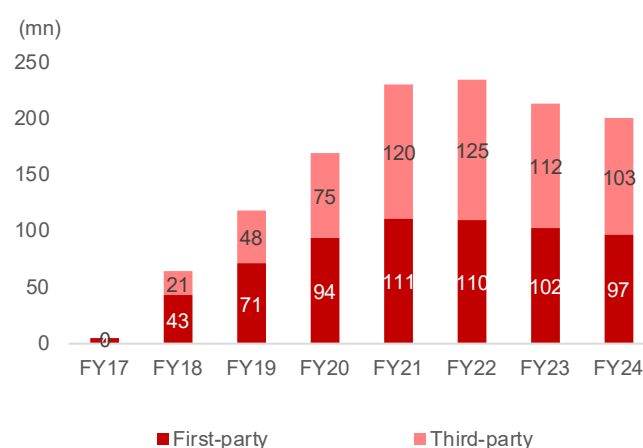
Source: Company data, CRS HK estimates

**Exhibit 7: Nintendo – Software unit sales**



Source: Company data, CRS HK estimates

**Exhibit 8: Nintendo – Software unit sales breakdown**



Source: Company data, CRS HK estimates

**Exhibit 9: Nintendo – Announced first-party game pipeline; more to be announced in Nintendo Direct in Jun 2024**

Slate	Titles announced	Remark
Jan 2024	Another Code: Recollection	A new installment of "Another Code" franchise
Feb 2024	Mario vs. Donkey Kong	A remake of "Mario vs. Donkey Kong" on GBA
Mar 2024	Princess Peach: Showtime!	A new spin-off of "Super Mario" franchise
	Endless Ocean Luminous	A new installment of "Endless Ocean" franchise
May 2024	Paper Mario: The Thousand-Year Door	A remake of "Paper Mario: The Thousand-Year Door" on GameCube
Jun 2024	Luigi's Mansion 2 HD	A remaster of "Luigi's Mansion: Dark Moon" on 3DS
2025	Pokémon Legends: Z-A	A new installment of "Pokémon Legends" games

Source: Company data

## Estimate revisions

We slightly trim our FY25E-FY27E revenue forecasts by 2-3%, factoring in a slight delay in new hardware launch. Accordingly, we cut our FY25E-FY27E net profit forecasts by 5-6% on operating leverage.

### Exhibit 10: Nintendo – Estimate revisions

	New			Old			% Change		
(JPY bn)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Hardware unit sales (mn)	15.5	19.5	18.0	15.5	19.5	18.0	0.0%	0.0%	0.0%
Software unit sales (mn)	175.0	185.0	205.0	170.0	185.0	205.0	2.9%	0.0%	0.0%
<b>Total net revenues</b>	<b>1,652.1</b>	<b>1,943.4</b>	<b>2,028.8</b>	<b>1,697.6</b>	<b>1,979.5</b>	<b>2,069.7</b>	-2.7%	-1.8%	-2.0%
% change YoY	-1%	18%	4%	0%	17%	5%	-1.5ppt	1.0ppt	-0.2ppt
1) Dedicated video platform	1,572.1	1,843.4	1,898.8	1,617.6	1,879.5	1,939.7			
- Hardware	674.0	952.6	901.9	681.3	952.6	901.9			
- Software	898.2	890.7	996.9	936.4	926.8	1,037.8			
2) Mobile, IP related income	70.0	90.0	120.0	70.0	90.0	120.0			
3) Playing cards	10.0	10.0	10.0	10.0	10.0	10.0			
<b>Gross profit</b>	<b>887.2</b>	<b>981.4</b>	<b>1,065.1</b>	<b>908.2</b>	<b>999.6</b>	<b>1,086.6</b>	-2.3%	-1.8%	-2.0%
Gross margin	53.7%	50.5%	52.5%	53.5%	50.5%	52.5%	0.2ppt	0.0ppt	0.0ppt
<b>Operating income</b>	<b>431.8</b>	<b>496.0</b>	<b>549.7</b>	<b>460.5</b>	<b>521.9</b>	<b>578.8</b>	-6.2%	-5.0%	-5.0%
Operating margin	26.1%	25.5%	27.1%	27.1%	26.4%	28.0%	-1.0ppt	-0.8ppt	-0.9ppt
<b>Net income attributable</b>	<b>350.5</b>	<b>396.7</b>	<b>435.4</b>	<b>371.1</b>	<b>415.3</b>	<b>456.4</b>	-5.6%	-4.5%	-4.6%
% change YoY	-29%	13%	10%	-23%	12%	10%			
Net margin	21.2%	20.4%	21.5%	21.9%	21.0%	22.0%	-0.6ppt	-0.6ppt	-0.6ppt
<b>Diluted EPS (JPY)</b>	<b>301</b>	<b>341</b>	<b>374</b>	<b>319</b>	<b>357</b>	<b>392</b>	-5.6%	-4.5%	-4.6%
% change YoY	-29%	13%	10%	-23%	12%	10%			
<b>Dividend per share (JPY)</b>	<b>151</b>	<b>170</b>	<b>187</b>	<b>159</b>	<b>178</b>	<b>196</b>	-5.6%	-4.5%	-4.6%

