



Monogatari Corporation

TSE 1st Section 3097 Industry: Food service, retail

Yakiniku King remains strong in November

November SSS 108.5% vs. 2019, of which Yakiniku division 119.6%

Monogatari Corporation (3097, the company) disclosed monthly data for November (on a preliminary basis). Sales were strong, as in October. Note that the company's sales in November 2020 were strongly affected by the Go To Eat campaign (same-store sales in November 2020 was 114.0% vs. November 2019), so we should focus on the comparison with November 2019.

Same-store sales for directly-owned stores were 108.5% vs. November 2019 (our estimate, same as follows; same month in year before last =100%; 112.1% for October). November SSS vs. November 2019 were 119.6% for Yakiniku division (Yakiniku King, etc.); 126.7% for October), 96.8% for Ramen division (95.8% for October), 91.2% for Yuzuan division (95.4% for October), and 97.9% for Okonomiyaki division (89.5% for October). The number of holidays was the same as in November 2019.

SSS for directly-owned stores were 95.2% vs. November 2020 (same month last year = 100%; 102.6% for October). November SSS vs. November 2020 were 97.0% for Yakiniku division (108.6% for October), 100.1% for Ramen division (96.1% for October), 85.6% for Yuzuan division (94.3% for October), and 85.4% for Okonomiyaki division (82.6% for October). The number of holidays was one less than in November 2020.

The number of domestic directly-owned stores at end of November was 349 (+/-0 MoM).

Update on Omicron, our view on the company's share price

On December 8, Pfizer and BioNTech announced preliminary results of laboratory studies on the Omicron variant. The main points are: 1) two doses of the vaccine alone are not so effective in preventing infection with the Omicron strain, but a third dose significantly increases the effectiveness of the vaccine in preventing infection, and 2) only two doses of the vaccine may be useful in preventing severe disease.

Like many stocks, Monogatari Corporation's share price adjusted after concerns about the Omicron variant arose in late November. The emergence of the Omicron variant, which has different characteristics from the Delta variant, came as a surprise to the stock market and may have caused market participants to temporarily shut down their thinking and become risk averse. However, we believe that the uncertainty incorporated in the stock price should be removed as the market becomes more informed about the Omicron variant. The company has a popular restaurant format with high growth potential, "Yakiniku King." We believe that even if the company's earnings deteriorate due to increase in infected cases, it should only be a temporary event and should not have a significant impact on the company's medium- to long-term growth potential.

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

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Update

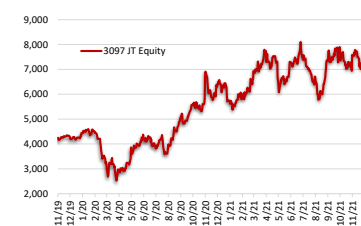
Rating
Buy

Target price (JPY)	9,100
Stock price (JPY) (Dec 9)	7,190
Market cap (JPYbn)	86.9

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	32.7	23.1	22.1
PBR	x	2.9	2.9	4.5	3.9	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

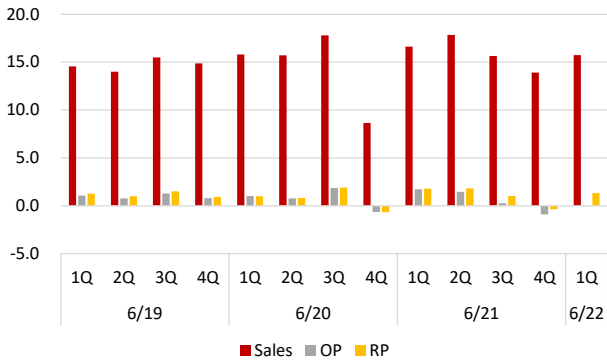
Source: Company data, Mita Securities

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.

