



MonotaRO

TSE 1st Section 3064 Industry: Retail, Internet

Lowering our earnings forecast and target price

New target price 2,350 yen, maintaining a Hold rating

We have updated our earnings forecast for MonotaRO (3064, the company) based on its 3Q FY12/21 results and October–November sales. Following the forecast change, we have lowered our target price from 2,750 yen to 2,350 yen. We maintain our Hold rating.

We have lowered FY12/21 consolidated sales forecast from 191.8bn yen to 189.6bn yen (+20.5% YoY) and OP forecast from 24.4bn yen to 23.6bn yen (+20.1% YoY). Our forecasts are below the company's guidance of 194.2bn yen in sales and 24.7bn yen in OP.

We have also lowered FY12/22 sales forecast from 231.9bn yen to 226.8bn yen (+19.6% YoY) and OP forecast from 28.3bn yen to 26.8bn yen (+13.6% YoY). For FY12/22, we expect OPM to decline (OPM forecast: 12.4% in FY12/21 and 11.8% in FY12/22) due to 1) lower gross profit margin from higher procurement prices due to inflation and 2) higher SG&A expenses from the start of operations at the Inagawa DC. See page 3 for the details of our OPM forecast.

Effect of pandemic to promote EC for MRO product distribution was temporary

On a parent basis, the sales growth of large corporation business has been remarkable, while the sales growth of monogaro.com business, which accounts for approximately 80% of sales, has been calming down. During the early stages of the coronavirus outbreak in FY12/20, there was a sharp increase in the use of monotaro.com by consumers seeking masks. However, repeat use of the on-line store by consumers has not been strong since then. In addition, the sales growth of monotaro.com to SMEs, the company's core customer base, has been gradually declining. The pandemic led to expectations of a dramatic shift to EC for the distribution of MRO products to SMEs, but this did not materialize, and the effect appears to have been temporary, in our view.

Challenges in the growth prospects of overseas subsidiaries

The company's overseas subsidiaries (South Korea, Indonesia, and India) have not been able to grow sufficiently due to the impact of the pandemic and region-specific factors. The company's ability to build a high-growth and highly profitable business overseas, similar to that in Japan, would be an important factor in the long-term valuation of its shares. However, even the most successful business in South Korea is not large enough (sales in South Korea are less than 4% of Japan's) to warrant a positive valuation.

Valuations and risk factors

In calculating our target price, we used a residual income model (RIM) with a cost of equity of 4.5% (unchanged) and a terminal growth rate of 2.0% (previously 2.5%), based on our earnings forecast for FY12/21–FY12/26 (updated due to progress of the term). Our target price is equivalent to 53x our FY12/23 EPS forecast of 44.26 yen.

Upside risk factors for our view include faster-than-expected growth in sales to large corporations and early expansion of overseas business. Downside risk factors include a decline in demand for MRO products due to macroeconomic deterioration, higher-than-expected procurement and shipping costs, a significant increase in overseas business losses, and a large-scale share sale by its major shareholders.

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Forecast change

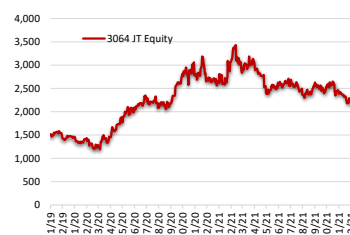
Rating
Hold

Target price (JPY)	2,350 ← 2,750
Stock price (JPY) (Dec 15)	2,183
Market cap (JPYbn)	1,094.3

Key changes

Rating	No
Target price	Yes
Earnings forecast	Yes

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		12/20	12/21E	12/22E	12/23E	12/24E
Sales	JPYbn	157.3	189.6	226.8	267.0	311.6
OP	JPYbn	19.6	23.5	26.8	31.5	37.6
RP	JPYbn	19.7	23.7	26.8	31.5	37.6
NP	JPYbn	13.8	16.4	18.7	22.0	26.3
EPS	JPY	27.7	32.9	37.6	44.3	52.9
BPS	JPY	94.1	112.8	136.4	162.7	193.6
DPS	JPY	9.0	11.5	14.0	18.0	22.0
PER	x	94.7	66.3	58.0	49.3	41.3
PBR	x	27.9	19.4	16.0	13.4	11.3
Div. yield	%	0.3	0.5	0.6	0.8	1.0
ROA	%	19.5	19.0	18.1	17.2	17.6
ROE	%	32.9	31.8	30.2	29.6	29.7

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.

