



MonotaRO

TSE 1st Section 3064 Industry: Retail, Internet

Low progress in OP gives a negative impression

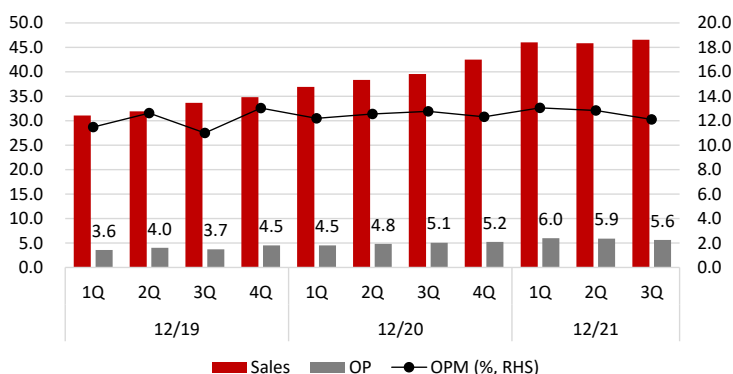
OP progress rate 71%. Negative impression

1-3Q FY12/21 consolidated results were for sales of 138.5bn yen (+20.6% YoY), OP of 17.5bn yen (+22.1% YoY). Progress toward the full-year OP guidance of 24.678bn yen was 71%. 3Q (Jul-Sep) OP was 5.6bn yen (+11.7% YoY, -4.2% QoQ). Quarterly OP peaked in 1Q and continued to decline, giving a negative impression. The company explained that this was due to lower gross profit margins caused by changes in the sales mix.

1-3Q parent OP was 17.8bn yen (+20.7% YoY), with OPM of 13.4% (+/-0.0ppt YoY). Progress rate toward the full-year OP guidance of 25.041bn yen was 71%. 3Q (Jul-Sep) OP was 5.8bn yen (+10.7% YoY, -3.6% QoQ), with OPM of 12.8% (-0.8ppt YoY, -0.7ppt QoQ). GPM was 28.4% (-0.5ppt YoY, -0.4ppt QoQ).

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

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Update

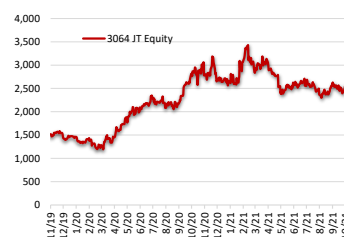
Rating
Hold

Target price (JPY)	2,750
Stock price (JPY) (Oct 29)	2,580
Market cap (JPYbn)	1,293.3

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	77.0	66.4	54.3
PBR	x 19.6	27.9	22.9	18.7	15.4
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

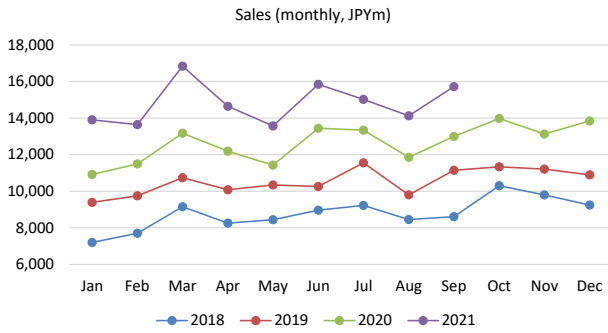
Source: Company data, Mita Securities

Note: Adjusted for stock split

Company profile

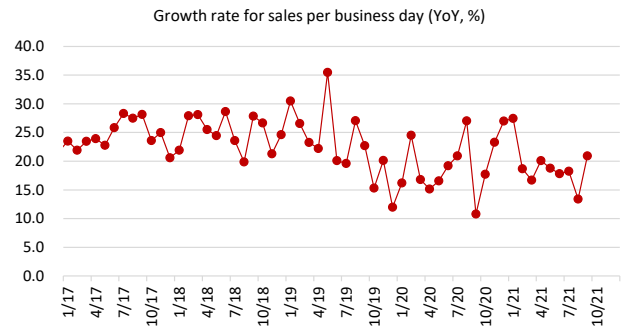
MonotaRO is an EC company that sells indirect materials (MRO products) used in factories, construction sites, and auto repair shops. The company has over 18 million products and 5.83 million registered accounts (as of the end of March 2021). The company is a consolidated subsidiary of W.W. Grainger.