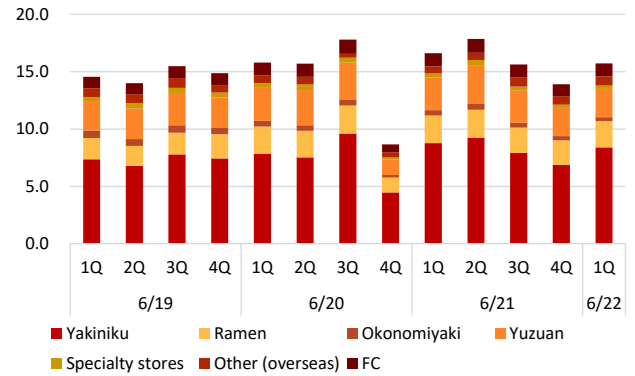
Quarterly data for Monogatari Corporation

Figure: Quarterly earnings (JPYbn)



Source: Company data, Mita Securities

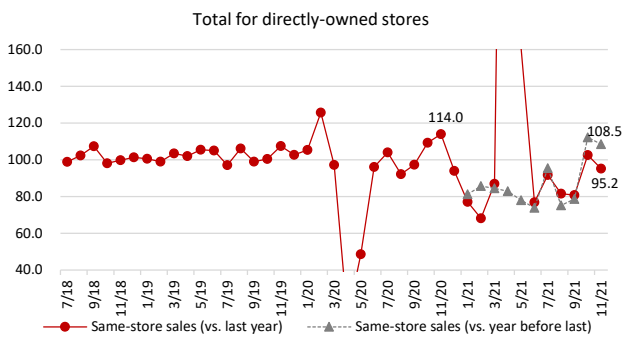
Figure: Sales by division (JPYbn)



Source: Company data, Mita Securities

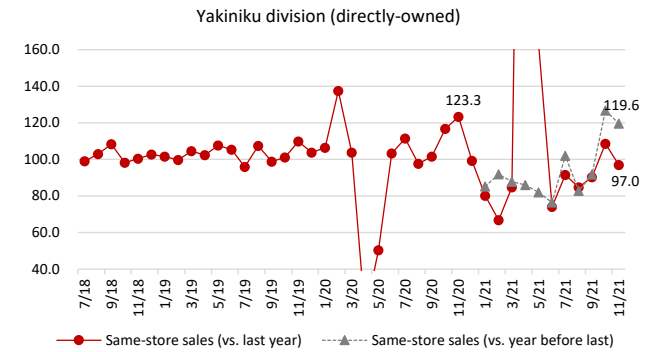
Monthly same-store sales data for Monogatari Corporation

Figure: Monthly data (directly-owned)



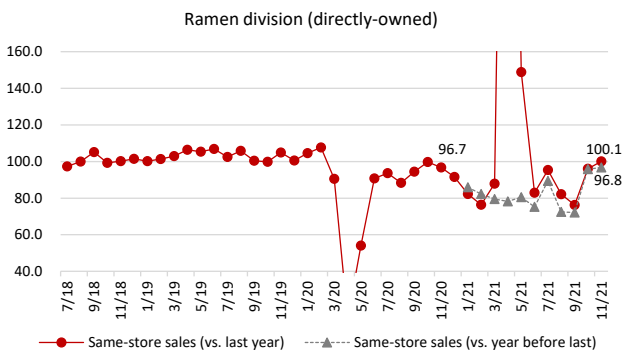
Source: Company data, Mita Securities

Figure: Monthly data (directly-owned)



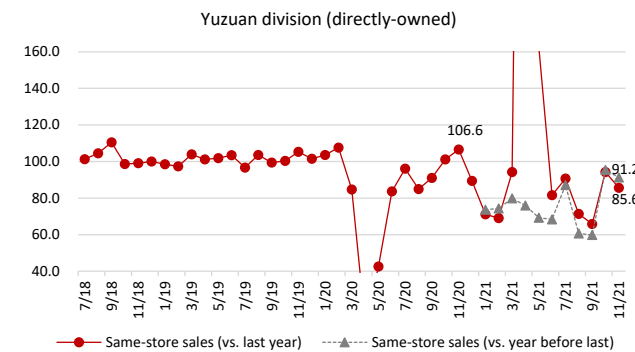
Source: Company data, Mita Securities

Figure: Monthly data (directly-owned)



