



Monogatari Corporation

TSE 1st Section 3097 Industry: Food service, retail

Preparing for post-COVID period

1Q results: Balancing store expansion and breaking even

Monogatari Corporation (3097) announced 1Q (Jul-Sep) FY6/22 consolidated results. Even in the midst of a difficult business environment, the mainstay "Yakiniku King" business showed its underlying strength. In addition, the fact that the company was able to break even on an OP basis while continuing to aggressively promote and open new stores should be evaluated positively.

Sales were 15.730bn yen (-5.3% YoY, +13.1% QoQ), OP was -32m yen (vs. 1.723bn yen in 1Q FY6/21 and -897m in 4Q FY6/21), and RP 1.324bn yen (vs. 1.788bn yen in 1Q FY6/21 and -355m yen in 4Q FY6/21). RP includes a subsidy income of 1.339bn yen (vs. 23m yen in 1Q FY6/21).

The Yakiniku division (sales -4% YoY, +22% QoQ) and the Ramen division (-6% YoY, +6% QoQ) were relatively solid, but the Yuzuan division (-14% YoY, -0% QoQ), which mainly caters to senior customers, struggled.

Progress rates toward the company's 1H guidance (sales 37.345bn yen, OP 2.125bn yen, RP 2.802bn yen) were 42% for sales and 47% for RP.

Store count

The number of stores at the end of 1Q was 595 (+11 QoQ). The breakdown is as follows: domestic directly-owned stores 347 (+7 QoQ); domestic FC stores 231 (+2 QoQ); and overseas stores 17 (+2 QoQ).

Our view on the results and outlook for the near future

In 1Q, the areas subject to emergency measures and priority measures to prevent the spread of the disease were expanded. Same-store sales, which had been announced prior to the announcement of 1Q results, were 84.7% vs. 1Q FY6/21, and all-store sales were 92.9% (on a directly-owned store basis), so the low progress in sales and OP should be in line with the market's expectations.

From October onward, we expect a significant recovery in sales due to a sharp decline in the number of cases of COVID-19 infection and the easing or lifting of the requirement to shorten business hours. In particular, we believe that the Yakiniku (Japanese BBQ) division is likely to recover quickly. It should be noted, however, that the Go To Eat campaign had a strong effect in 2Q FY6/21, so caution is needed when comparing results with the previous fiscal year.

The company remains optimistic even under the COVID-19 pandemic and has been making firm preparations to make a major breakthrough in the post-COVID-19 period, including TV ads for "Yakiniku King" in August and "Marugen Ramen" in September to enhance brand recognition. In addition, the company has been continuously opening new stores, and the number of stores increased by 11 in 1Q alone.

Please refer to the report dated June 22, 2021 for the rationale of the rating and target price.

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Update

Rating
Buy

Target price (JPY)	9,100
Stock price (JPY) (Nov 9)	7,080
Market cap (JPYbn)	85.5

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		6/19	6/20	6/21	6/22E	6/23E
Sales	JPYbn	58.9	58.0	64.0	74.9	83.8
OP	JPYbn	3.9	3.0	2.6	5.0	6.2
RP	JPYbn	4.7	3.0	4.3	6.0	6.2
NP	JPYbn	2.9	0.5	2.7	3.8	4.0
EPS	JPY	244.1	37.9	226.0	319.0	333.4
BPS	JPY	1,461	1,444	1,625	1,900	2,154
DPS	JPY	45.0	47.5	60.0	80.0	90.0
PER	x	17.6	110.7	32.2	22.8	21.8
PBR	x	2.9	2.9	4.5	3.8	3.4
Div. yield	%	1.0	1.1	0.8	1.1	1.2
ROA	%	9.4	1.3	6.3	7.9	7.5
ROE	%	17.9	2.6	14.7	18.0	16.4

