



Monogatari Corporation

TSE 1st Section 3097 Industry: Food service, retail

October sales recovered significantly; Additional comments on 1Q results

October SSS significantly exceed pre-COVID levels. King is strong

On November 10, Monogatari Corporation (3097, the company) disclosed monthly data for October (on a preliminary basis). The company recovered substantially from September as the business environment improved. Note that in the case of the company, October 2020 was strongly affected by the Go To Eat campaign (same-store sales in October 2020 was 109.3% vs. October 2019), so we should focus on the comparison with October 2019.

Same-store sales for directly-owned stores were 112.1% vs. October 2019 (our estimate, same as follows; same month in year before last =100%; 78.6% for September). SSS for the Yakiniku division were 126.7% of October 2019 (91.7% for September). The number of holidays was one more than in October 2019.

SSS for directly-owned stores were 102.6% vs. October 2020 (same month last year = 100%; 80.8% for September). SSS for the Yakiniku division were 108.6% vs. October 2020 (90.3% for September). The number of holidays was one more than in October 2020.

The number of domestic directly-owned stores at end of October was 349 (+2 MoM).

1Q results reflects the company's aggressive stance

On November 9, the company announced 1Q (Jul-Sep) FY6/22 results. Sales were 15.730bn yen (-5.3% YoY), OP was -32m yen (vs. 1.723bn yen in 1Q FY6/21), and RP was 1.324bn yen (-25.9% YoY). 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.

OP reflects over 100m yen in TV commercial expenses. The company cast actress Yumi Wakatsuki in the Yakiniku King commercial in August and actress Noa Kawazono in the Marugen Ramen commercial in September. In addition, the company opened 9 directly-owned stores in Japan and overseas in 1Q. The company remains aggressive and continues to make necessary investments, which in our view is an important factor in assessing its competitiveness in the post-COVID period.

RP includes a subsidy income of 1.339bn yen. Subsidy income is recorded on an application basis. Subsidy income to be posted in 2Q and beyond is approximately 1bn yen. The total of 1Q RP (1.324bn yen) and subsidy income postponed to 2Q and beyond (approximately 1bn yen) is approximately 2.324bn yen, which is 83% of 1H RP guidance (2.802bn yen).

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

MITA SECURITIES Co., Ltd.

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Update

Rating

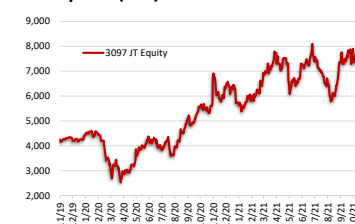
Buy

Target price (JPY)	9,100
Stock price (JPY) (Nov 10)	6,940
Market cap (JPYbn)	83.8

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	31.3	22.2	21.2
PBR	x	2.9	2.9	4.4	3.7	3.3
Div. yield	%	1.0	1.1	0.8	1.1	1.3
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

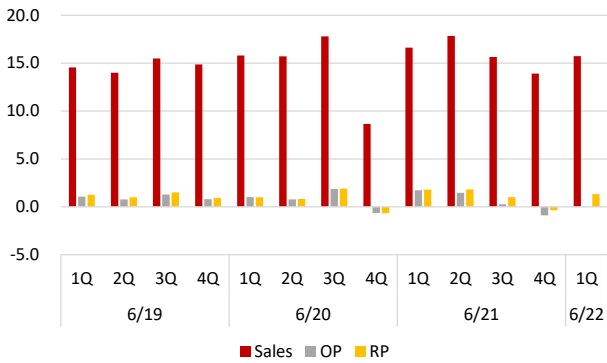
Company profile

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

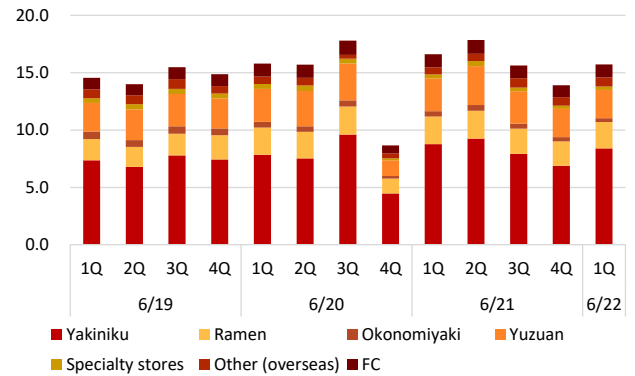
Quarterly data

Figure: Quarterly earnings (JPYbn)