Source: Company data, Mita Securities

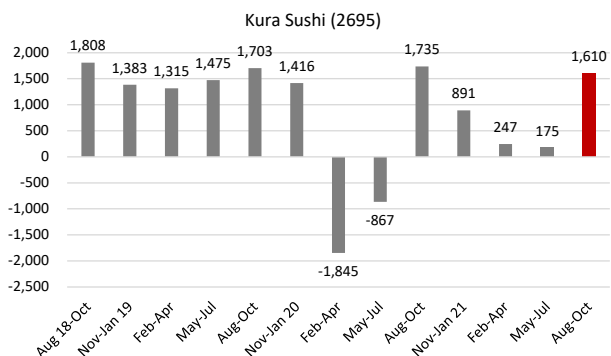
Figure: Monthly data (directly-owned)



Source: Company data, Mita Securities

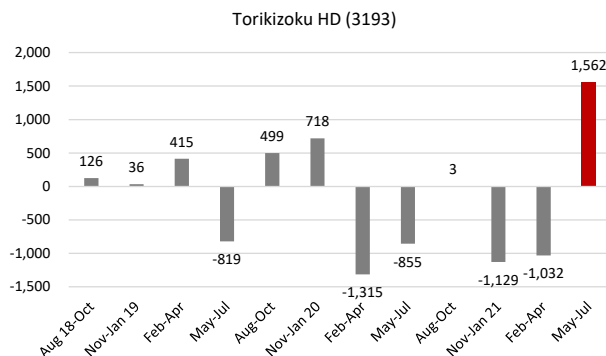
Pre-tax profits for food service companies covered by Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



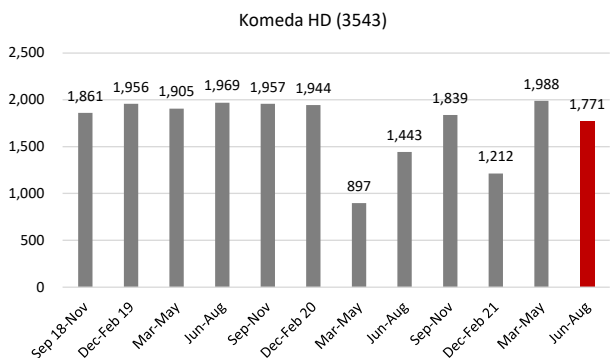
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



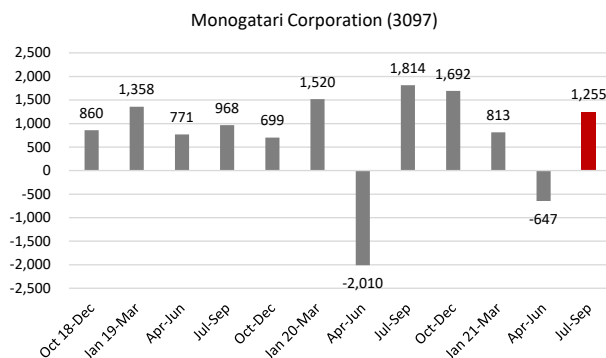
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



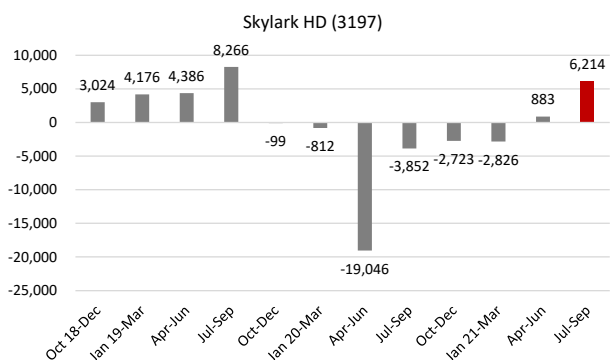
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



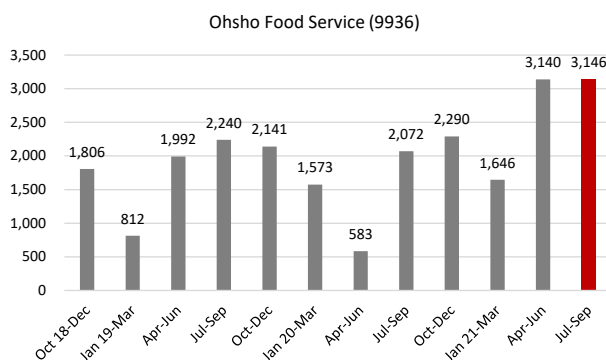
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

