



MonotaRO

TSE 1st Section 3064 Industry: Retail, Internet

Post-earnings interview with MonotaRO

Main topics in our post-earnings interview

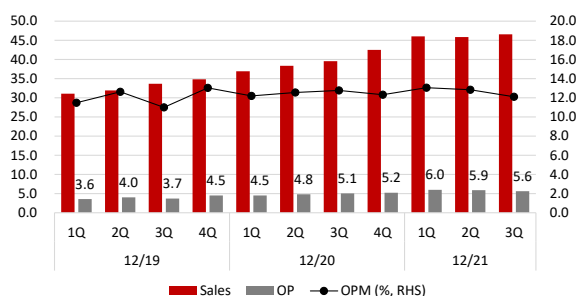
We conducted a post-earnings interview with the IR manager of MonotaRO. The main topics were as follows.

- 3Q sales for the large corporate business was 8.7bn yen (+29.2%, +5.3%QoQ). Sales per customer have been declining on QoQ basis, but the company explained that this was due to a rapid increase in the number of customers. There is a time lag before sales start to rise for new customers, the company said. MonotaRO has established a new organization and strengthened its sales force for the large corporate business, and as such does not see any bottlenecks in the expansion of this business.
- 3Q sales for the Monotaro.com business and etc. was 36.1bn yen (+14.9%, +1.0% QoQ). In the Monotaro.com business, the company is experimenting with offline promotions such as sending direct mails to prospective customers in order to uncover customer needs that cannot be captured through listing ads alone.
- The main reasons for the decline in the parent company's gross profit margin (28.9% in 2Q, 28.4% in 3Q) were lower product gross profit margin and higher import costs. The decline in product gross profit margin was due to higher procurement costs for private brand (PB) products. The increase in raw material prices seems to have been passed on. The ratio of PB products to total sales was unchanged from 2Q to 3Q (19.6%). In response to the rise in procurement costs, the company raised the prices of its products when it sent out its catalog at the end of September. However, our impression is that this is unlikely to fully offset the decline in gross profit margins.
- In the Korean business, gross profit margins have been declining as in Japan.

1-3Q FY12/21 consolidated OP announced on October 29 was 17.5bn yen (+22.1% YoY), with 71% progress toward the full-year guidance. 3Q (Jul-Sep) OP was 5.6bn yen (+11.7% YoY, -4.2% QoQ). The stock price (closing on November 2) is 9% lower than the closing price on October 29.

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

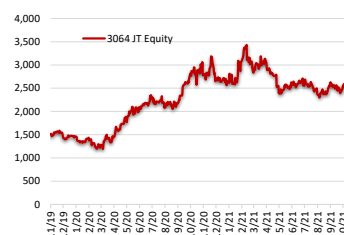
Rating
Hold

Target price (JPY)	2,750
Stock price (JPY) (Nov 2)	2,348
Market cap (JPYbn)	1,177.0

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	68.5	59.0	48.3
PBR	x	19.6	27.9	20.4	16.7	13.7
Div. yield	%	0.5	0.3	0.5	0.6	0.8
ROA	%	19.9	19.5	19.1	18.0	17.6
ROE	%	33.0	32.9	32.7	31.0	31.1

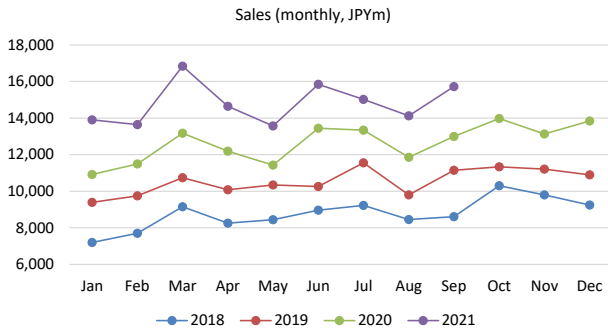
Source: Company data, Mita Securities

Note: Adjusted for stock split

Company profile

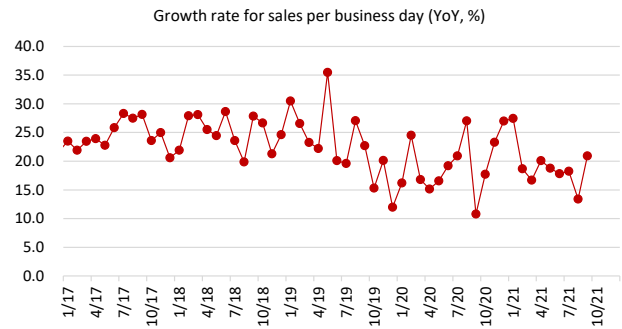
MonotaRO is an EC company that sells indirect materials (MRO products) used in factories, construction sites, and auto repair shops. The company has over 18 million products and 6.46 million registered accounts (as of the end of September 2021). The company is a consolidated subsidiary of W.W. Grainger.