Source: Company data, Mita Securities

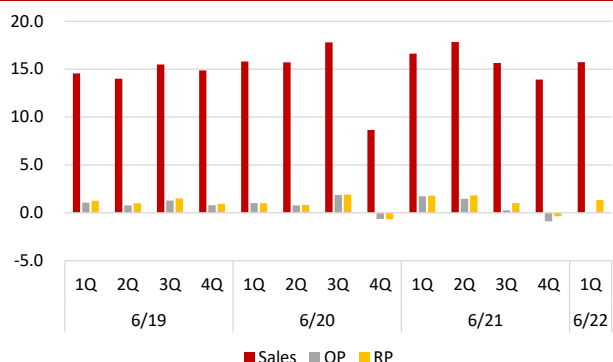
Company profile

Monogatari Corporation is a restaurant company based in Aichi Prefecture that operates "Yakiniku King" nationwide. As of June 30, 2021, the company had 584 stores in Japan (340 directly-owned stores and 229 FC stores) and 15 overseas stores (directly-owned). Sales in FY6/21 were 64.0bn yen.

Quarterly data

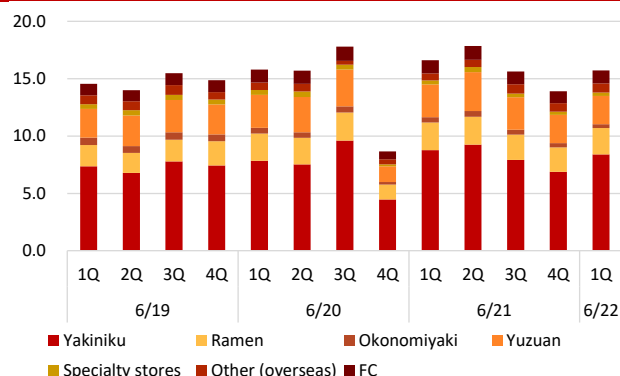
Quarterly data

Figure: Quarterly earnings (JPYbn)



Source: Company data, Mita Securities

Figure: Sales by division (JPYbn)

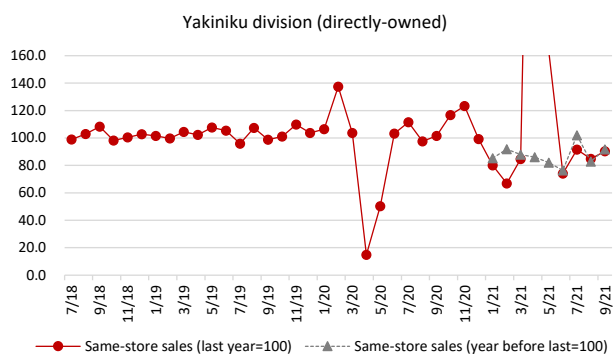


Source: Company data, Mita Securities

Monthly same-store sales data

Yakiniku (Japanese BBQ)

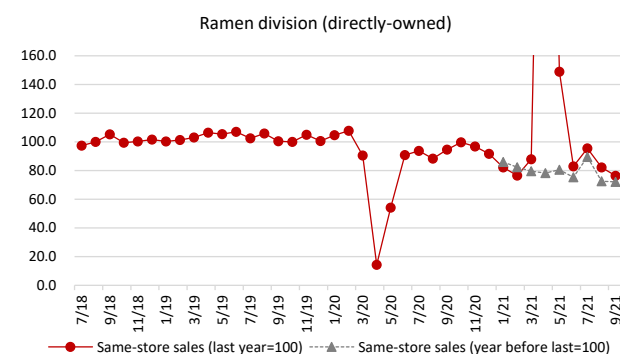
Figure: Monthly data (directly-owned)



Source: Company data, Mita Securities

Ramen

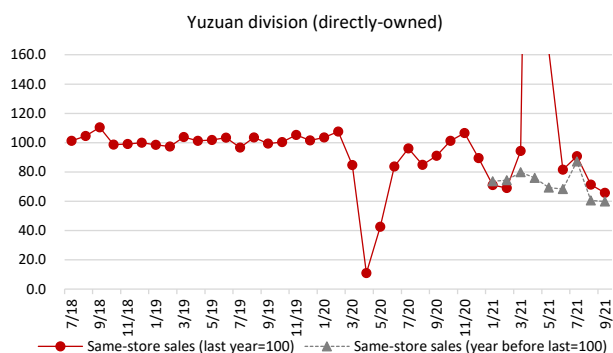
Figure: Monthly data (directly-owned)



