CYBERDYNE (7779)

Renewed efforts to drive profitability

28 March 2025

Q3 FY3/25 results update

- **Cost-saving initiatives and divestment** – Q1-3 FY3/25 results indicated continued traction for Treatment service in the Americas with 8.6% sales growth, but Product rental sales grew 0.6% YoY (-2.4% YoY under constant currency). Operating losses are narrowing YoY, with the positive impact from cost reduction initiatives at Head Office costs as well as R&D. We view the announcement to divest the 63.6%-owned subsidiary LeyLine GmbH as a positive surprise, as this will assist in narrowing operating losses further YoY into FY3/26. The outlook remains relatively challenging as the company seeks to drive organically and global growth.

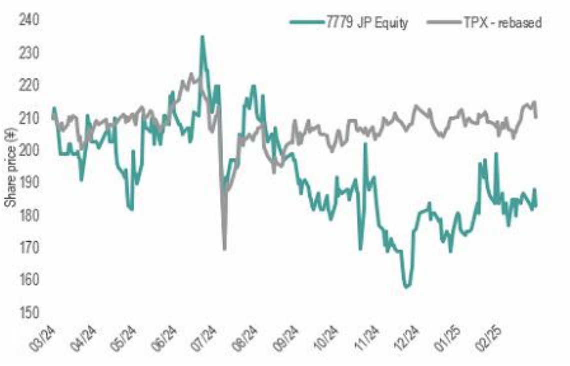
Continued focus on profitability

- **Management is demonstrating its focus on delivering profitability, but sustaining discipline will be key** – Management remains focused on bringing the business into positive earnings territory and transforming it into a commercially viable operation. Cost reduction efforts are positive, but with flat sales growth, further work is required to demonstrate a sustainable value creation trajectory.
- **Valuations** – Based on our earnings estimates, the shares are trading on PBR 0.9x and remain well-capitalized, with net cash and current other financial assets totaling ¥14.15bn (35.9% of current market cap). We estimate the company will achieve positive net income in FY3/26.

Year-end	3/23	3/24	3/25E	3/26E	3/27E
Sales (¥bn)	3.29	4.35	4.80	5.50	6.60
OP (¥bn)	(1.15)	(2.02)	(0.86)	(0.50)	0.10
NI (¥bn)	(0.30)	(1.48)	(0.31)	0.23	0.44
EPS (¥)	(1.39)	(6.99)	(1.47)	1.09	2.09
DPS (¥)	-	-	-	-	-
Sales growth YoY (%)	+53.0	+32.4	+10.2	+14.7	+20.0
OP growth YoY (%)	+30.4	N/A	N/A	N/A	N/A
NP growth YoY (%)	N/A	N/A	N/A	N/A	+92.3
EPS growth YoY (%)	N/A	N/A	N/A	N/A	+92.3
PER (x)	N/A	N/A	N/A	168.1	87.4
EV/EBITDA (x)	N/A	N/A	N/A	76.3	27.5
EV/Sales (x)	10.2	7.7	7.0	6.1	5.1
PBR (x)	0.9	1.0	0.9	0.9	0.9
ROE (%)	(0.7)	(3.6)	(0.8)	0.5	1.0
ROCE (%)	(2.3)	(4.1)	(1.7)	(1.0)	0.2
FCF yield (%)	(1.7)	(2.7)	2.4	1.7	1.2
Dividend yield (%)	-	-	-	-	-

Source: Company, Astris Advisory (estimates)
Note: Dual share class structure in place; EPS calculated using common and class B. Only common shares are listed.

Share price: ¥183 Market cap: ¥39.4bn



Source: Bloomberg

Price Performance

	YTD	1M	3M	12M
Abs (%)	+1.1	-0.5	+4.0	-12.9
Rel (%)	+2.1	-3.3	+5.7	-13.1

Company sector

Medical Products
Health Care Equipment & Suppliers (GICS)

Stock data

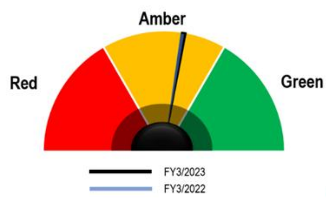
Price (¥)	183
Mkt cap (¥bn)	39.4
Mkt cap ($m)	261.8
52-week range (¥)	155-239
Shares O/S (m)	215.1
Average daily value ($m)	1.3
Free float (%)	75.9
Foreign shareholding (%)	5.3
Ticker	7779
Exchange	Tokyo Growth
Net Debt/Equity (x)	N/A
FFO leverage (x)	18.9
BBG BUY│HOLD│SELL	1│1│0

Source: Bloomberg

Business Overview

CYBERDYNE develops and commercializes advanced robotics and cybernics technology, focusing on medical and healthcare applications.