Figure: Monthly sales



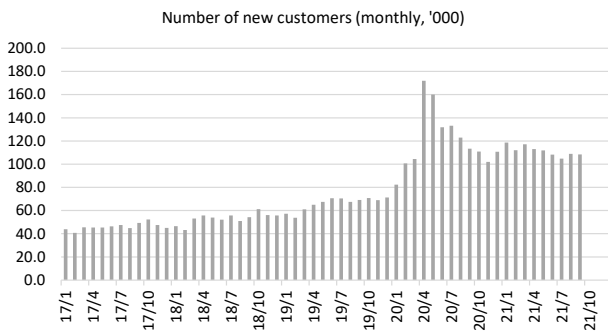
Source: Company data, Mita Securities Note: Parent basis

Figure: Sales growth (monthly)



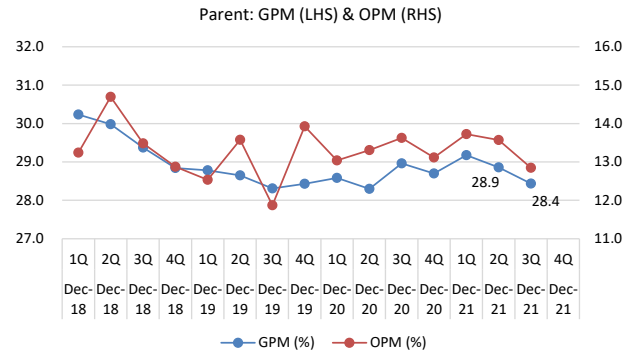
Source: Company data, Mita Securities Note: Parent basis, adjusted for business days

Figure: Number of new customers (monthly)



Source: Company data, Mita Securities Note: Parent basis

Figure: GPM, OPM (quarterly)



Source: Company data, Mita Securities Note: Parent basis

Figure: Comparison of valuations for Japanese EC companies

Company	Ticker	Share price 2-Nov	Mkt cap JPYbn	PER LTM	PER	PER	PBR Last	EV/EBITDA Next E	EV/Sales Next E	ROE	ROE	Sales growth Current E	EPS growth	EPS growth	Div Yield Current E	1M	3M	1YR
					Current E	Next E				Current E	Next E		Current E	Next E		Change	Change	Change
ASKUL CORP	2678	1,544	158.3	18.8	16.7	16.3	2.7	5.4	0.3	16.4	16.7	4.6	21.9	2.7	2.0	-5.5	-4.3	-20.8
MONOTARO CO LTD	3064	2,348	1,177.0	73.5	69.4	59.9	21.6	38.6	5.3	32.9	30.7	17.1	22.1	15.8	0.5	-4.3	-3.4	-17.3
ZOZO INC	3092	3,555	1,107.9	32.1	30.3	27.3	24.6	18.3	6.1	58.7	49.5	9.4	16.0	10.7	1.5	-12.0	-8.7	30.7
MERCARI INC	4385	6,760	1,079.3	807.6	223.8	95.2	25.8	47.6	6.2	14.6	24.6	26.8	-17.1	135.2	0.0	6.8	7.8	47.4
Z HOLDINGS CORP	4689	733	5,613.6	60.5	62.8	50.4	2.1	16.3	3.5	3.5	4.3	29.3	-16.8	24.7	0.8	2.8	18.1	14.7
RAKUTEN GROUP INC	4755	1,262	1,994.4	NA	NA	NA	2.4	1.6	0.2	-28.4	-11.9	10.6	NA	NA	0.4	9.3	0.7	21.9
MISUMI GROUP INC	9962	4,740	1,347.6	43.1	35.3	32.1	5.3	17.5	3.2	15.4	15.2	17.1	122.2	10.0	0.7	4.4	14.9	51.2
Average				172.6	73.1	46.9	12.1	20.7	3.5	16.2	18.4	16.4	24.7	33.2	0.8	0.2	3.6	10.9
Median				51.8	49.1	41.3	5.3	17.5	3.5	15.4	16.7	17.1	18.9	13.3	0.7	2.8	0.7	21.9