Comparison of valuations with peers

Figure: Comparison of valuations for food service companies

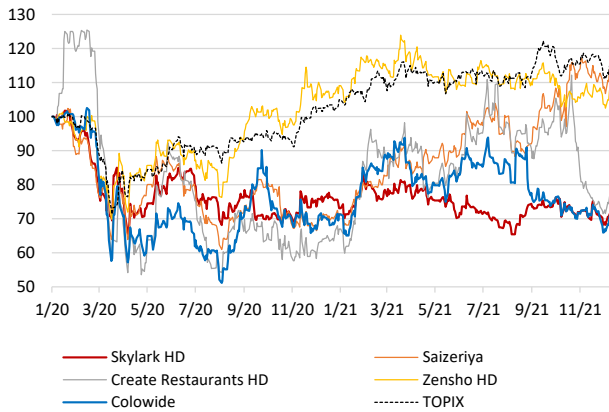
Company name	Ticker	PX 8-Dec	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
KURA SUSHI INC (TP 5,000 Buy)	2695	3,680	152.4	0.1	8.7	2.3	4.1	10.1	11.5	76.7	31.1	22.0	3.0	13.3	0.9	0.7	-2.9	-13.8	11.2
MCDONALD'S HOLDINGS CO JAPAN	2702	5,060	672.8	-0.2	9.1	14.4	12.3	12.0	12.0	30.6	29.8	26.5	3.6	12.6	1.9	0.7	-0.6	-5.8	-1.6
OOTOYA HOLDINGS CO LTD	2705	2,674	19.4	0.2	-12.1	6.0	NA	NA	NA	37.8	NA	NA	NA	NA	NA	NA	-1.9	-6.3	16.3
FUJIO FOOD GROUP INC	2752	1,406	62.7	3.6	-12.3	8.8	-12.7	15.7	NA	NA	77.3	36.7	11.4	NA	2.7	0.0	-0.3	0.9	1.2
AMIYAKI TEI CO LTD	2753	2,986	20.5	-0.1	-16.2	-13.9	0.2	NA	NA	558.1	39.3	10.8	1.0	NA	0.5	0.0	-0.8	2.3	3.4
HIRAMATSU INC	2764	204	15.2	4.1	9.1	-25.3	-67.3	NA	NA	NA	NA	NA	2.4	NA	NA	NA	-1.4	-3.3	16.6
PEPPER FOOD SERVICE CO LTD	3053	399	15.7	2.4	NA	-6.2	NA	NA	NA	NA	NA	NA	10.5	NA	NA	NA	2.8	3.6	33.4
CHOUJIMARU CO LTD	3075	1,113	16.2	-0.8	-0.6	2.8	7.2	NA	NA	31.7	NA	NA	2.2	NA	NA	NA	-5.9	-6.2	10.1
ARCLAND SERVICE HOLDINGS CO	3085	2,342	77.5	-0.6	21.1	12.9	19.4	19.4	12.5	17.3	16.4	23.3	3.1	11.3	1.4	1.3	3.3	-0.3	10.4
DOUTOR NICHIREI HOLDINGS CO	3087	1,587	72.4	-0.3	-2.7	3.3	-3.2	4.2	1.6	NA	17.5	24.7	0.7	10.3	0.4	1.6	-3.5	-5.6	4.4
BRONCO BILLY CO LTD	3091	2,430	36.6	-0.3	-12.6	6.8	4.4	NA	NA	47.4	NA	NA	2.1	NA	NA	0.7	-0.3	-3.2	1.6
MONOGATARI CORP (TP 9,100 Buy)	3097	7,380	89.2	0.1	7.4	9.7	11.7	16.4	16.2	39.2	25.7	22.5	4.4	11.7	1.2	0.9	4.2	0.1	15.8
CHIMNEY CO LTD	3178	1,289	24.9	0.8	-61.2	-34.0	-43.7	NA	NA	NA	NA	NA	3.7	NA	NA	NA	-11.8	-14.9	3.2
TORIKIZOKU HOLDINGS CO LTD (TP 2,100 Hold)	3193	1,737	20.2	0.6	NA	NA	NA	1.7	11.4	NA	121.9	23.2	3.9	NA	1.1	0.0	-11.8	-11.4	12.1
HOTLAND CO LTD	3196	1,348	29.0	0.6	5.8	4.5	15.8	16.1	NA	24.3	24.8	28.2	3.5	NA	1.1	0.4	-1.2	0.5	3.4