Investment thesis

Outlook

Figure: Summary of Mita Securities' earnings forecast

JPYm	12/19	12/20	12/21	12/22	12/23	12/24	12/21	12/21	12/22	12/23	12/24
	A	A	Mita E	Mita E	Mita E	Mita E	CoE	Consensus	Consensus	Consensus	Consensus
Consolidated earnings											
Sales	131,463	157,337	189,565	226,800	267,041	311,620	194,220	189,100	223,543	259,000	297,904
(YoY, %)	20.0	19.7	20.5	19.6	17.7	16.7					
Gross profit	37,095	44,694	53,519	63,034	72,895	84,310					
(YoY, %)	15.8	20.5	19.7	17.8	15.6	15.7					
GPM (%)	28.2	28.4	28.2	27.8	27.3	27.1					
Operating profit	15,839	19,607	23,550	26,760	31,476	37,615	24,678	23,843	27,957	33,040	40,332
(YoY, %)	14.9	23.8	20.1	13.6	17.6	19.5					
OPM (%)	12.0	12.5	12.4	11.8	11.8	12.1					
Recurring profit	15,887	19,671	23,655	26,794	31,488	37,622	24,738	23,825	28,075	33,500	41,450
(YoY, %)	15.2	23.8	20.3	13.3	17.5	19.5					
Net profit	10,984	13,771	16,365	18,705	21,990	26,281	17,273	16,757	19,471	23,020	28,550
(YoY, %)	15.4	25.4	18.8	14.3	17.6	19.5					
Depreciation	1,395	1,562	2,282	3,385	3,857	4,351					
Capital expenditure	2,416	9,111	12,726	12,812	12,022	9,702					
Free CF	5,299	6,254	1,584	3,524	9,105	14,392					
Parent earnings											
Sales	126,543	151,798	182,389	218,285	256,888	299,438	186,759				
(YoY, %)	20.1	20.0	20.2	19.7	17.7	16.6					
monotaro.com, etc.	106,388	125,637	145,806	167,800	191,257	216,086	152,079				
(YoY, %)	15.9	18.1	16.1	15.1	14.0	13.0					
Large corp. business	20,155	26,161	36,584	50,485	65,631	83,351	34,680				
(YoY, %)	49.3	29.8	39.8	38.0	30.0	27.0					
Gross profit	36,111	43,475	52,149	61,409	70,958	81,986					
(YoY, %)	15.9	20.4	20.0	17.8	15.6	15.5					
GPM (%)	28.5	28.6	28.6	28.1	27.6	27.4					
Operating profit	16,430	20,149	23,879	27,029	31,655	37,669	25,041				
(YoY, %)	15.1	22.6	18.5	13.2	17.1	19.0					
OPM (%)	13.0	13.3	13.1	12.4	12.3	12.6					
Recurring profit	16,444	20,194	23,984	27,064	31,667	37,676	25,022				
(YoY, %)	15.4	22.8	18.8	12.8	17.0	19.0					
Net profit	11,309	13,139	16,528	18,809	22,009	26,185	17,365				
(YoY, %)	15.1	16.2	25.8	13.8	17.0	19.0					
Per share indicators											
EPS (adjusted for stock split, JPY)	22.11	27.72	32.94	37.65	44.26	52.90	34.77	33.73	39.19	46.33	57.46
BPS (adjusted for stock split, JPY)	74.57	94.12	112.77	136.41	162.67	193.57					
DPS (adjusted for stock split, JPY)	7.50	9.00	11.50	14.00	18.00	22.00	11.50				
Valuation, profitability, etc.											
PER (x)	66.1	94.7	66.3	58.0	49.3	41.3					
PBR (x)	19.6	27.9	19.4	16.0	13.4	11.3					
Dividend payout ratio (%)	33.9	32.5	34.9	37.2	40.7	41.6					
Dividend yield (%)	0.5	0.3	0.5	0.6	0.8	1.0					
ROA (%)	19.9	19.5	19.0	18.1	17.2	17.6					
ROE (%)	33.0	32.9	31.8	30.2	29.6	29.7					
Financial soundness indicators											
Capital ratio (%)	62.1	57.5	61.6	58.7	57.6	60.5					
Debt/Equity (x)	0.1	0.2	0.2	0.3	0.3	0.2					