Source: Company data, Mita Securities

Yuzuan

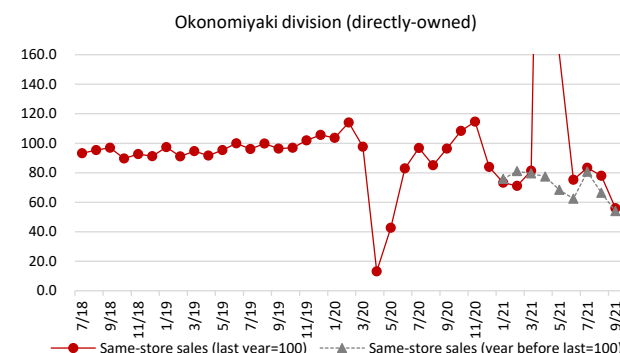
Figure: Monthly data (directly-owned)



Source: Company data, Mita Securities

Okonomiyaki

Figure: Monthly data (directly-owned)



Source: Company data, Mita Securities

Comparison of valuations with similar companies (reference)

Figure: Comparison of valuations for food service companies

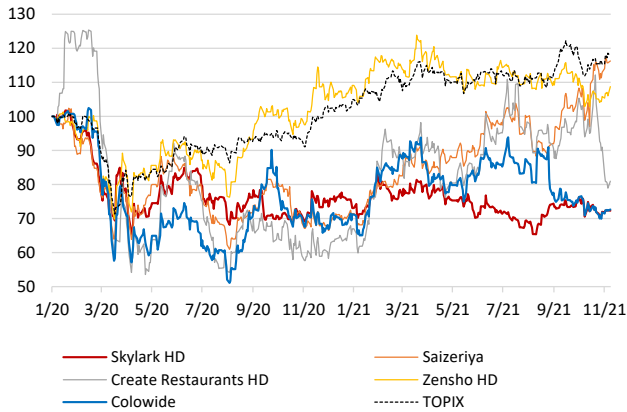
Company name	Ticker	PX 8-Nov	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg	
KURA SUSHI INC (TP 5,000 Buy)	2695	3,815	157.9	-0.1	13.7	4.6	4.9	3.2	10.1	71.0	105.5	32.2	3.4	49.5	1.1	0.5	7.3	-8.8	19.6	
MCDONALD'S HOLDINGS CO JAPAN	2702	5,070	674.1	-0.2	5.6	14.8	12.7	12.0	11.9	30.8	29.8	26.6	3.7	12.7	1.9	0.7	-2.3	3.6	-0.4	
OOTOYA HOLDINGS CO LTD	2705	2,735	19.8	0.2	-12.1	6.0	NA	NA	NA	35.1	NA	NA	9.4	NA	NA	NA	2.0	-1.1	28.6	
FUJIO FOOD GROUP INC	2752	1,406	62.7	3.6	-19.5	-2.0	-48.9	15.7	NA	NA	77.3	36.7	13.4	NA	2.8	0.0	3.4	7.0	-1.5	
AMIYAKI TEI CO LTD	2753	3,050	20.9	-0.1	-16.2	-8.2	0.2	2.0	NA	563.9	40.2	11.1	1.0	NA	0.6	0.0	5.1	7.4	5.0	
HIRAMATSU INC	2764	211	15.8	4.1	-6.1	-26.6	-86.1	NA	NA	NA	NA	NA	3.9	NA	NA	NA	-3.2	15.3	7.7	
PEPPER FOOD SERVICE CO LTD	3053	399	15.7	2.4	NA	NA	NA	NA	NA	NA	NA	NA	5.8	NA	NA	NA	2.3	7.8	58.3	
CHOSHIMARU CO LTD	3075	1,180	17.1	-0.8	-0.6	2.8	7.2	NA	NA	33.6	NA	NA	2.3	NA	NA	NA	1.2	3.3	5.5	
ARCLAND SERVICE HOLDINGS CO	3085	2,286	75.7	-0.6	21.1	12.8	19.4	19.4	12.5	16.9	16.0	22.8	3.1	10.9	1.4	1.3	0.9	0.9	10.0	
DOUTOR NICHIRETS HOLDINGS CO	3087	1,666	76.0	-0.3	-2.7	3.3	-3.2	4.2	1.6	NA	18.3	25.9	0.8	11.1	0.4	1.5	-3.5	2.3	14.7	
BRONCO BILLY CO LTD	3091	2,449	36.9	-0.3	-12.6	6.8	4.4	NA	NA	47.8	NA	NA	2.1	NA	NA	NA	0.7	-1.7	3.6	5.0
MONOGATARI CORP (TP 9,100 Buy)	3097	7,280	87.9	0.1	10.5	10.2	14.6	15.3	16.0	32.2	26.7	22.6	4.4	11.4	1.2	0.9	-4.6	13.9	29.0	
CHIMNEY CO LTD	3178	1,469	28.4	0.8	-60.7	-37.1	-65.7	NA	NA	NA	NA	NA	4.6	NA	NA	NA	-0.1	9.9	20.6	
TORIKIZOKU HOLDINGS CO LTD (TP 2,100 Hold)	3193	1,975	23.0	0.6	NA	NA	NA	1.7	11.4	NA	138.6	26.3	4.4	NA	1.3	0.0	-0.9	23.1	26.7	
HOTLAND CO LTD	3196	1,385	29.8	0.6	5.8	5.2	9.1	16.1	NA	45.0	25.5	29.0	3.9	NA	1.1	0.4	2.8	12.3	13.2	