Source: CRSHK estimates

## Valuation

**Raise TP to JPY9,400 from JPY9,100.** Our revised TP of JPY9,400 is based on a 26x FY26E P/E target (one-year discounted back) as we expect FY26E to be the year that captures growth from a new hardware launch. We use Nintendo's historical P/E to derive our target multiple of 26x (unchanged), which is one standard deviation above its historical average (2005-10 and 2018-present; Exhibit 12). We exclude data in 2011-17 when Nintendo's forward P/E was atypically high on unusually low earnings/ loss due to failure of Wii U.

Our 26x target multiple is also at a 30% premium to Nintendo's global game publisher peers' average P/E of 20x (based on Bloomberg consensus). We consider the premium justified based on Nintendo's ongoing success in its two core competencies (ie, unique console position and expanding IP influence) and key growth drivers (ie, price hikes and further push into digital) amid the new console cycle, which also support our BUY rating. Based on our FY26E EPS estimate of JPY340.76, and factoring in net cash of JPY1,187bn (at a 20% discount), we arrive at our target price of JPY9,400.

### Exhibit 11: Nintendo – P/E valuation

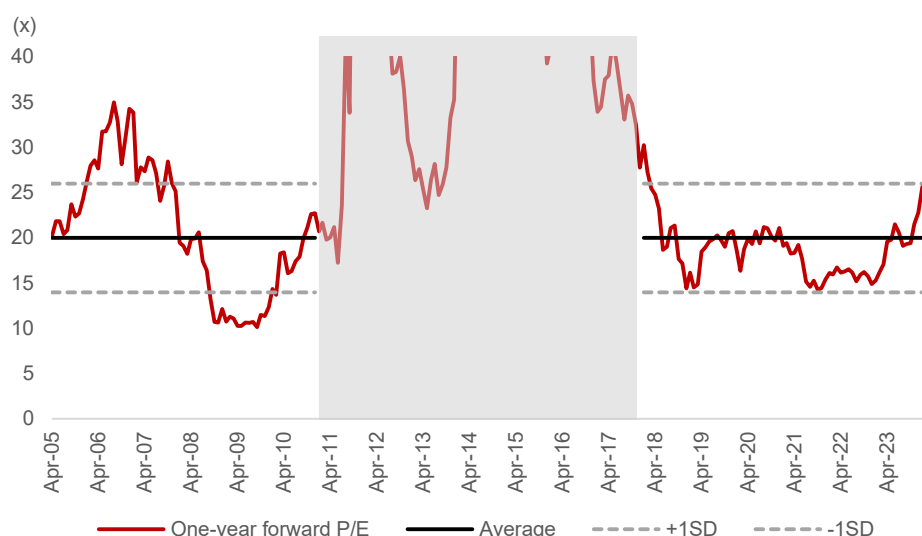
P/E based valuation	FY26E
Attributable net income	397
P/E target multiple	26x
Valuation (JPY bn)	10,315
Valuation (JPY bn), 1-year discounted back	9,758
Add: Net cash (JPY bn) with 20% discount	1,187
Group valuation (JPY bn)	10,945
Target price (JPY/ share)	9,400