Source: Company data, QUICK, Mita Securities

Note: Consensus forecasts are by QUICK consensus

Figure: Mita Securities' earnings forecast change (consolidated, JPYm)

JPYm	12/21	12/21	12/21	12/22	12/22	12/23	12/23
	CoE	Old Mita E	New Mita E	Old Mita E	New Mita E	Old Mita E	New Mita E
Sales	194,220	191,792	189,565	231,931	226,800	276,803	267,041
Operating profit	24,678	24,387	23,550	28,306	26,760	34,658	31,476
Recurring profit	24,738	24,395	23,655	28,287	26,794	34,587	31,488
Net profit	17,273	17,031	16,365	19,757	18,705	24,160	21,990
EPS (JPY)	34.77	34.28	32.94	39.77	37.65	48.63	44.26

Source: Company data, Mita Securities

Background to our forecast of OPM decline

The company's OPM for FY12/20 was 12.5%. Our OPM forecasts are 12.4% for FY12/21, 11.8% for FY12/22, and 11.8% for FY12/23. We expect the following factors to negatively impact OPM.

Factors for lower gross profit margin: Higher procurement costs due to inflation and yen depreciation, higher import costs due to container shortages, etc. The company has raised product prices, but this is not likely to be enough to recover gross profit margin, in our view.

Factors for higher SG&A ratio: We expect rent and depreciation expenses to become a burden due to the start of operations of the Inagawa DC, a large-scale logistics facility, as follows.

- The company plans to lease 4.5 floors and a hazardous materials warehouse in April 2022 (Phase 1), and add one more floor during the July-September period in 2023 (Phase 2).
- The company expects to pay 21.5bn yen (cumulative total for 2021-2031) in rent for the Phase 1 floors and 4.5bn yen (cumulative total for 2022-2031) for the additional floor in the Phase 2. The company also expects capital expenditures of 8.0bn yen for the Phase 1 and 7.9bn yen for the Phase 2. In addition, the company expects to incur 3.3bn yen in additional construction and restoration costs related to the building.

Higher procurement costs due to inflation and higher SG&A expenses due to the start of operations at new distribution center should put pressure on OPM in the near term

Figure: Major logistic facilities

Facility name	Amagasaki DC	Kasama DC	Ibaraki Chuo SC	Inagawa DC
Location	Hyogo Prefecture	Ibaraki Prefecture	Ibaraki Prefecture	Hyogo Prefecture
Start of operation	2014	2017	March, 2021	April, 2022 (Phase 1) July-September 2023 (Phase 2)
Shipping capacity	About 60k lines/day	About 100k lines/day	About 30k lines/day	About 180k lines/day Phase 1: about 90k lines/day Phase 2: about 90k lines/day

Source: Company data, Mita Securities

Figure: Ibaraki Chuo SC (image)



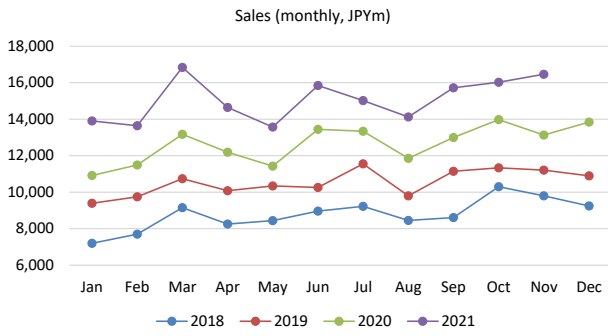
Source: Company data

Figure: Inagawa DC (image)