SKYLARK HOLDINGS CO LTD (TP 1,550 Hold)	3197	1,553	353.3	2.1	-15.6	17.8	0.9	1.2	1.8	264.6	270.9	72.7	2.3	8.1	1.7	0.3	-0.7	10.5	1.0	
SFP HOLDINGS CO LTD	3198	1,480	38.2	-0.1	-53.8	-1.0	-19.2	14.4	NA	NA	21.2	25.4	3.3	NA	2.6	0.0	1.4	8.3	15.9	
CREATE RESTAURANTS HOLDINGS	3387	745	141.1	3.5	-28.7	21.7	0.8	27.2	NA	1,201.6	22.1	33.9	6.5	NA	2.5	0.6	-18.4	-11.8	34.7	
SAINT MARC HOLDINGS CO LTD	3395	1,556	35.4	-0.2	-13.7	-6.3	-11.6	0.7	3.0	NA	138.3	34.2	0.9	12.0	0.5	2.8	-3.1	2.7	5.3	
TORIDOLL HOLDINGS CORP	3397	2,984	261.1	3.0	0.2	10.7	-0.8	9.9	10.4	NA	62.0	46.6	8.2	12.8	2.5	0.2	15.1	54.1	118.3	
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,066	95.3	1.5	8.1	23.7	13.0	13.6	13.7	20.9	19.2	17.9	2.6	15.7	4.2	2.5	-1.9	2.3	8.5	
KUSHIKATSU TANAKA HOLDINGS C	3547	2,339	21.8	0.3	-38.7	-22.6	-36.9	2.7	31.4	NA	300.4	42.3	16.1	NA	4.5	0.3	6.8	28.7	31.1	
CHIKARANOMOTO HOLDINGS CO LT	3561	627	17.0	3.7	-31.1	-0.2	-55.1	NA	NA	NA	NA	NA	5.8	NA	NA	NA	1.8	6.8	3.3	
FOOD & LIFE COMPANIES LTD	3563	4,975	577.4	2.2	17.5	16.2	23.0	23.8	24.4	43.8	36.4	29.9	9.1	16.0	2.4	0.6	0.2	12.0	47.8	
ATOM CORP	7412	790	152.9	0.2	-19.3	-5.9	-10.8	NA	NA	NA	NA	NA	19.4	NA	NA	NA	4.5	4.2	-7.6	
KAPPA CREATE CO LTD	7421	1,421	70.2	0.4	-2.5	2.9	3.2	NA	NA	205.9	NA	NA	6.5	NA	NA	NA	5.4	6.2	-3.3	
WATAMI CO LTD	7522	1,004	42.9	3.5	-23.1	-11.4	-73.5	NA	NA	NA	NA	NA	2.9	NA	NA	NA	-2.7	14.2	3.8	
ZENSHO HOLDINGS CO LTD	7550	2,737	423.9	2.2	2.3	7.3	12.2	14.6	13.6	42.2	30.3	38.2	4.9	11.9	0.9	0.7	4.8	1.7	7.8	
KOURAKUEN HOLDINGS CORP	7554	1,509	25.3	1.1	-14.4	0.6	13.5	NA	NA	51.3	NA	NA	6.4	NA	NA	NA	1.9	5.7	-15.9	
ANRAKUTEI CO LTD	7562	6,000	12.8	1.6	58.7	-1.3	2.9	NA	NA	98.8	NA	NA	2.9	NA	NA	NA	-1.0	6.2	22.3	
SAIZERIYA CO LTD	7581	3,080	161.0	-0.2	-0.3	6.3	2.2	9.8	6.8	84.8	20.0	23.6	1.8	8.3	0.9	0.6	12.4	29.6	69.5	
HIDAY HIDAKA CORP	7611	1,662	63.4	-0.3	-23.8	-10.2	-7.0	NA	NA	NA	NA	NA	3.0	NA	NA	NA	1.4	-0.5	-0.1	
COLOWIDE CO LTD	7616	1,689	146.8	3.6	-14.4	8.7	-35.2	NA	NA	NA	NA	NA	7.8	NA	NA	NA	0.1	-8.9	4.1	
UKAI CO LTD	7621	3,010	15.8	1.5	-7.7	-9.1	-43.3	NA	NA	NA	NA	NA	6.6	NA	NA	NA	-0.8	-2.9	1.0	