### Assumptions

No. of diluted shares (mn)	1,164
Discount rate (%)	6%

Source: Company data, CRSHK estimates

### Exhibit 12: Nintendo – Historical forward P/E



Note: We calculate average P/E based on data during 2005-2010 and 2018-present. We exclude data in 2011-17 when Nintendo's forward P/E was atypically high on unusual low earnings/ losses due to failure of its Wii U. Source: Bloomberg

**Exhibit 13: Global online games – comparative valuation**

	Company Name	Rating	Trading Curr*	Last Price	Market cap (US\$ bn)	EPS (reporting ccy)			P/E (x)		
						CY23/ FY24E*	CY24E/ FY25E*	CY25E/ FY26E*	CY23/ FY24E*	CY24E/ FY25E*	CY25E/ FY26E*
7974 JP	Nintendo	BUY	JPY	7,597	56.9	421.39	301.06	340.76	18.0	25.2	22.3
<b>Game publishers</b>											
<b>China</b>											
700 HK	** Tencent	BUY	HKD	320.40	386.2	16.32	19.69	22.60	18.1	15.0	13.1
NTES US	NetEase	BUY	USD	94.88	61.2	50.14	58.16	66.63	13.7	11.8	10.3
<b>Average</b>									<b>15.9</b>	<b>13.4</b>	<b>11.7</b>
<b>Non-China APAC</b>											
3659 JP	Nexon	BUY	JPY	2,465	13.4	82.89	120.48	134.59	29.7	20.3	18.2
7832 JP	Bandai Namco	NC	JPY	2,911	12.5	136.88	149.28	162.66	21.3	19.5	17.9
259960 KS	Krafton	NC	KRW	259,000	9.1	12,213.79	13,497.77	15,720.28	21.2	19.2	16.5
9766 JP	Konami	NC	JPY	9,374	8.7	258.81	447.48	478.43	36.2	20.9	19.6
9697 JP	Capcom	NC	JPY	2,510	8.6	87	111	124	28.7	22.7	20.3
9684 JP	Square Enix	NC	JPY	5,651	4.5	288.33	340.31	328.53	19.6	16.6	17.2
251270 KS	NetMarble	NC	KRW	58,600	3.7	-2,975	542	1,410	-19.7	108.2	41.5
6460 JP	SEGA	NC	JPY	2,027	3.2	120.32	182.37	194.68	16.8	11.1	10.4
036570 KS	NCSOFT	NC	KRW	170,400	2.7	9,663	8,376	12,386	17.6	20.3	13.8
263750 KS	Pearl Abyss	NC	KRW	29,300	1.4	239.48	389.16	1,867.07	122.3	75.3	15.7
293490 KS	Kakao Games	NC	KRW	20,900	1.3	-2,775	949	1,425	-7.5	22.0	14.7
<b>Average</b>									<b>23.9</b>	<b>20.2</b>	<b>17.1</b>
<b>US</b>											
EA US	Electronic Arts	NC	USD	127.12	34.0	7.14	7.52	8.41	17.8	16.9	15.1
TTWO US	Take-Two	NC	USD	139.96	23.9	2.26	6.03	9.03	62.0	23.2	15.5
<b>Average</b>									<b>17.8</b>	<b>20.1</b>	<b>15.3</b>
<b>Console platform holders</b>											
MSFT US	*** Microsoft	BUY	USD	400.96	2,979.3	11.80	13.79	16.31	34.0	29.1	24.6
6758 JP	Sony	NC	JPY	12,530	101.0	760.84	801.60	896.35	16.5	15.6	14.0
<b>Average</b>									<b>25.2</b>	<b>22.4</b>	<b>19.3</b>

Note: Prices as of May 9, 2024. CRSHK and CRSUS estimates for covered companies, Bloomberg consensus for Not Covered (NC) companies.