Figure: Monthly sales



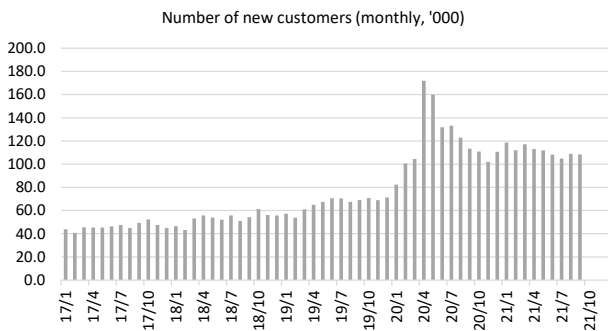
Source: Company data, Mita Securities Note: Parent basis

Figure: Sales growth (monthly)



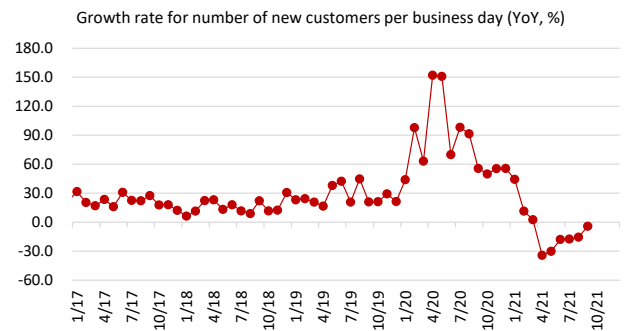
Source: Company data, Mita Securities Note: Parent basis, adjusted for business days

Figure: Number of new customers (monthly)



Source: Company data, Mita Securities Note: Parent basis

Figure: Growth rate for number of new customers (monthly)



Source: Company data, Mita Securities Note: Parent basis, adjusted for business days

Figure: Comparison of valuations for Japanese EC companies

Company	Ticker	Share price 28-Oct	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	1,598	163.8	19.5	17.3	15.4	2.8	5.6	0.3	16.4	16.7	5.3	21.9	12.6	1.9	-7.0	-3.3	-22.2
MONOTARO CO LTD	3064	2,640	1,323.4	84.2	77.4	66.6	24.8	42.2	5.9	33.7	31.8	19.7	23.0	16.3	0.4	7.8	1.9	-7.0
ZOZO INC	3092	4,275	1,332.3	38.6	36.3	32.8	29.6	22.1	7.3	58.9	49.7	10.1	16.2	10.9	1.3	1.8	24.1	54.6
MERCARI INC	4385	6,370	1,017.0	174.6	191.5	88.7	25.4	43.9	5.8	14.6	24.6	26.8	-8.7	115.9	0.0	7.6	10.0	41.9
Z HOLDINGS CORP	4689	689	5,278.3	51.7	59.0	47.5	2.0	15.1	3.2	3.5	4.3	31.0	-16.6	24.1	0.8	-6.8	23.3	-7.0
RAKUTEN GROUP INC	4755	1,241	1,961.2	NA	NA	NA	2.4	1.4	0.1	-28.4	-11.9	9.2	NA	NA	0.4	13.2	0.5	18.2
MISUMI GROUP INC	9962	4,780	1,359.0	43.4	35.5	32.4	5.4	17.6	3.2	15.4	15.2	17.1	123.3	9.4	0.7	2.7	23.2	58.5
Average				68.7	69.5	47.2	13.2	21.1	3.7	16.3	18.6	17.0	26.5	31.5	0.8	2.8	11.4	12.0
Median				47.6	47.7	40.1	5.4	17.6	3.2	15.4	16.7	17.1	19.0	14.4	0.7	2.7	10.0	18.2