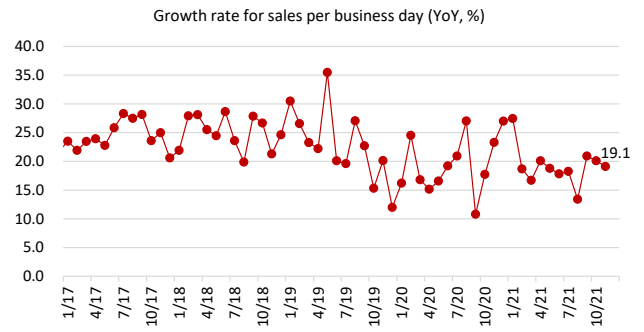
Source: Company data

Figure: Monthly sales



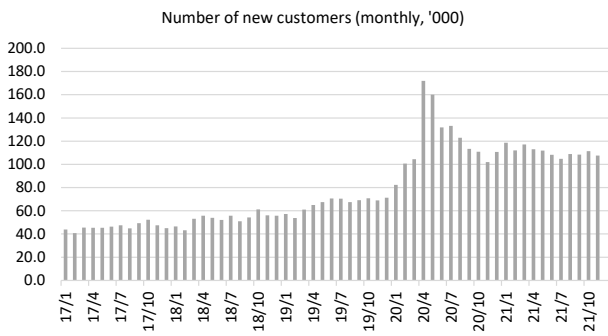
Source: Company data, Mita Securities Note: Parent basis

Figure: Sales growth (monthly)



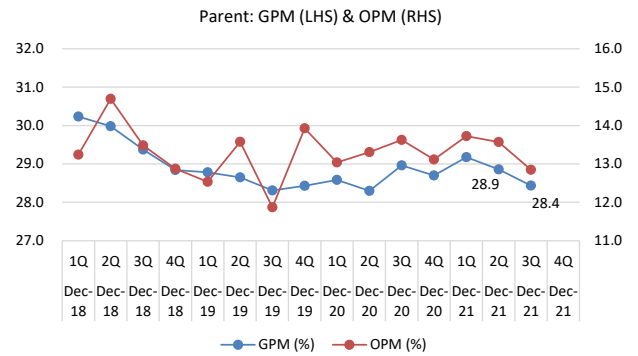
Source: Company data, Mita Securities Note: Parent basis, adjusted for business days

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

Valuations

Stock valuation based on the residual income model (RIM)

In calculating our target price, we used a residual income model (RIM) with a cost of equity of 4.5% (unchanged) and a terminal growth rate of 2.0% (previously 2.5%), based on our earnings forecast for FY12/21-FY12/26 (updated due to progress of the term). Our target price is equivalent to 53x our FY12/23 EPS forecast of 44.26 yen.

TP of 2,350 yen based on RIM

Figure: Residual Income Model (RIM)

	Y0	Y1	Y2	Y3	Y4	Y5	Y6~
	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E
JPYbn	12/21	12/22	12/23	12/24	12/25	12/26	12/27
Shareholders' equity (EOP)	56.0	67.8	80.8	96.2	114.2	135.2	
Net profit		18.7	22.0	26.3	31.0	35.8	
Cost of equity		2.5	3.0	3.6	4.3	5.1	
Residual income		16.2	18.9	22.6	26.6	30.7	
PV of residual income		15.5	17.3	19.8	22.3	24.6	
PV of terminal value							1,005.2
Beta	0.80						Estimated equity value (JPYbn) 1,160.9
Risk free rate (%)	0.50						Number of shares O/S (m) 497
Risk premium (%)	5.00						Target price (JPY) 2,350
Cost of equity (%)	4.50						
Terminal growth rate (%)	2.00						