\* FY24E denotes CY23 for companies with Dec year-end and FY24E for others; same case for FY25E/ FY26E. \*\* Co-covered by Ella Ji and Yiwen Zhang. \*\*\* Covered by Colin Liu. We exclude negative numbers and abnormally large numbers when calculating average P/E.

Source: Bloomberg, CRSHK and CRSUS estimates

## Risks

- **Later-than-expected release of next-gen console.** We expect the next-gen console to be launched by the end FY25 at earliest, which should help boost hardware unit sales. Any delays in the launch of the next-gen console could negatively impact our forecasts.
- **Softer-than-expected sales of next-gen consoles,** on disappointing user acceptance potentially due to: insufficient upgrade from Nintendo Switch discouraging purchases; weak first-party software lineup at launch; and/or competition from handheld PC gaming portals.
- **Weaker-than-expected software sales.** If the launches of new titles are not well accepted by gamers, or Nintendo fails to raise average software prices without hurting sales, lower-than-expected software unit sales could result.
- **Slower-than-expected developments in the digital channel.** Digital channel has a relatively higher operating margin than the overall group. Its revenue accounted for 50% of total revenue in FY24. If its contribution improves more slowly than we expect, Nintendo's group operating margin could fall short of our expectations.
- **Appreciation of Japanese yen:** If the Japanese currency strengthens versus the Korean won, Chinese renminbi and US dollar by more than our expectations, revenue from markets outside Japan would be lower than our forecasts.

## Financials

Year to Mar 31

### Income Statement

(JPYmn)	2024A	2025E	2026E	2027E
Dedicated video platform	1,567,824	1,572,144	1,843,365	1,898,799
Mobile, IP related income	92,748	70,000	90,000	120,000
Playing cards	11,293	10,000	10,000	10,000
<b>Sales</b>	<b>1,671,865</b>	<b>1,652,144</b>	<b>1,943,365</b>	<b>2,028,799</b>
Cost of Goods Sold	(717,530)	(764,942)	(961,965)	(963,679)
<b>Gross Profit</b>	<b>954,335</b>	<b>887,201</b>	<b>981,399</b>	<b>1,065,119</b>
SG&A (incl. R&D)	(425,393)	(455,393)	(485,393)	(515,393)
thereof R&D	(137,749)	(152,749)	(167,749)	(182,749)
thereof Sales & Marketing expense	(104,312)	(120,000)	(120,000)	(120,000)
thereof Admin expense	(183,332)	(182,644)	(197,644)	(212,644)
<b>EBIT</b>	<b>528,942</b>	<b>431,808</b>	<b>496,006</b>	<b>549,726</b>
<b>EBITDA</b>	<b>540,592</b>	<b>444,970</b>	<b>510,799</b>	<b>566,271</b>
Net interest income	51,412	50,000	45,000	40,000
Net interest expense	0	0	0	0
<b>Pretax profit</b>	<b>680,722</b>	<b>486,808</b>	<b>551,006</b>	<b>604,726</b>
Income Tax	(190,080)	(136,306)	(154,282)	(169,323)
<b>Reported net income</b>	<b>490,602</b>	<b>350,502</b>	<b>396,724</b>	<b>435,403</b>
<b>Adjusted EBITDA</b>	<b>540,592</b>	<b>444,970</b>	<b>510,799</b>	<b>566,271</b>
<b>EPS (reported) (JPY)</b>	<b>421.39</b>	<b>301.06</b>	<b>340.76</b>	<b>373.98</b>