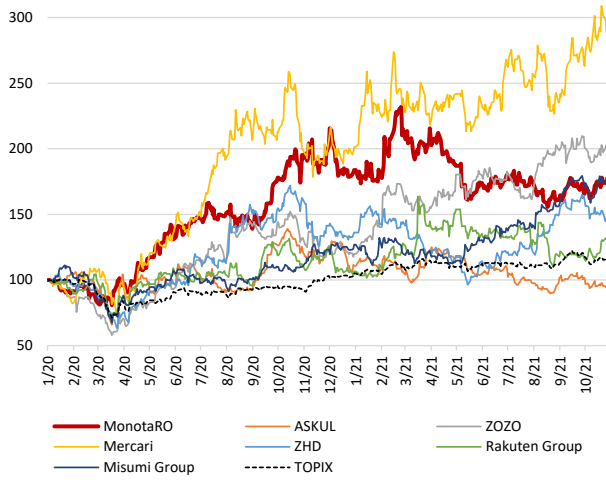
Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus

Figure: Comparison of valuations for overseas EC companies

Company	Ticker	Share price 28-Oct	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		Change	Change	Change
AMAZON.COM INC	AMZN	3,446.57	1,745.5	67.4	50.3	42.4	14.5	19.9	3.2	24.7	24.0	12.8	22.1	18.8	0.0	3.9	-5.1	9.0
ALIBABA GROUP HOLDING-SP ADR	BABA	169.79	461.5	26.0	18.4	16.0	3.0	10.9	2.3	13.2	13.1	33.1	-9.6	14.9	0.0	11.4	-13.4	-44.9
EBAY INC	EBAY	72.41	45.3	18.2	18.3	15.8	4.3	11.9	4.5	38.6	22.4	-8.2	16.2	15.3	1.0	1.6	-0.7	36.0
JD.COM INC-ADR	JD	80.92	126.2	85.5	60.0	40.2	3.7	25.5	0.6	4.1	7.0	24.4	-18.4	49.5	0.0	7.3	15.1	1.0
VIPSHOP HOLDINGS LTD - ADR	VIPS	11.45	7.7	8.0	8.1	7.2	1.7	4.2	0.3	16.5	16.3	5.7	-0.4	11.7	0.0	0.8	-32.7	-44.9
Average				41.0	31.0	24.3	5.4	14.5	2.2	19.4	16.6	13.6	2.0	22.1	0.2	5.0	-7.3	-8.7
Median				26.0	18.4	16.0	3.7	11.9	2.3	16.5	16.3	12.8	-0.4	15.3	0.0	3.9	-5.1	1.0

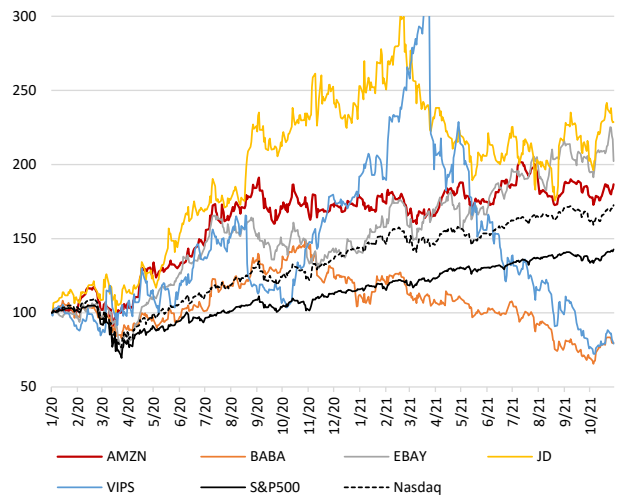
Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus

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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