Source: Company data, Mita Securities

Figure: Sales by division (JPYbn)

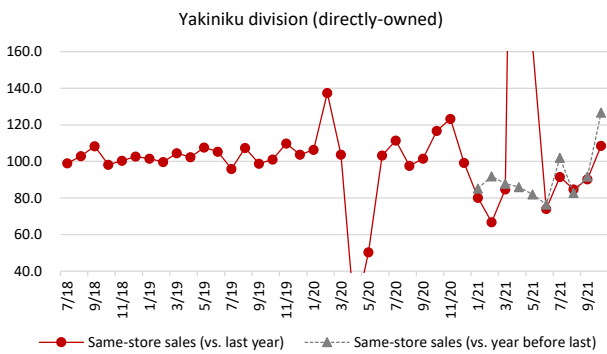


Source: Company data, Mita Securities

Monthly same-store sales data

Yakiniku (Japanese BBQ)

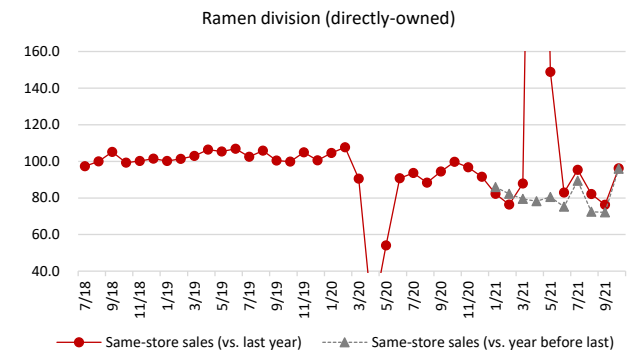
Figure: Monthly data (directly-owned)



Source: Company data, Mita Securities

Ramen

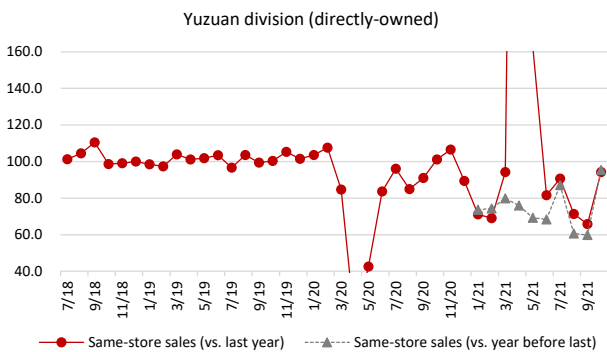
Figure: Monthly data (directly-owned)



Source: Company data, Mita Securities

Yuzuan

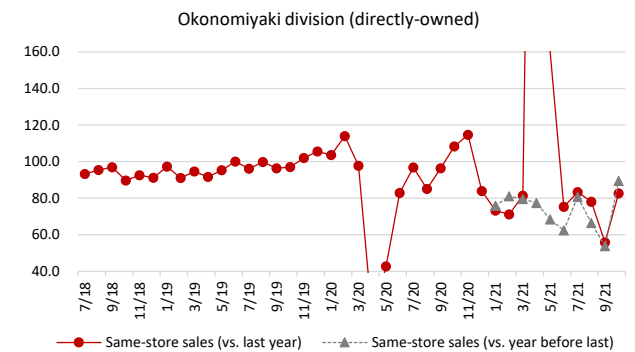
Figure: Monthly data (directly-owned)