### Balance Sheet

(JPYmn)	2024A	2025E	2026E	2027E
<b>Current assets</b>	<b>2,548,129</b>	<b>2,722,493</b>	<b>2,949,917</b>	<b>3,182,730</b>
Cash & equivalents	1,467,459	1,779,625	1,921,917	2,080,670
Account receivables	123,168	121,811	132,891	150,331
Inventories	285,217	148,772	222,824	279,444
Other current assets	672,285	672,285	672,285	672,285
<b>Non-current assets</b>	<b>552,310</b>	<b>565,339</b>	<b>578,736</b>	<b>592,382</b>
PPE	112,049	125,078	138,475	152,121
Intangible assets	18,595	18,595	18,595	18,595
Goodwill	0	0	0	0
Other non-current assets	(7)	(8)	(9)	(9)
<b>Total assets</b>	<b>3,100,439</b>	<b>3,287,832</b>	<b>3,528,652</b>	<b>3,775,111</b>
<b>Total Current Liabilities</b>	<b>534,648</b>	<b>546,790</b>	<b>589,249</b>	<b>618,006</b>
ST interest bearing debt	7	8	9	9
Unearned revenue	163,845	169,330	178,889	188,767
Accounts Payable	147,300	153,957	186,856	205,736
LT interest bearing debt	0	0	0	0
Other Liabilities	54,336	54,336	54,336	54,336
<b>Total Liabilities</b>	<b>588,984</b>	<b>601,126</b>	<b>643,585</b>	<b>672,342</b>
Common Stock/Ordinary Capital	10,065	10,065	10,065	10,065
Share Premium	15,079	15,079	15,079	15,079
Retained Earnings	2,637,652	2,812,903	3,011,265	3,228,966
<b>Shareholders Equity</b>	<b>2,511,454</b>	<b>2,686,705</b>	<b>2,885,067</b>	<b>3,102,768</b>
Minority Interest	272	272	272	272
<b>Total Liabilities &amp; Sh. Equity</b>	<b>3,100,438</b>	<b>3,287,831</b>	<b>3,528,651</b>	<b>3,775,110</b>

Note: Historical valuation ratios calculated on yearly average price.

Source: Company data, CRSHK estimates

### Cash Flow

(JPYmn)	2024A	2025E	2026E	2027E
<b>Reported net income</b>	<b>490,602</b>	<b>350,502</b>	<b>396,724</b>	<b>435,403</b>
Depreciation & amortization	11,650	13,161	14,793	16,544
Net interest (income) / expenses	0	0	0	0
Other non-cash items (+/-)	(186,993)	(130,822)	(144,722)	(159,446)
Others (+/-)	0	0	0	0
Change in Working Capital	(31,742)	144,459	(52,232)	(55,180)
<b>Cash Flow from operations</b>	<b>473,637</b>	<b>513,607</b>	<b>368,844</b>	<b>406,644</b>
Capex	(24,190)	(26,190)	(28,190)	(30,190)
Acquisitions & Investments	0	0	0	0
Disposal of Fixed Assets & Invst	0	0	0	0
Other Investing Activities	0	0	0	0
<b>Net Cash Flow from Investments</b>	<b>(24,190)</b>	<b>(26,190)</b>	<b>(28,190)</b>	<b>(30,190)</b>
Dividends paid	(245,654)	(175,251)	(198,362)	(217,701)
Change in Debt	7	8	9	9
Equity raised / (purchased)	0	0	0	0
Other Financial Activities	(7)	(8)	(9)	(9)
<b>Net Cash Flow from Financing</b>	<b>(245,654)</b>	<b>(175,251)</b>	<b>(198,362)</b>	<b>(217,701)</b>
<b>Net Cash Flow</b>	<b>203,793</b>	<b>312,166</b>	<b>142,292</b>	<b>158,753</b>
<b>Free Cash Flow</b>	<b>449,447</b>	<b>487,417</b>	<b>340,654</b>	<b>376,454</b>