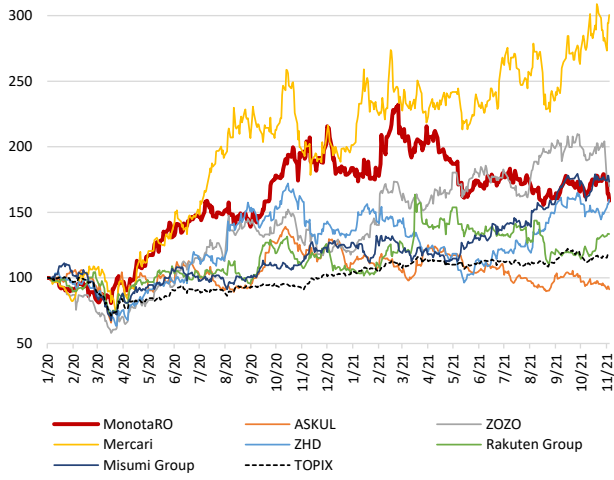
Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus

Figure: Comparison of valuations for overseas EC companies

Company	Ticker	Share price 3-Nov	Mkt cap USDbn	PER LTM	PER	PER	PBR Last	EV/EBITDA Next E	EV/Sales Next E	ROE	ROE	Sales growth Current E	EPS growth	EPS growth	Div Yield Current E	1M	3M	1YR
					Current E	Next E				Current E	Next E		Current E	Next E		Change	Change	Change
AMAZON.COM INC	AMZN	3,384.00	1,716.2	66.2	57.4	47.1	14.2	20.6	3.2	21.4	21.2	10.3	5.1	21.8	0.0	3.1	0.5	11.0
ALIBABA GROUP HOLDING-SP ADR	BABA	166.24	450.7	25.5	18.1	16.0	3.0	10.7	2.2	13.1	13.1	32.9	-9.7	13.0	0.0	15.3	-15.8	-41.8
EBAY INC	EBAY	75.45	47.2	19.0	19.0	16.6	4.4	12.2	4.6	76.4	37.0	-9.0	16.2	14.5	0.9	7.9	10.9	54.2
JD.COM INC-ADR	JD	81.36	126.8	86.1	60.6	40.0	3.7	26.1	0.6	4.2	6.9	24.0	-18.6	51.5	0.0	16.2	15.8	-1.6
VIPSHOP HOLDINGS LTD - ADR	VIPS	11.52	7.8	8.1	8.2	7.3	1.7	4.3	0.3	16.5	16.3	5.7	-0.8	12.2	0.0	5.5	-33.7	-46.1
Average				41.0	32.7	25.4	5.4	14.8	2.2	26.3	18.9	12.8	-1.6	22.6	0.2	9.6	-4.4	-4.8
Median				25.5	19.0	16.6	3.7	12.2	2.2	16.5	16.3	10.3	-0.8	14.5	0.0	7.9	0.5	-1.6

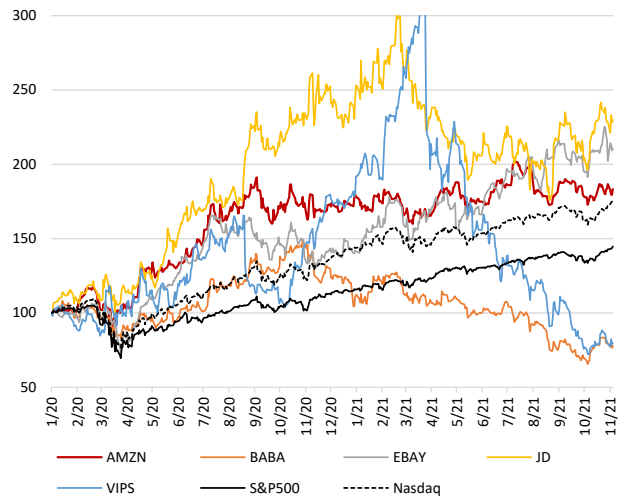
Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus

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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