GLOBAL-DINING INC	7625	483	5.0	0.9	34.8	-1.1	25.6	NA	NA	7.6	NA	NA	1.7	NA	NA	NA	-6.2	12.9	182.5	
ICHIBANYA CO LTD	7630	4,620	147.5	-0.5	-5.4	9.4	8.5	8.9	NA	57.2	54.6	38.8	4.9	NA	2.9	1.7	2.7	-4.9	-14.1	
ASAKUMA CO LTD	7678	1,538	8.3	-0.4	-21.0	-21.8	-43.6	NA	NA	NA	NA	NA	3.7	NA	NA	NA	-0.4	0.5	0.6	
MOS FOOD SERVICES INC	8153	3,150	100.8	-0.2	8.3	9.0	5.0	4.4	NA	43.7	47.9	40.5	2.1	NA	1.2	0.8	-1.4	3.3	10.7	
KISQII CO LTD	8160	2,201	57.7	0.0	-12.3	NA	-16.5	NA	NA	NA	NA	NA	2.5	NA	NA	NA	-1.3	-4.4	-11.4	
SRS HOLDINGS CO LTD	8163	785	30.2	0.5	-0.7	8.0	8.8	NA	NA	29.8	NA	NA	2.3	NA	NA	NA	2.3	-1.8	-13.4	
ROYAL HOLDINGS CO LTD	8179	2,144	97.3	2.3	-27.7	-14.3	-55.3	-13.8	10.9	NA	NA	53.1	3.3	NA	1.6	0.0	1.2	14.3	16.1	
RINGER HUT CO LTD	8200	2,266	59.1	1.0	-14.1	-2.2	-13.0	6.3	NA	NA	89.9	222.2	5.3	NA	2.0	0.4	-3.7	4.8	1.5	
GIFT INC	9279	3,120	31.1	0.2	23.2	6.0	22.4	23.0	NA	39.1	30.2	24.6	8.0	NA	2.3	0.5	5.4	40.6	69.0	
GENKI SUSHI CO LTD	9828	2,708	24.1	0.6	6.7	5.8	6.3	NA	NA	45.9	NA	NA	2.8	NA	NA	NA	-3.2	8.5	16.8	
GOURMET KINEYA CO LTD	9850	997	22.8	1.5	-28.3	0.9	-28.0	NA	NA	NA	NA	NA	2.8	NA	NA	NA	1.3	5.4	2.2	
GINZA RENOIR CO LTD	9853	#N/A	N/A	5.2	0.1	-25.9	-39.4	-37.8	NA	NA	NA	NA	1.7	NA	NA	NA	0.2	1.5	1.1	
YOSHINOYA HOLDINGS CO LTD	9861	2,388	155.5	0.8	-14.9	8.1	3.2	11.6	2.5	115.9	30.9	140.2	3.6	17.8	1.2	0.0	11.3	17.9	21.9	
KFC HOLDINGS JAPAN LTD	9873	2,900	65.0	-0.8	12.6	8.4	17.8	NA	NA	16.0	NA	NA	2.7	NA	NA	NA	-2.4	4.7	9.2	
MATSUYAFOODS HOLDINGS CO LTD	9887	3,655	69.7	0.3	-4.7	0.8	2.3	NA	NA	73.6	NA	NA	1.7	NA	NA	NA	-0.7	2.5	5.5	
SAGAMI HOLDINGS CORP	9900	1,050	31.8	-0.2	-9.2	-4.0	-7.8	NA	NA	NA	NA	NA	2.4	NA	NA	NA	3.9	6.1	-19.5	
OHSO FOOD SERVICE CORP (TP 7,250 Buy)	9936	5,970	139.0	-0.2	-0.3	11.6	12.8	13.8	NA	16.3	15.6	19.6	2.0	NA	1.5	1.8	-0.2	2.8	-1.3	
JOYFULL CO LTD	9942	813	26.0	4.9	-23.6	-3.8	102.0	NA	NA	13.8	NA	NA	7.9	NA	NA	NA	1.2	-3.4	14.8	
DAISYO CORP	9979	1,027	21.8	0.9	-21.0	2.7	-35.7	NA	NA	NA	NA	NA	1.9	NA	NA	NA	-1.6	5.2	-5.0	
Average				1.0	-7.8	0.5	-7.5	10.1	11.4	115.5	66.7	43.7	4.6	15.2	1.8	0.8	0.8	7.3	16.5	
Median				0.5	-9.2	2.8	1.5	10.8	11.2	43.8	30.9	31.0	3.4	12.0	1.5	0.6	0.2	5.2	7.7	