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

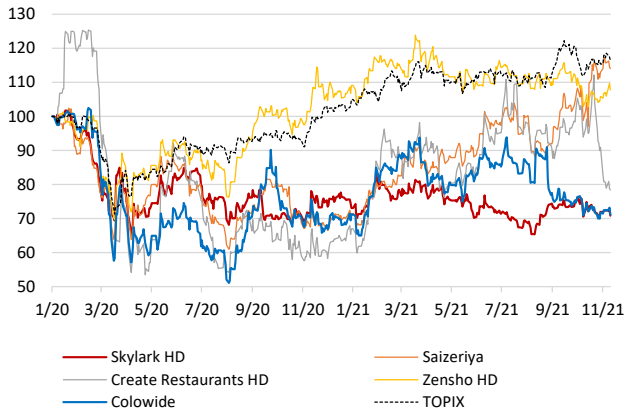
Company name	Ticker	PX 9-Nov	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE	ROE	ROE	PER	PER	PER	PBR Last	EV/EBITDA	EV/Sales	Div yield	1M	3M	1YR	
							LTM	Cur E	Next E	LTM	Cur E	Next E		Cur E	Next E	Cur E	Cur E	Cur E	Chg	Chg
KURA SUSHI INC (TP 5,000 Buy)	2695	3,790	156.9	-0.1	13.7	4.6	4.9	3.2	10.1	70.5	104.8	32.0	3.4	49.2	1.1	0.5	6.6	-11.8	19.2	
MCDONALD'S HOLDINGS CO JAPAN	2702	5,090	676.8	-0.2	5.6	14.8	12.7	12.0	11.9	30.9	29.9	26.8	3.7	12.7	1.9	0.7	-1.9	4.4	-0.2	
OOTOYA HOLDINGS CO LTD	2705	2,727	19.8	0.2	-12.1	6.0	NA	NA	NA	35.0	NA	NA	9.3	NA	NA	NA	1.7	-1.8	28.4	
FUJIO FOOD GROUP INC	2752	1,410	62.9	3.6	-19.5	-2.0	-48.9	15.7	NA	NA	77.5	36.8	13.5	NA	2.8	0.0	3.7	5.8	-3.6	
AMIYAKI TEI CO LTD	2753	3,010	20.6	-0.1	-16.2	-8.2	0.2	2.0	NA	556.5	39.7	10.9	1.0	NA	0.5	0.0	3.8	4.9	2.1	
HIRAMATSU INC	2764	207	15.5	4.1	-6.1	-26.6	-86.1	NA	NA	NA	NA	NA	3.8	NA	NA	NA	-5.0	8.9	1.0	
PEPPER FOOD SERVICE CO LTD	3053	388	15.3	2.4	NA	NA	NA	NA	NA	NA	NA	NA	5.7	NA	NA	NA	-0.5	-0.5	43.7	
CHOUJIMARU CO LTD	3075	1,183	17.2	-0.8	-0.6	2.8	7.2	NA	NA	33.7	NA	NA	2.3	NA	NA	NA	1.5	3.6	5.4	
ARCLAND SERVICE HOLDINGS CO	3085	2,268	75.1	-0.6	21.1	12.8	19.4	19.4	12.5	16.7	15.8	22.6	3.0	10.8	1.4	1.3	0.1	-1.2	8.9	
DOUTOR NICHIRETSU HOLDINGS CO	3087	1,645	75.0	-0.3	-2.7	3.3	-3.2	4.2	1.6	NA	18.1	25.6	0.8	10.9	0.4	1.5	-4.7	-0.2	7.8	
BRONCO BILLY CO LTD	3091	2,437	36.7	-0.3	-12.6	6.8	4.4	NA	NA	47.5	NA	NA	2.1	NA	NA	NA	0.7	-2.2	1.4	1.8
MONOGATARI CORP (TP 9,100 Buy)	3097	7,080	85.5	0.1	7.4	10.2	11.7	15.3	16.0	37.6	25.9	21.9	4.2	11.3	1.2	0.9	-7.2	5.8	21.8	
CHIMNEY CO LTD	3178	1,461	28.3	0.8	-61.2	-34.0	-43.7	NA	NA	NA	NA	NA	4.2	NA	NA	NA	-0.6	1.7	7.6	
TORIKIZOKU HOLDINGS CO LTD (TP 2,100 Hold)	3193	1,970	22.9	0.6	NA	NA	NA	1.7	11.4	NA	138.2	26.3	4.4	NA	1.3	0.0	-1.1	14.8	20.0	
HOTLAND CO LTD	3196	1,365	29.4	0.6	5.8	5.2	9.1	16.1	NA	44.4	25.1	28.6	3.8	NA	1.1	0.4	1.3	8.3	8.9	
SKYLARK HOLDINGS CO LTD (TP 1,550 Hold)	3197	1,524	346.7	2.1	-15.6	17.8	0.9	1.2	1.8	259.6	265.8	71.3	2.2	8.0	1.7	0.3	-2.6	6.1	-9.2	
