

December 16<sup>th</sup>, 2009

**Dear clients and colleagues,**

Following our recent trip to Japan, we bought a new company that we knew and met during that trip. The company is called Gourmet Navigator.

**Gourmet Navigator (2440 JT - 205 200 Yen), [www.gnavi.co.jp](http://www.gnavi.co.jp)**

Market cap: US\$600 million, no debt, net cash of 54 million, Sales: \$233 million, EV/Ebitda: 8.7x, P/E: 21x, dividend yield, 0.8%, 5 year sales cagr: 30%

Founded in 1996, Gourmet Navigator provides restaurant information through the Internet. Today, the company has more than 850 million page/views per month, 18 million unique users per month, 6.7 million members, and 50 000 paying clients (restaurants).

The company allows restaurant goers to choose and even book a restaurant after checking them with Gourmet Navigator, for restaurants, the company helps them create annual sales promotion plans designed to increase the clientele.

### ***Target Market Size***

There are over 700 000 restaurants in Japan. 500 000 could be Gourmet Navigator customers. The company currently has 45 000 restaurant members.

From another angle, the market is Y17 Trillion, (US\$195 Billion). The amount spent on promotion is around 3% of that amount, or around \$6 Billion.

In addition, the company is now rolling out a B to B model in the food service industry connecting restaurants with suppliers, a market 7 times the size of their current market.

### ***Investment Theme***

Internet shopping, comparison, promotion, etc. has become a major tool in many industries. Japan is the Country with the highest penetration of broadband internet accessible by wireless devices.

### ***Competitive advantages***

The company was the first mover and today has the dominant position with no other important online competitor. Their main competition is coupon programs.

The value of the service is high to paying members (restaurants). Arpu has consistently increased in the last few years.

### ***Growth strategy***

The company intends to double the number of restaurants from around 45 000 today to around 100 000 in 5 years, that would still only represent 20% penetration.

The company is rolling out Gourmet Navigator Shanghai and already has 500 paying restaurants in Shanghai (China).

The company is also developing a B to B marketplace in the food service industry, connecting restaurants and food suppliers, a market many times the size of their current market.

### ***Management***

The founders are still active in management and with directors, collectively own over 38% of the company

### ***Risk***

Other web portals such as Kakaku, Yahoo Japan and Google Japan may try to replicate the model. But the company with 900 people in its sales force is dominant.

### ***Valuation***

Based on a WACC of 8.0%, a terminal growth rate of 6% with a payout at maturity of 50%, our target price is 468 372 yen, for an expected return of 128%

Regards,

The Global Alpha team