Source: Company data, Mita Securities

Figure: Sensitivity of target price to terminal growth rate

	Terminal growth rate (%)												
	0.8	1.0	1.2	1.4	1.6	1.8	2.0	2.2	2.4	2.6	2.8	3.0	3.2
TP	1,650	1,750	1,850	1,950	2,050	2,200	2,350	2,500	2,750	3,000	3,300	3,700	4,250

Source: Mita Securities

Figure: Comparison of valuations for Japanese EC companies

Company	Ticker	Share price 15-Dec	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	Next E	Current E		Next E	Change		Change	Change	
ASKUL CORP	2678	1,440	147.6	17.5	15.8	15.3	2.5	4.9	0.2	15.9	16.1	3.9	20.2	2.9	2.1	-7.5	-17.4	-31.8
MONOTARO CO LTD	3064	2,183	1,094.3	68.3	64.7	56.1	20.1	36.1	4.9	32.8	30.7	15.6	21.6	15.4	0.5	-8.9	-13.9	-18.1
ZOZO INC	3092	3,430	1,068.9	31.0	29.2	26.3	23.7	17.8	5.8	59.9	49.4	9.9	16.0	10.9	1.6	-5.5	-17.9	33.3
MERCARI INC	4385	6,530	1,043.0	780.2	310.8	89.6	24.9	49.1	5.5	10.4	23.9	47.8	-42.3	247.0	0.0	-5.4	7.0	54.0
Z HOLDINGS CORP	4689	690	5,282.9	57.0	56.2	46.4	1.9	15.4	3.2	3.5	4.3	29.2	-12.4	21.0	0.8	-14.0	-6.2	13.7
RAKUTEN GROUP INC	4755	1,126	1,779.8	NA	NA	NA	2.2	0.5	0.0	-29.6	-13.8	3.5	NA	NA	0.4	-5.7	-0.3	12.7
MISUMI GROUP INC	9962	4,785	1,360.4	43.5	35.2	31.4	5.4	16.9	3.2	15.6	15.8	16.2	125.4	11.8	0.7	-5.2	-0.3	40.3
Average				166.2	85.3	44.2	11.5	20.1	3.3	15.5	18.1	18.0	21.4	11.8	0.9	-7.4	-7.0	10.2
Median				50.2	45.7	38.9	5.4	16.9	3.2	15.6	16.1	15.6	18.1	13.6	0.7	-5.7	-6.2	13.7

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

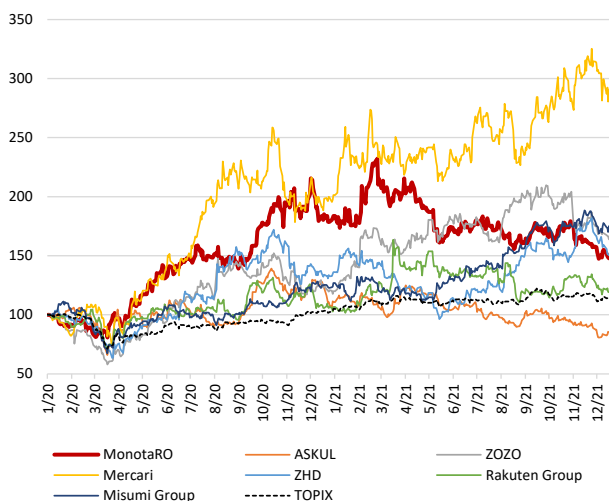
Figure: Comparison of valuations for overseas EC companies