SFP HOLDINGS CO LTD	3198	1,452	37.4	-0.1	-53.8	-1.0	-19.2	14.4	NA	NA	20.8	24.9	3.2	NA	2.5	0.0	-0.5	2.5	5.4	
CREATE RESTAURANTS HOLDINGS	3387	741	140.4	3.5	-28.7	21.7	0.8	27.2	NA	1,195.2	22.0	33.7	6.5	NA	2.5	0.6	-18.8	-16.6	19.3	
SAINT MARC HOLDINGS CO LTD	3395	1,543	35.1	-0.2	-13.7	-6.3	-11.6	0.7	3.0	NA	137.2	33.9	0.9	11.8	0.5	2.9	-3.9	0.7	-1.5	
TORIDOLL HOLDINGS CORP	3397	2,924	255.9	3.0	0.2	10.7	-0.8	9.9	10.4	NA	60.7	45.6	8.0	12.7	2.5	0.2	12.8	47.2	107.4	
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,047	94.4	1.5	8.1	23.7	13.0	13.6	13.7	20.7	19.0	17.7	2.6	15.6	4.2	2.5	-2.8	0.4	6.4	
KUSHIKATSU TANAKA HOLDINGS C	3547	2,280	21.3	0.3	-38.7	-22.6	-36.9	2.7	31.4	NA	293.5	41.3	15.8	NA	4.4	0.3	4.4	21.6	24.9	
CHIKARANOMOTO HOLDINGS CO LT	3561	622	16.8	3.7	-31.1	-0.2	-55.1	NA	NA	NA	NA	NA	5.8	NA	NA	NA	1.0	3.5	-4.3	
FOOD & LIFE COMPANIES LTD	3563	5,020	582.7	2.2	17.5	16.2	23.0	23.1	23.8	44.2	37.3	30.6	9.2	16.2	2.4	0.6	1.1	13.4	53.0	
ATOM CORP	7412	778	150.6	0.2	-19.3	-5.9	-10.8	NA	NA	NA	NA	NA	19.1	NA	NA	NA	2.9	0.5	-11.0	
KAPPA CREATE CO LTD	7421	1,401	69.2	0.4	0.9	3.7	8.2	NA	NA	79.4	NA	NA	6.3	NA	NA	NA	3.9	1.8	-6.2	
WATAMI CO LTD	7522	987	42.1	3.5	-23.1	-11.4	-73.5	NA	NA	NA	NA	NA	2.8	NA	NA	NA	-4.4	5.9	-4.5	
ZENSHO HOLDINGS CO LTD	7550	2,688	416.3	2.2	2.3	7.3	12.2	14.6	13.6	41.5	29.7	37.5	4.8	11.9	0.9	0.7	2.9	-1.6	4.3	
KOURAKUEN HOLDINGS CORP	7554	1,500	25.2	1.1	-14.4	0.6	13.5	NA	NA	51.0	NA	NA	6.4	NA	NA	NA	1.3	1.7	-19.6	
ANRAKUTEI CO LTD	7562	5,980	12.8	1.6	58.7	-1.3	2.9	NA	NA	98.5	NA	NA	2.9	NA	NA	NA	-1.3	5.3	21.8	
SAIZERIYA CO LTD	7581	3,070	160.5	-0.2	-0.3	6.3	2.2	9.8	6.8	84.6	19.9	23.5	1.8	8.2	0.9	0.6	12.1	23.6	57.0	
HIDAY HIDAKA CORP	7611	1,661	63.4	-0.3	-23.8	-10.2	-7.0	NA	NA	NA	NA	NA	3.0	NA	NA	NA	1.4	-0.6	-1.2	
COLOWIDE CO LTD	7616	1,641	142.6	3.6	-14.4	8.7	-35.2	NA	NA	NA	NA	NA	7.6	NA	NA	NA	-2.8	-19.0	-6.0	
UKAI CO LTD	7621	3,015	15.8	1.5	-7.7	-9.1	-43.3	NA	NA	NA	NA	NA	6.6	NA	NA	NA	-0.7	-2.6	-1.1	
GLOBAL-DINING INC	7625	466	4.8	0.9	34.8	-1.1	25.6	NA	NA	7.3	NA	NA	1.6	NA	NA	NA	-9.5	1.5	169.4	
