



MonotaRO

TSE 1st Section 3064 Industry: Retail, Internet

Neutral impression of 1H results

1H OP guidance slightly missed, in line with market expectations

1H (Jan-Jun) consolidated results were for sales of 91.9bn yen (+22.0% YoY), and OP of 11.9bn yen (+27.7% YoY). OP was 99% of the company's guidance of 12.041bn yen for 1H. 2Q OP was 5.9bn yen (+19.6% YoY, -2.0% QoQ). The company maintained its full-year guidance.

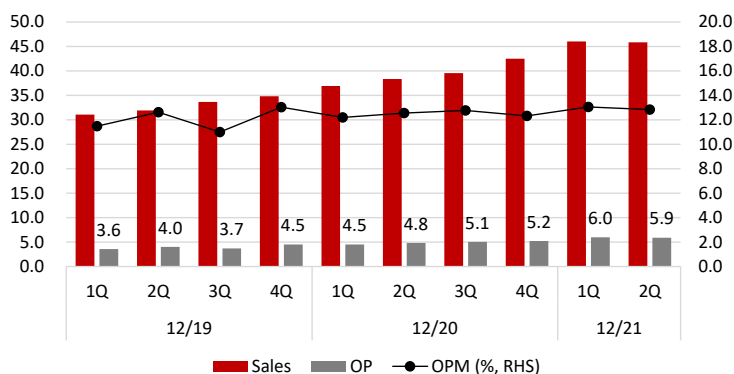
MonotaRO's parent OP was 12.1bn yen (+26.1% YoY), with OPM of 13.6% (+0.5ppt YoY). OP was 99% of the company's guidance of 12.237bn yen for 1H. OPM was +0.1ppt higher than the company's target.

Parent gross profit margin was +0.1ppt higher than the company's target. The breakdown is as follows: product gross margin was lower (increased mix of large corporation business); royalty income higher; delivery cost ratio lower. SG&A expense ratio was on par with the company's target: outsourcing cost ratio lower; system cost ratio lower; depreciation ratio lower; leasing cost ratio higher.

As for overseas subsidiaries, South Korea missed sales target on KRW basis but achieved OP target with cost management. Indonesia lagged behind the sales target, but operating loss was in line. India failed to achieve sales target, but operating loss was in line.

Please refer to the report dated June 8, 2021 for the rationale of the rating and target price.

Figure: Quarterly earnings (JPYbn, %)



Source: Company data, Mita Securities

MITA SECURITIES Co., Ltd.
Junichi Shimizu
Chief Analyst, Head of Research

jshimizu@mitasec.com

Update

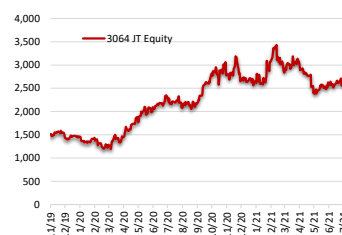
Rating
Hold

Target price (JPY)	2,750
Stock price (JPY) (Jul 30)	2,516
Market cap (JPYbn)	1,261.2

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		12/19	12/20	12/21E	12/22E	12/23E
Sales	JPYbn	131.5	157.3	191.8	231.9	276.8
OP	JPYbn	15.8	19.6	24.4	28.3	34.7
RP	JPYbn	15.9	19.7	24.4	28.3	34.6
NP	JPYbn	11.0	13.8	17.0	19.8	24.2
EPS	JPY	22.1	27.7	34.3	39.8	48.6
BPS	JPY	74.6	94.1	115.2	141.0	171.6
DPS	JPY	7.5	9.0	11.5	14.0	18.0
PER	x	66.1	94.7	75.6	65.2	53.3
PBR	x	19.6	27.9	22.5	18.4	15.1
Div. yield	%	0.5	0.3	0.4	0.5	0.7
ROA	%	19.9	19.5	19.1	18.0	17.6
ROE	%	33.0	32.9	32.7	31.0	31.1

Source: Company data, Mita Securities

Note: Adjusted for stock split

Company profile

MonotaRO is an EC company that sells indirect materials (MRO products) used in factories, construction sites, and auto repair shops. The company has over 18 million products and 5.83 million registered accounts (as of the end of March 2021). The company is a consolidated subsidiary of W.W. Grainger.