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

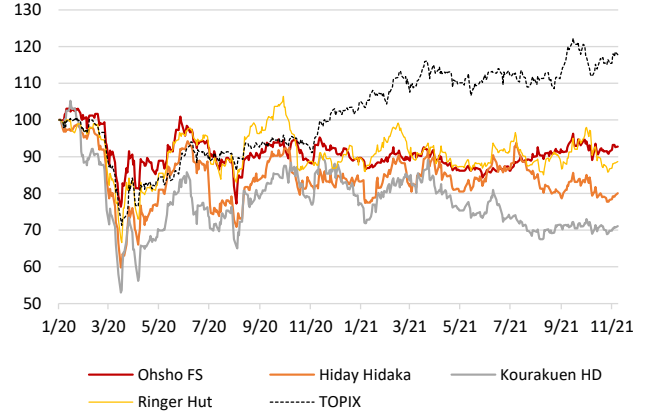
Stock price trends for food service companies

Figure: Stock price trends (family restaurants, general type)



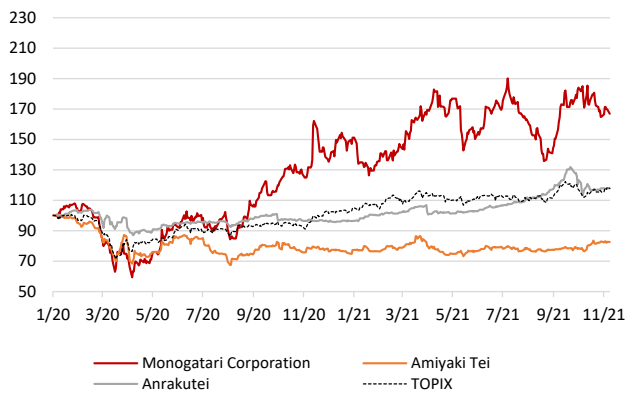
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