ICHIBANYA CO LTD	7630	4,595	146.7	-0.5	-5.4	9.4	8.5	8.9	NA	56.9	54.3	38.6	4.9	NA	2.9	1.7	2.1	-5.6	-16.8	
ASAKUMA CO LTD	7678	1,523	8.2	-0.4	-22.5	-21.8	-43.6	NA	NA	NA	NA	NA	3.6	NA	NA	NA	-1.4	0.1	-1.4	
MOS FOOD SERVICES INC	8153	3,120	99.9	-0.2	8.3	9.0	5.0	4.4	NA	43.3	47.4	40.1	2.1	NA	1.2	0.8	-2.3	1.6	7.4	
KISQJI CO LTD	8160	2,180	57.1	0.0	-12.3	NA	-16.5	NA	NA	NA	NA	NA	2.5	NA	NA	NA	-2.3	-6.5	-14.0	
SRS HOLDINGS CO LTD	8163	777	29.9	0.5	-0.7	8.0	8.8	NA	NA	29.5	NA	NA	2.2	NA	NA	NA	1.3	-3.7	-15.7	
ROYAL HOLDINGS CO LTD	8179	2,080	94.4	2.3	-27.7	-14.3	-55.3	-13.8	10.9	NA	NA	51.5	3.2	NA	1.6	0.0	-1.8	6.9	2.8	
RINGER HUT CO LTD	8200	2,221	57.9	1.0	-14.1	-2.2	-13.0	6.3	NA	NA	88.1	217.7	5.2	NA	1.9	0.5	-5.6	0.6	-2.2	
GIFT INC	9279	3,065	30.5	0.2	23.2	6.0	22.4	23.0	NA	38.4	29.6	24.2	7.8	NA	2.3	0.5	3.5	36.0	63.9	
GENKI SUSHI CO LTD	9828	2,687	23.9	0.6	6.7	5.8	6.3	NA	NA	45.6	NA	NA	2.8	NA	NA	NA	-4.0	7.0	11.4	
GOURMET KINEYA CO LTD	9850	995	22.8	1.5	-28.3	0.9	-28.0	NA	NA	NA	NA	NA	2.7	NA	NA	NA	1.1	5.3	-0.5	
GINZA RENOIR CO LTD	9853	829	5.2	0.1	-25.9	-39.4	-37.8	NA	NA	NA	NA	NA	1.7	NA	NA	NA	0.7	2.1	2.1	
YOSHINOYA HOLDINGS CO LTD	9861	2,362	153.8	0.8	-14.9	8.1	3.2	11.6	2.5	114.6	30.5	138.7	3.5	17.6	1.1	0.0	10.1	15.8	17.9	
KFC HOLDINGS JAPAN LTD	9873	2,903	65.1	-0.8	12.6	8.4	17.8	NA	NA	16.0	NA	NA	2.7	NA	NA	NA	-2.3	4.1	11.2	
MATSUYAFOODS HOLDINGS CO LTD	9887	3,630	69.2	0.3	-4.7	0.8	2.3	NA	NA	73.1	NA	NA	1.7	NA	NA	NA	-1.4	1.7	1.4	
SAGAMI HOLDINGS CORP	9900	1,034	31.3	-0.2	-9.2	-4.0	-7.8	NA	NA	NA	NA	NA	2.4	NA	NA	NA	2.3	2.6	-22.4	
OHSHO FOOD SERVICE CORP (TP 7,250 Buy)	9936	5,960	138.8	-0.2	-0.3	11.6	12.8	13.8	NA	16.3	15.6	19.5	2.0	NA	1.5	1.8	-0.3	1.5	-2.9	
JOYFULL CO LTD	9942	812	25.9	4.9	-23.6	-3.8	102.0	NA	NA	13.7	NA	NA	7.9	NA	NA	NA	1.1	-3.3	14.5	
DAISYO CORP	9979	1,016	21.5	0.9	-21.0	2.7	-35.7	NA	NA	NA	NA	NA	1.9	NA	NA	NA	-2.7	2.7	-12.7	
Average				1.0	-7.8	0.6	-7.0	10.0	11.3	110.4	65.9	43.1	4.6	15.1	1.8	0.8	-0.2	3.9	11.7	
Median				0.5	-9.2	3.0	1.5	10.8	11.2	44.2	30.5	31.3	3.4	11.8	1.5	0.6	-0.5	1.8	2.8	