Astris-Sustainability ESG rating



Reference Ratings	
MSCI	-
Sustainalytics	36.0
Refinitiv	D
S&P Global	7.0
Bloomberg	1.52
CDP	-

Next events

Q4 FY3/25 results May 2025

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This report has been commissioned and paid for by the company

Recent results

Q1-3 FY3/25 results

Operating losses continue to improve, but sales declined slightly YoY

Key financials

(¥bn)	Q1-3 FY3/24	Q1-3 FY3/25	YoY (%)
Sales	**3.22**	**3.17**	**-1.6**
Gross profit/(loss)	1.74	1.64	-5.9
Gross margins (%)	***54.12***	***51.75***	
SG&A costs	2.81	2.68	-4.6
Operating profit/(loss)	**(1.60)**	**(0.71)**	**N/A**
Operating margins (%)	***-49.8***	***-22.3***	
Profit before tax	(0.57)	(0.30)	N/A
Net income attributable to the parent	(0.95)	(0.38)	N/A

Source: Company

Sustained sales growth at Treatment service, narrowing segment losses

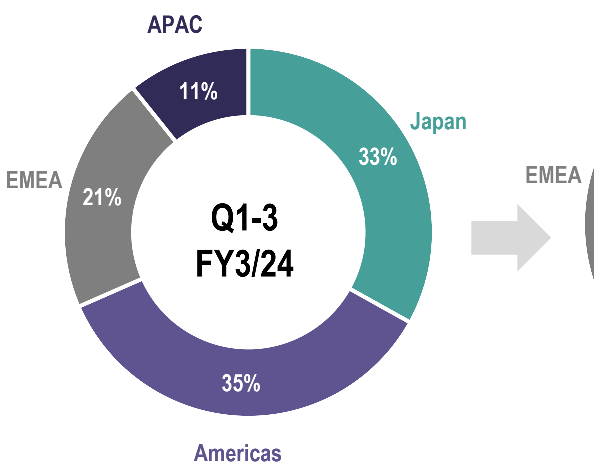
Per business segment (pre-elimination)

(¥bn)	Q1-3 FY3/24	Q1-3 FY3/25	YoY (%)
Sales			
Product rental	1.29	1.30	+0.6
Treatment service	1.24	1.35	+8.6
New business expansion	0.69	0.52	-23.8
Segment profit/(loss)			
Product rental	0.60	0.53	-12.1
Treatment service	(0.35)	(0.10)	N/A
New business expansion	(0.19)	(0.16)	N/A
Adjustments	(1.66)	(0.98)	
Segment profit margins (%)			
Product rental	46.1	40.3	
Treatment service	-28.3	-7.5	
New business expansion	-27.0	-29.7	

Source: Company

Growth in the Americas driven by Treatment service

Geographic sales mix



Source: Company

Key highlights

The key takeaways for Q1-3 FY3/25 results were as follows:

- **Sales were down slightly 1.6% YoY –** Despite growth in Treatment service sales of 8.6% YoY, a decline in the New business expansion segment resulted in an overall decline in sales. Product rental sales were flat YoY.
- **Overseas sales made up 70% of the total** – The company's overseas sales exposure continues to rise as domestic sales declined 9.3% YoY while overseas sales grew 2.3% YoY.
- **Declining operating losses YoY** – Reported operating margin was -22.3%, much better YoY compared to -49.8% in Q1-3 FY3/24. The improvement in operating margins was primarily due to R&D and Head Office cost reductions.
- **Product rental segment profitability remained high** – The Product rental segment demonstrated high profitability at 40.3% (before intercompany eliminations).
- **Rental sales of Medical HAL Lower Limb Type grew YoY (+6.7% YoY, +0.9% QoQ)** – Sales reached ¥0.69bn Q1-3 FY3/25 (Q1 ¥0.22bn, Q2 ¥0.24bn, Q3 ¥0.24bn), indicating slow overall growth at 6.7% YoY, but Japan grew faster at 12.6% YoY.
- **The balance sheet remained well-capitalized** – The company has a total net cash balance and current financial assets of ¥14.15bn, equivalent to 33.5% of the current market capitalization.