### Key Assumptions

	2024A	2025E	2026E	2027E
Hardware sales (mn)	16	16	20	18
Software sales (mn)	200	175	185	205

### Financial Ratios

	2024A	2025E	2026E	2027E
<b>YoY (%)</b>				
Revenue	4.4	(1.2)	17.6	4.4
Gross Profit	7.8	(7.0)	10.6	8.5
EBITDA	4.9	(17.7)	14.8	10.9
Adjusted EBITDA	4.9	(17.7)	14.8	10.9
Net Profit	13.4	(28.6)	13.2	9.7
EPS	13.5	(28.6)	13.2	9.7
<b>Profitability (%)</b>				
Gross Margin	57.1	53.7	50.5	52.5
EBITDA Margin	32.3	26.9	26.3	27.9
Adjusted EBITDA Margin	32.3	26.9	26.3	27.9
EBIT Margin	31.6	26.1	25.5	27.1
Net Margin	29.3	21.2	20.4	21.5
ROE	19.5	13.0	13.8	14.0
ROA	15.8	10.7	11.2	11.5
<b>Liquidity (x)</b>				
Current ratio	4.8	5.0	5.0	5.1
Quick ratio	4.2	4.7	4.6	4.7
<b>Valuation Ratios (x)</b>				
P/E	16.0	25.2	22.3	20.3
P/B	3.1	3.3	3.1	2.9
P/S	5.3	5.4	4.6	4.4
EV/EBITDA	13.8	14.5	12.3	10.9



## Appendix A

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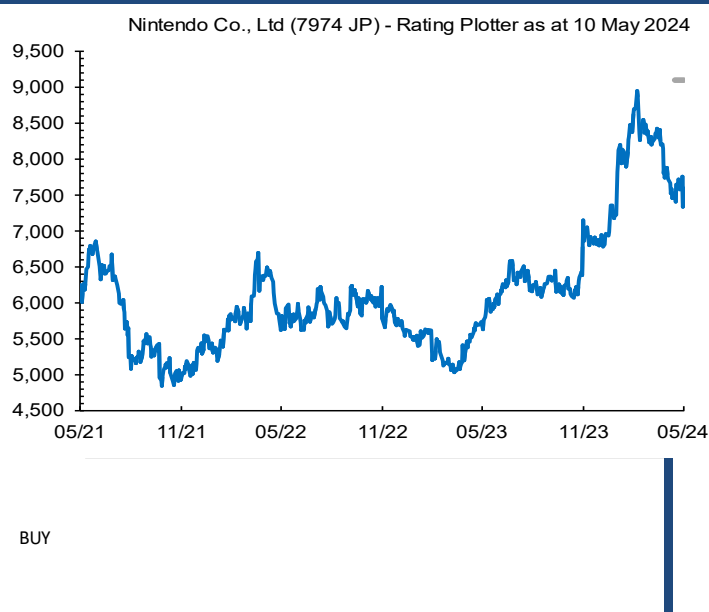
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**Stocks Mentioned** (Stock Code / Date / Price / Rating)

**Nintendo Co., Ltd** (7974 JP, May 9, 2024, JPY7,597.00, BUY)

#### History of investment rating and target price – Nintendo Co., Ltd

Date	CP (JPY)	TP (JPY)	Rating
24-Apr-24	7510.00	9100.00	Buy



#### Valuation and Risks - Nintendo Co., Ltd (7974 JP)

**Valuation:** Our target price of JPY9,400.00 is based on 26x FY26E P/E (one-year discounted), plus net cash.

**Risks:** Risks include: 1) Later-than-expected release of next-gen console. 2) Softer-than-expected next-gen console sales. 3) Weaker-than-expected software sales. 4) Slower-than-expected developments in digital channel. 5) Appreciation of Japanese Yen.

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