Figure: Comparison of valuations for Japanese EC companies

Company	Ticker	Share price 29-Jul	Mkt cap JPYbn	PER LTM	PER	PER	PBR Last	EV/EBITDA	EV/Sales	ROE	ROE	Sales growth Current E	EPS growth	EPS growth	Div Yield Current E	1M	3M	1YR
					Current E	Next E		Next E	Next E	Current E	Next E		Current E	Next E		Change	Change	Change
ASKUL CORP	2678	1,653	169.5	21.8	18.2	16.2	2.9	5.7	0.3	15.3	15.3	6.7	19.9	12.5	1.8	-4.6	-17.4	7.9
MONOTARO CO LTD	3064	2,591	1,298.8	86.7	76.6	64.1	26.3	41.1	5.7	33.7	31.8	20.5	22.0	19.6	0.4	-1.5	-7.1	16.1
ZOZO INC	3092	3,445	1,073.6	32.4	30.4	27.1	42.0	18.4	6.0	57.5	48.7	16.1	11.8	12.0	1.6	-8.7	-6.6	46.0
MERCARI INC	4385	5,790	913.7	300.0	339.6	108.9	24.8	57.1	6.1	6.0	18.7	23.1	NA	211.7	0.0	-1.9	7.2	33.1
Z HOLDINGS CORP	4689	559	4,280.6	38.3	50.5	37.1	1.6	13.0	2.9	3.1	4.0	31.1	-21.0	36.0	1.1	0.4	10.7	5.9
RAKUTEN GROUP INC	4755	1,235	1,949.2	NA	NA	NA	2.3	1.8	0.2	-29.3	-7.0	11.0	NA	NA	0.4	-1.5	-11.1	25.8
MISUMI GROUP INC	9962	3,880	1,103.0	64.3	36.4	32.0	4.7	16.7	2.7	12.3	13.1	24.3	76.6	13.8	0.7	3.2	26.0	48.9
Average				90.6	91.9	47.6	15.0	22.0	3.4	14.1	17.8	19.0	21.9	50.9	0.9	-2.1	0.2	21.8
Median				51.3	43.4	34.5	4.7	16.7	2.9	12.3	15.3	20.5	19.9	16.7	0.7	-1.5	-6.6	25.8

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

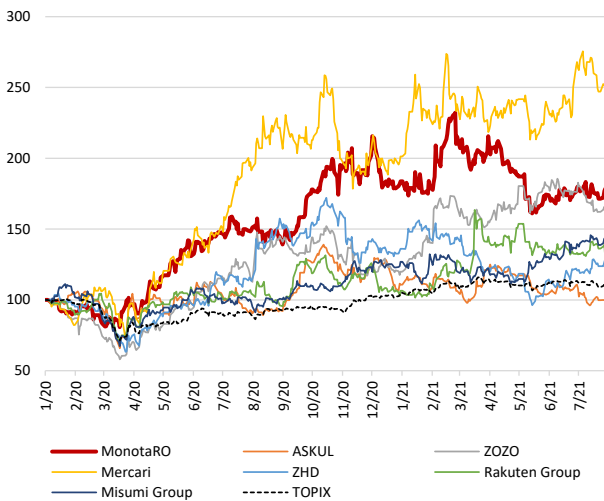
Figure: Comparison of valuations for overseas EC companies

Company	Ticker	Share price 29-Jul	Mkt cap USDbn	PER LTM	PER	PER	PBR Last	EV/EBITDA	EV/Sales	ROE	ROE	Sales growth Current E	EPS growth	EPS growth	Div Yield Current E	1M	3M	1YR
					Current E	Next E		Next E	Next E	Current E	Next E		Current E	Next E		Current E	Next E	Change
AMAZON.COM INC	AMZN	3,599.92	1,815.5	62.7	53.2	42.8	15.9	19.8	3.1	25.7	23.2	23.5	20.6	24.2	0.0	4.4	3.7	18.7
ALIBABA GROUP HOLDING-SP ADR	BABA	197.54	536.9	31.6	20.4	16.8	3.7	12.2	2.7	14.0	14.9	36.2	-3.9	21.3	0.0	-13.9	-15.6	-21.8
EBAY INC	EBAY	73.41	50.0	19.7	18.5	16.0	13.3	12.1	4.2	73.1	43.7	5.0	16.5	15.7	1.0	4.1	30.9	34.6
JD.COM INC-ADR	JD	71.93	112.1	101.3	58.9	34.4	3.8	23.6	0.6	5.5	8.0	23.6	-25.4	71.5	0.0	-9.8	-7.6	14.9
VIPSHOP HOLDINGS LTD-ADR	VIPS	16.72	11.5	12.2	10.2	8.7	2.4	5.5	0.4	20.7	19.7	23.5	16.9	17.0	0.0	-16.4	-46.1	-23.7
Average				45.5	32.2	23.7	7.8	14.7	2.2	27.8	21.9	22.3	4.9	29.9	0.2	-6.3	-6.9	4.6
Median				31.6	20.4	16.8	3.8	12.2	2.7	20.7	19.7	23.5	16.5	21.3	0.0	-9.8	-7.6	14.9

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

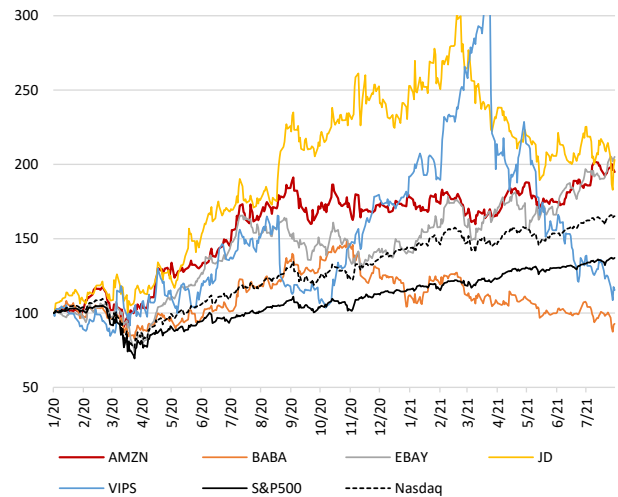
Figure: Stock price trends for Japanese EC companies



Source: Bloomberg Finance LP data, Mita Securities

Note: Indexed 100 at the end of 2019

Figure: Stock price trends for overseas EC companies



Source: Bloomberg Finance LP data, Mita Securities

Note: Indexed 100 at the end of 2019

APPENDIX

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