Divestment of LeyLine GmbH

The company has announced the divestment of its 63.6%-owned subsidiary LeyLine GmbH, which operates the PETRONAS MIE Racing Honda Team. This transaction closed on 28 February 2025, resulting in a one-time goodwill impairment cost of ¥0.175bn.

We view this as positive, given that this non-core asset operated at a loss for its last three FYs (approximate loss of ¥0.18bn, OPM was -41.1% for FY12/24).

This event should be beneficial for the company to reduce operating losses further into FY3/26.

Astris earnings estimates and key assumptions

We have maintained our earnings estimates to reflect the following key factors:

- Rental of HAL lower Limb Type (Medical) will grow globally, driven primarily by Japan and Malaysia.
- Treatment services will experience steady growth in overseas markets, particularly in the US.
- We have not factored in any M&A activity.

Astris Advisory earnings estimates

Year-end	FY3/25E	FY3/26E	FY3/27E
Sales	**4.80**	**5.50**	**6.60**
Growth YoY (%)	+10.0	+15.0	+20.0
OP (¥bn)	**(0.86)**	**(0.50)**	**0.10**
OPM (%)	(17.9)	(9.1)	1.5
EBITDA (¥bn)	**(0.05)**	**0.44**	**1.22**
EBITDA margins (%)	-1.0	8.0	18.5
FCF (¥bn)	**0.93**	**0.66**	**0.79**
FCF margin (%)	19.3	12.0	12.0
FCF conversion (%)	-118.4	-160.3	436.3
FCF yield (%) (undiluted)	**2.2**	**1.6**	**1.1**
DPS (¥)	**-**	**-**	**-**
Dividend yield (%)	**-**	**-**	**-**

Source: Astris Advisory
Note: FCF conversion is FCF/Pre-tax Profit

The core assumptions of our estimates are as follows:

- **Sales growth** – We believe that the company will be able to gain approval for wider application of HAL lower Limb Type (Medical) including spinal cord injuries and other areas such as stroke and pediatric cerebral palsy in Japan.
- **Profitability** – Operating losses will continue in the shorter term with a focus on business expansion, followed by achieving breakeven OP in FY3/27 with growth primarily from the Product rental business.
- **Positive free cash flow generation** – We estimate the company will start generating sustained positive free cash flow from FY3/27 with a breakeven OP profile.

Summary

CYBERDYNE is engaged in the development and practical application of Cybernics technology, focused on medical and healthcare fields

CYBERDYNE develops and commercializes advanced robotics and cybernics technology, **focusing on the medical and healthcare fields**. Its **flagship products are the HAL (Hybrid Assistive Limb) Lower Limb Type (Medical) and single-joint type**, wearable medical devices that have obtained medical device approval. By enabling repeated low-load movements synchronized with the wearer's motor intentions, they are recognized for their effectiveness in improving and regenerating physical functions (such as paralysis) that have deteriorated due to illness.

The company has embarked on a multifaceted growth strategy:

- **Overseas market growth** – With nearly 70% of FY3/24 sales derived overseas, we believe the company will continue to gain traction, particularly in the APAC region.

Growth strategy encompasses overseas growth, obtaining public medical insurance coverage, and business diversification

- **Increasing certification by public medical insurance coverage** – Targeting both domestic and overseas approvals for HAL (lower limb type) in spinal cord injury and stroke patient treatments, and expanding its application to other diseases.
- **Business diversification** – New product and service development to develop new cybernics-related business opportunities.

The company is expected to generate sales growth of 10%-20% CAGR.

Astris Advisory estimates CYBERDYNE will drive medium-term growth via the following factors:

- Steady sales growth from increasing demand for rental and treatment services, driven by market penetration and growing public medical insurance support.
- Operating margins to achieve close to breakeven in FY3/26, as rental sales for HAL begin to scale.