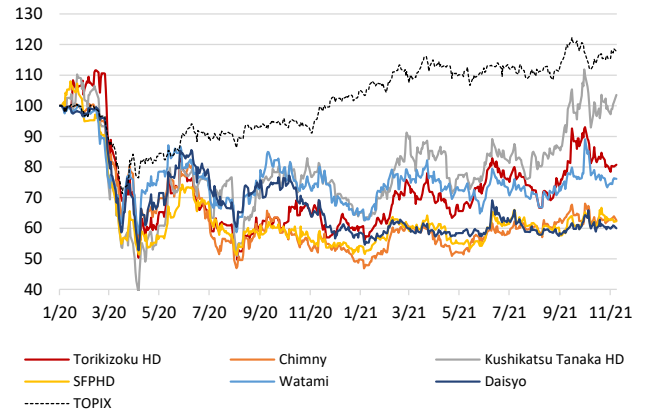
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



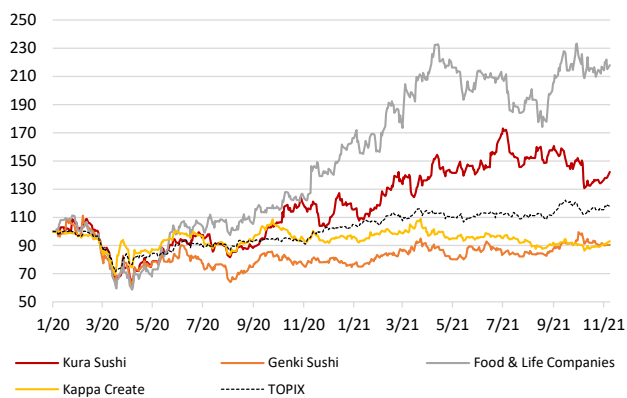
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



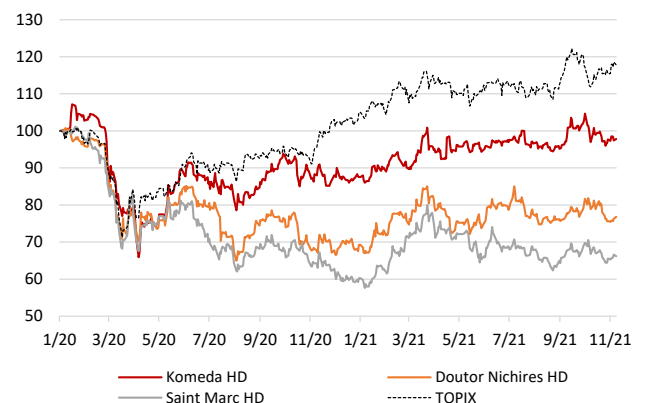
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (sushi restaurants)



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (coffee shops)



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

APPENDIX

[Analyst Certification]

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The target price and ratings are based on our views for the next 12 months or so.

Buy: Stocks whose total return (percentage change in share price from current price to projected target price plus projected dividend yield), as of the time the target price is set or changed, is expected to be 15% or more.

Hold: Stocks whose total return (percentage change in share price from current price to projected target price plus projected dividend yield), as of the time the target price is set or changed, is expected to be between -15% and +15%.

Sell: Stocks whose total return (percentage change in share price from current price to projected target price plus projected dividend yield), as of the time the target price is set or changed, is expected to be -15% or less.

RS: Rating Suspended - Stocks for which the target price and rating have been temporarily suspended.

NR: No Rating - Stocks for which no target price or rating is assigned.

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6. Any family member of the analyst(s) listed on the cover of this report is a director or an advisor of the company covered by this report: N/A
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