Company	Ticker	Share price 15-Dec	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	Next E	Current E		Next E	Change		Change	Change	
AMAZON.COM INC	AMZN	3,466.30	1,757.9	67.8	60.9	50.9	14.6	21.4	3.3	19.6	20.2	9.9	1.5	19.7	0.0	-2.2	-0.3	9.5
ALIBABA GROUP HOLDING-SP ADR	BABA	122.47	332.0	18.2	14.5	12.3	2.2	8.3	1.6	11.8	12.2	16.4	-17.7	18.1	0.0	-26.5	-22.4	-52.0
EBAY INC	EBAY	65.61	41.1	16.5	16.5	14.4	3.8	10.9	4.1	58.8	34.2	-9.1	16.4	14.8	1.1	-11.6	-11.3	26.0
JD.COM INC-ADR	JD	73.66	114.8	86.3	46.5	35.5	3.4	24.9	0.5	2.8	6.4	24.2	-4.5	31.0	0.0	-13.0	-3.9	-7.3
VIPSHOP HOLDINGS LTD - ADR	VIPS	8.80	6.0	6.6	6.4	5.9	1.2	3.4	0.2	15.2	14.9	3.5	-3.5	7.8	0.0	-31.7	-33.2	-64.7
Average				39.1	29.0	23.8	5.0	13.8	1.9	21.6	17.6	9.0	-1.6	18.3	0.2	-17.0	-14.2	-17.7
Median				18.2	16.5	14.4	3.4	10.9	1.6	15.2	14.9	9.9	-3.5	18.1	0.0	-13.0	-11.3	-7.3

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

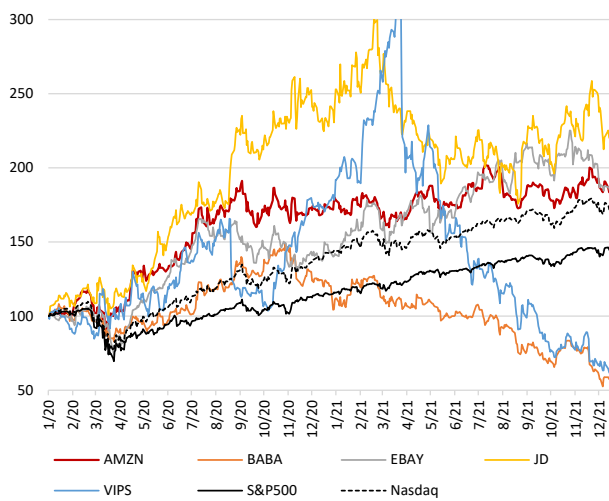
Figure: Stock price trends for Japanese EC companies



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

Risk factors

Upside risk factors for our view include faster-than-expected growth in sales to large corporations and early expansion of overseas business. Downside risk factors include a decline in demand for MRO products due to macroeconomic deterioration, higher-than-expected procurement and shipping costs, a significant increase in overseas business losses, and a large-scale share sale by its major shareholders.

Mita Securities' earnings forecast

Figure: Mita Securities' earnings forecast (consolidated, various indicators)

Various indicators	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	5-yr ave growth
Consolidated	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	(CAGR, %)
Sales growth (%)	20.0	19.7	20.5	19.6	17.7	16.7	15.2	13.9	
OP growth (%)	14.9	23.8	20.1	13.6	17.6	19.5	17.8	15.7	
RP growth (%)	15.2	23.8	20.3	13.3	17.5	19.5	17.8	15.7	
NP Growth (%)	15.4	25.4	18.8	14.3	17.6	19.5	17.8	15.7	
GPM (%)	28.2	28.4	28.2	27.8	27.3	27.1	26.8	26.7	
SGA/Sales (%)	16.2	15.9	15.8	16.0	15.5	15.0	14.5	14.1	
EBITDA margin (%)	13.2	13.5	13.7	13.3	13.3	13.5	13.7	13.8	
OPM (%)	12.0	12.5	12.4	11.8	11.8	12.1	12.3	12.5	
ROA (%)	19.9	19.5	19.0	18.1	17.2	17.6	18.2	18.5	
ROE (%)	33.0	32.9	31.8	30.2	29.6	29.7	29.4	28.7	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, PL, JPYm)