Estimate breakeven OP and positive free cash flow generation in FY3/25

The shares are trading at a PBR of 0.9x and remain well-capitalized, with net cash and current other financial assets totaling ¥14.15 billion. We estimate the company will generate positive free cash flow in FY3/25.

IFRS Financial Summary

Income statement (¥bn)	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Sales	**3.29**	**4.35**	**4.80**	**5.50**	**6.60**
COGS	1.50	1.96	2.16	2.48	2.97
Gross profit	**1.79**	**2.39**	**2.64**	**3.03**	**3.63**
Gross profit margin (%)	54.5	55.0	55.0	55.0	55.0
Operating profit	**(1.15)**	**(2.02)**	**(0.86)**	**(0.50)**	**0.10**
OP margin (%)	(34.8)	(46.4)	(18.0)	(9.0)	1.5
Financial income	1.31	0.54	0.54	0.54	0.54
Financial expenses	(0.19)	(0.48)	(0.48)	(0.48)	(0.48)
Equity Earnings/Loss From Affiliates	(0.20)	0.02	0.02	0.02	0.02
Pre-tax profit	**0.05**	**(1.14)**	**(0.78)**	**(0.41)**	**0.18**
Tax	(0.45)	(0.51)	0.28	0.43	-
Effective tax rate (%)	841.5	(44.5)	36.0	103.0	-
Net income	**(0.39)**	**(1.65)**	**(0.50)**	**0.01**	**0.18**
Non-controlling NI	(0.10)	(0.17)	(0.19)	(0.22)	(0.26)
Parent attributable NI	**(0.30)**	**(1.48)**	**(0.31)**	**0.23**	**0.44**
Sales growth YoY (%)	+53.0	+32.4	+10.2	+14.7	+20.0
OP growth YoY (%)	+30.4	N/A	N/A	N/A	N/A
Pre-tax profit YoY (%)	-113.7	-2,250	N/A	-47.1	-143.8
NI growth YoY (%)	N/A	N/A	N/A	N/A	+92.3

Cash flow statement (¥bn)	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Profit before tax	**0.05**	**(1.14)**	**(0.78)**	**(0.41)**	**0.18**
Depreciation/amortization	0.63	0.68	0.82	0.94	1.12
Changes in working capital	0.20	(0.23)	0.90	0.04	(0.43)
Other non-cash items	(1.03)	(0.16)	-	-	-
Tax paid	0.00	(0.01)	0.28	0.43	-
Cash from Operating Activities	**(0.14)**	**(0.85)**	**1.21**	**0.99**	**0.87**
Capex	(0.51)	(0.22)	(0.29)	(0.33)	(0.40)
Acquisitions/increase stakes	(0.02)	-	-	-	-
Other investing cash flow	2.71	(1.85)	0.43	(0.71)	(0.14)
Cash from Investing Activities	**2.17**	**(2.08)**	**0.14**	**(1.04)**	**(0.54)**
Total cash dividends paid	-	-	-	-	-
Debt issuance/(retirement)	(0.17)	(0.18)	-	-	-
Equity financing/(buybacks)	(1.19)	-	-	-	-
Other	1.37	0.34	0.34	0.34	0.34
Cash from Financing Activities	**0.01**	**0.16**	**0.34**	**0.34**	**0.34**
FX impact	0.08	0.12	0.10	0.11	0.11
Net cash flow	**2.12**	**(2.65)**	**1.80**	**0.40**	**0.78**
Free cash flow	**(0.65)**	**(1.07)**	**0.93**	**0.66**	**0.47**
EBITDA	**(0.52)**	**(1.34)**	**(0.05)**	**0.44**	**1.22**
EBITDA margins (%)	-15.7	-30.8	-1.0	8.0	18.5
Free cash flow margin (%)	-19.8	-24.7	19.3	12.0	7.2
Free cash flow conversion (%)	N/A	N/A	-118.4	-160.3	261.3
Capex/sales (%)	15.5	5.1	6.0	6.0	6.0
Capex/depreciation (%)	81.2	33.1	35.3	35.3	35.3
CFO margin (%)	-4.3	-19.5	25.3	18.0	13.2