Source: Bloomberg Finance LP data, Mita Securities

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

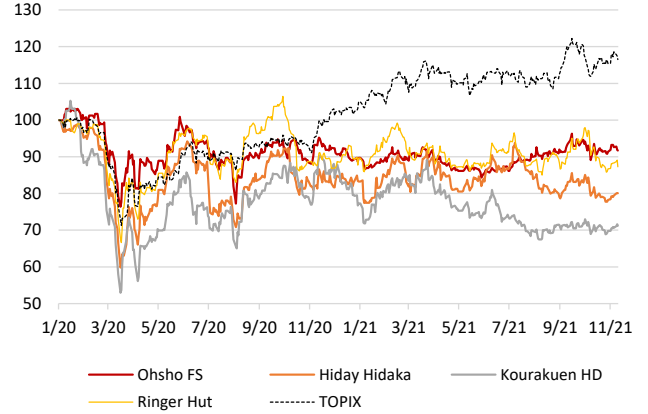
Stock price trends for food service companies

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



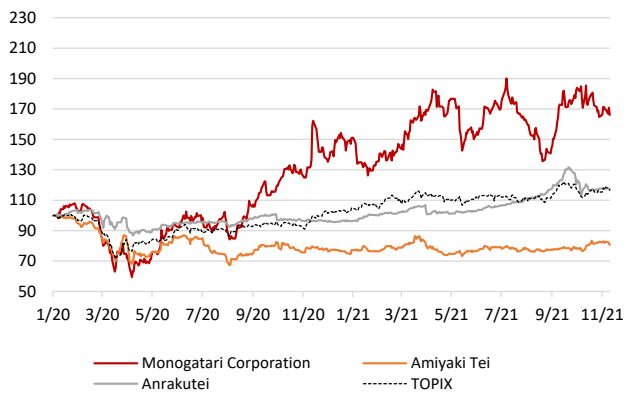
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



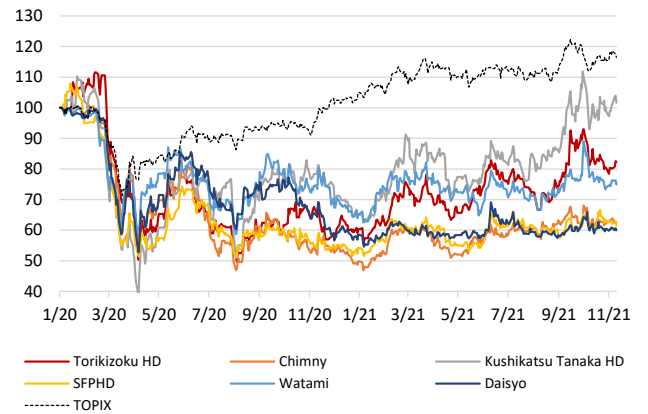
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



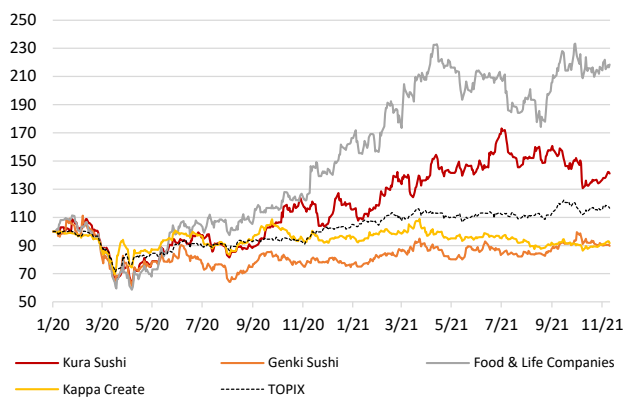
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



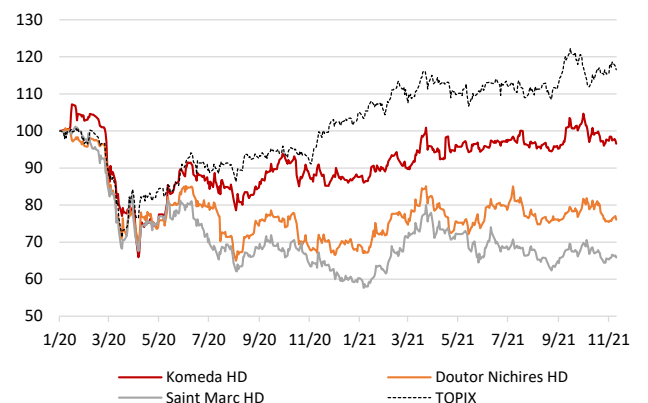
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

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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