PL	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	5-yr ave growth
Consolidated, JPYm	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	(CAGR, %)
Sales	131,463	157,337	189,565	226,800	267,041	311,620	359,124	409,138	16.6
COGS	94,367	112,643	136,046	163,767	194,146	227,311	262,712	300,056	
Gross profit	37,095	44,694	53,519	63,034	72,895	84,310	96,412	109,082	
SGA	21,256	25,086	29,969	36,274	41,419	46,695	52,117	57,850	
Operating profit	15,839	19,607	23,550	26,760	31,476	37,615	44,295	51,231	16.8
Non-operating income	156	158	200	150	160	170	180	190	
Non-operating expense	108	94	95	115	148	163	168	172	
Recurring profit	15,887	19,671	23,655	26,794	31,488	37,622	44,307	51,249	16.7
Extraordinary gains	1	1	0	0	0	0	0	0	
Extraordinary losses	320	199	30	0	0	0	0	0	
Pre-tax profit	15,568	19,473	23,625	26,794	31,488	37,622	44,307	51,249	16.8
Corporate taxes	4,816	5,999	7,426	8,254	9,658	11,491	13,481	15,534	
Minority interests	-232	-297	-165	-165	-160	-151	-140	-127	
Net profit	10,984	13,771	16,365	18,705	21,990	26,281	30,967	35,842	17.0
EBITDA	17,332	21,268	25,964	30,218	35,406	42,040	49,209	56,622	
Shares O/S (m)	248	248	497	497	497	497	497	497	
EPS	44.22	55.44	32.94	37.65	44.26	52.90	62.33	72.14	
DPS	15.00	18.00	11.50	14.00	18.00	22.00	26.00	30.00	
Payout ratio (%)	33.9	32.5	34.9	37.2	40.7	41.6	41.7	41.6	
BPS	149.15	188.24	112.77	136.41	162.67	193.57	229.90	272.04	

Source: Company data, Mita Securities

Note: Per share indicators are not adjusted for stock splits, and therefore do not match the figures on pages 1 and 2.

Figure: Mita Securities' earnings forecast (parent, various indicators)

Various indicators	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	5-yr ave growth
Parent	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	(CAGR, %)
Sales growth (%)	20.1	20.0	20.2	19.7	17.7	16.6	15.1	13.7	
monotaro.com, etc. (%)	15.9	18.1	16.1	15.1	14.0	13.0	12.0	11.0	
Large corp. business (%)	49.3	29.8	39.8	38.0	30.0	27.0	23.0	20.0	
OP growth (%)	15.1	22.6	18.5	13.2	17.1	19.0	17.3	15.2	
RP growth (%)	15.4	22.8	18.8	12.8	17.0	19.0	17.3	15.2	
NP Growth (%)	15.1	16.2	25.8	13.8	17.0	19.0	17.3	15.2	
GPM (%)	28.5	28.6	28.6	28.1	27.6	27.4	27.2	27.0	
SGA/Sales (%)	15.6	15.4	15.5	15.8	15.3	14.8	14.4	14.0	
OPM (%)	13.0	13.3	13.1	12.4	12.3	12.6	12.8	13.0	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (parent, PL, JPYm)

PL	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	5-yr ave growth
Parent, JPYm	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	(CAGR, %)
Sales	126,543	151,798	182,389	218,285	256,888	299,438	344,505	391,595	16.5
monotaro.com, etc.	106,388	125,637	145,806	167,800	191,257	216,086	241,983	268,568	13.0
Large corp. business	20,155	26,161	36,584	50,485	65,631	83,351	102,522	123,026	27.5
COGS	90,431	108,323	130,240	156,876	185,930	217,451	250,881	285,859	
Gross profit	36,111	43,475	52,149	61,409	70,958	81,986	93,624	105,736	
SGA	19,681	23,325	28,270	34,380	39,304	44,317	49,436	54,823	
Operating profit	16,430	20,149	23,879	27,029	31,655	37,669	44,188	50,913	16.3
Recurring profit	16,444	20,194	23,984	27,064	31,667	37,676	44,200	50,930	16.3
Pre-tax profit	16,125	18,933	23,954	27,064	31,667	37,676	44,200	50,930	16.3
Net profit	11,309	13,139	16,528	18,809	22,009	26,185	30,719	35,396	16.5

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, BS, JPYm)