Balance sheet (¥bn)	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Cash & equivalents	7.80	5.16	6.95	7.35	8.13
Marketable securities	0.99	1.00	1.10	1.26	1.51
Accounts receivables	0.53	0.64	0.71	0.81	0.97
Other	9.83	11.68	11.17	11.31	11.76
Current assets	**19.15**	**18.47**	**19.93**	**20.73**	**22.37**
Tangible assets	13.41	13.24	13.22	13.20	13.17
Goodwill	2.53	2.13	2.13	2.13	2.13
Intangible assets	0.08	0.05	0.03	0.04	0.05
Investment	13.64	14.81	14.81	14.81	14.81
Other	1.38	1.30	1.30	1.30	1.30
Fixed assets	**31.04**	**31.53**	**31.49**	**31.48**	**31.47**
Total assets	**50.19**	**50.00**	**51.42**	**52.21**	**53.84**
Short term borrowing	0.24	0.25	0.25	0.25	0.25
Trade creditors	0.69	0.08	0.67	0.70	0.75
Other	0.37	0.91	0.78	1.04	1.16
Current liabilities	**1.29**	**1.24**	**1.69**	**1.98**	**2.16**
Long term borrowing	0.43	0.39	0.39	0.39	0.39
Other LT liabilities	6.48	7.90	7.90	7.90	7.90
Long term liabilities	**6.91**	**8.29**	**8.29**	**8.29**	**8.29**
Shareholder's equity	**42.10**	**40.75**	**41.74**	**42.29**	**43.82**
Share acquisitions rights	-	-	-	-	-
Non-controlling interests	(0.12)	(0.28)	(0.30)	(0.35)	(0.42)
Total net assets	**41.98**	**40.48**	**41.44**	**41.95**	**43.40**
Total liabilities & net assets	**50.19**	**50.00**	**51.42**	**52.21**	**53.84**

Key metrics	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Profitability					
Gross margin (%)	54.5	55.0	55.0	55.0	55.0
Operating margin (%)	(34.8)	(46.4)	(18.0)	(9.0)	1.5
Net margin (%)	(9.1)	(33.9)	(6.5)	4.2	6.7
ROA (%)	(0.6)	(2.9)	(0.6)	0.4	0.8
ROE (%)	(0.7)	(3.6)	(0.8)	0.5	1.0
ROCE (%)	(2.3)	(4.1)	(1.7)	(1.0)	0.2
ROIC (%)	19.6	(6.9)	(1.3)	0.0	0.2
Liquidity					
Current ratio (x)	14.8	14.9	11.8	10.5	10.4
Quick ratio (x)	14.1	14.1	11.1	9.8	9.7
Leverage					
Debt/Equity ratio (x)	0.0	0.0	0.0	0.0	0.0
Net Debt/Equity ratio (x)	net cash	net cash	net cash	net cash	net cash
Equity ratio (x)	0.8	0.8	0.8	0.8	0.8
Interest cover (x)	N/A	N/A	N/A	N/A	N/A
Net Debt/EBITDA (x)	N/A	N/A	N/A	N/A	N/A
Valuation					
EPS reported (¥)	(1.4)	(7.0)	(1.5)	1.1	2.1
PER (x)	**N/A**	**N/A**	**N/A**	**180.1**	**93.6**
Diluted PER (x)	**N/A**	**N/A**	**N/A**	**180.1**	**93.7**
DPS (¥)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
Dividend yield (%)	**-**	**-**	**-**	**-**	**-**
Total shareholder return (%)	**3.0**	**-**	**-**	**-**	**-**
Free cash flow yield (%)	**(1.7)**	**(2.7)**	**2.4**	**1.7**	**1.2**
Diluted free cash flow yield (%)	**(1.7)**	**(2.7)**	**2.3**	**1.7**	**1.2**
PBR (x)	**0.9**	**1.0**	**0.9**	**0.9**	**0.9**
EV/sales (x)	10.2	7.7	7.0	6.1	5.1
EV/EBITDA (x)	N/A	N/A	N/A	76.3	27.5
EV/EBIT (x)	N/A	N/A	N/A	N/A	339.0
EV/FCF (x)	N/A	N/A	36.3	50.7	71.0

Source: Company, Astris Advisory (estimates)

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