BS	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	5-yr ave growth
Consolidated, JPYm	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	(CAGR, %)
Assets									
Total current assets	41,771	54,264	56,890	71,321	87,230	99,696	114,868	132,822	
Cash and deposits	11,155	18,843	13,406	18,193	25,106	26,372	31,501	37,377	
Accounts receivable	14,471	18,267	21,070	26,022	29,404	35,219	39,161	45,434	
Inventories	11,561	11,873	16,278	18,944	22,528	25,874	29,929	33,679	
Other	4,584	5,281	6,136	8,161	10,192	12,231	14,277	16,333	
Total fixed assets	17,920	26,998	34,112	44,188	53,051	59,173	65,907	73,307	
Tangible assets	12,048	19,086	27,096	35,104	41,714	45,892	50,489	55,546	
Intangible assets	3,084	4,829	7,263	8,682	10,237	11,411	12,733	14,223	
Investments and other	2,787	3,081	-248	401	1,100	1,870	2,685	3,537	
Total assets	59,691	81,263	91,001	115,509	140,282	158,869	180,775	206,129	17.8
Liabilities									
Total current liabilities	19,973	22,542	22,920	29,260	35,835	42,587	47,913	53,605	
Accounts payable	9,829	11,643	14,066	16,932	20,073	23,504	27,168	31,035	
Short-term debt	3,123	659	639	2,439	4,039	5,359	4,887	4,462	
Other current liabilities	7,021	10,240	8,214	9,889	11,723	13,724	15,859	18,108	
Total long-term liabilities	2,205	11,062	11,314	17,887	23,187	19,813	18,473	17,314	
Long-term debt	1,225	9,591	9,591	15,791	20,791	17,111	15,459	13,972	
Other	980	1,471	1,723	2,096	2,396	2,702	3,014	3,342	
Total liabilities	22,179	33,604	34,234	47,147	59,022	62,400	66,386	70,920	15.7
Net assets									
Shareholders' equity	37,051	46,761	56,025	67,775	80,821	96,172	114,221	135,159	19.3
Minorities	416	823	658	493	333	182	42	-85	
Warrants	44	72	84	95	105	115	125	135	
Total net assets	37,512	47,658	56,767	68,362	81,259	96,470	114,388	135,209	19.0
Debt									
Debt/EBITDA (X)	0.3	0.5	0.4	0.6	0.7	0.5	0.4	0.3	12.5
D/E (x)	0.1	0.2	0.2	0.3	0.3	0.2	0.2	0.1	
Shareholders' equity ratio (%)	62.1	57.5	61.6	58.7	57.6	60.5	63.2	65.6	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, CF, JPYm)

CF	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	5-yr ave growth
Consolidated, JPYm	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	(CAGR, %)
Cashflow from operations									
Net profit	10,984	13,771	16,365	18,705	21,990	26,281	30,967	35,842	
Depreciation	1,395	1,562	2,282	3,385	3,857	4,351	4,841	5,319	
Other	-3,315	-64	-7,665	-5,104	-4,021	-5,767	-4,245	-5,961	
Cashflow from investing									
Capital expenditure	-2,416	-9,111	-12,726	-12,812	-12,022	-9,702	-10,759	-11,867	
Disposal of fixed assets	0	0	0	0	0	0	0	0	
Other	-1,349	96	3,329	-649	-698	-770	-815	-852	
Cashflow from financing									
Debt issuance/repayment	-3,499	5,819	0	8,000	6,600	-2,360	-2,124	-1,912	
Share issuance/buyback	-21	-68	-84	0	0	0	0	0	
Dividend paid	-3,478	-3,975	-4,471	-5,714	-6,956	-8,943	-10,930	-12,918	
Other	436	-3	220	0	0	0	0	0	
Cash and cash equivalents	10,746	18,767	16,016	21,827	30,577	33,666	40,599	48,251	
Free cashflow	5,299	6,254	1,584	3,524	9,105	14,392	19,988	22,481	

Source: Company data, Mita Securities

APPENDIX

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

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