SKYLARK HOLDINGS CO LTD (TP 1,550 Hold)	3197	1,538	349.9	2.1	-12.9	28.6	-0.2	2.6	3.8	NA	70.3	49.3	2.2	7.3	1.7	0.9	0.9	-3.6	-5.0
SFP HOLDINGS CO LTD	3198	1,379	35.6	-0.1	-53.8	-1.0	-19.2	14.4	NA	NA	19.8	23.7	3.1	NA	2.4	0.0	-5.0	-6.9	7.1
CREATE RESTAURANTS HOLDINGS	3387	723	152.7	3.5	-28.7	21.7	0.8	27.2	NA	1,166.1	21.5	32.9	6.3	NA	2.6	0.6	-2.4	-21.0	19.7
SAINT MARC HOLDINGS CO LTD	3395	1,452	33.1	-0.2	-7.3	-6.1	-22.2	-6.2	2.8	NA	NA	35.6	1.0	NA	0.5	3.0	-5.9	-8.7	2.6
TORIDOLL HOLDINGS CORP	3397	2,477	216.9	3.0	5.7	12.5	5.1	8.3	6.0	129.6	57.7	45.7	6.2	11.3	2.2	0.3	-15.3	-0.6	76.6
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,036	93.9	1.5	8.1	23.7	13.0	13.5	13.7	20.6	18.8	17.3	2.6	15.6	4.2	2.5	-0.5	-4.8	9.6
KUSHIKATSU TANAKA HOLDINGS C	3547	2,093	19.6	0.3	-38.7	-22.6	-36.9	2.7	31.4	NA	273.6	37.9	14.5	NA	4.2	0.3	-8.2	-5.7	33.6
CHIKARANOMOTO HOLDINGS CO LT	3561	606	16.4	3.7	-14.9	6.6	-15.0	NA	NA	NA	NA	NA	5.3	NA	NA	NA	-2.6	-3.8	0.3
FOOD & LIFE COMPANIES LTD	3563	4,500	522.3	2.2	17.5	16.2	23.0	21.3	23.5	39.6	36.5	27.9	8.2	14.7	2.2	0.5	-10.4	-10.9	31.0
ATOM CORP	7412	767	148.5	0.2	-19.3	1.6	-10.9	NA	NA	NA	NA	NA	18.8	NA	NA	NA	-1.4	-3.5	-10.0
KAPPA CREATE CO LTD	7421	1,366	67.5	0.4	0.9	3.7	8.2	NA	NA	77.3	NA	NA	6.1	NA	NA	NA	-2.5	-3.3	-6.8
WATAMI CO LTD	7522	915	39.1	3.5	-18.0	-7.4	-75.2	NA	NA	NA	NA	NA	2.9	NA	NA	NA	-7.3	-11.0	2.1
ZENSHO HOLDINGS CO LTD	7550	2,671	413.6	2.2	4.3	7.2	12.4	17.1	12.9	38.3	25.1	30.9	4.5	12.0	0.9	0.8	-0.6	-5.7	0.3
KOURAKUEN HOLDINGS CORP	7554	1,498	25.1	1.1	-14.4	4.7	13.5	13.6	NA	50.9	45.1	2,140.0	6.4	NA	1.1	0.3	-0.1	0.5	-13.9
ANRAKUTEI CO LTD	7562	6,050	12.9	1.6	27.2	-4.7	2.7	NA	NA	113.2	NA	NA	3.0	NA	NA	NA	1.2	-3.4	24.2
SAIZERIYA CO LTD	7581	3,035	158.6	-0.2	-0.3	6.3	2.2	9.8	6.8	83.6	19.7	23.2	1.8	8.1	0.9	0.6	-1.1	11.1	57.9
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	0.1	-3.6
COLOWIDE CO LTD	7616	1,639	142.4	3.6	-7.6	12.0	-16.2	NA	NA	NA	NA	NA	4.1	NA	NA	NA	-0.1	-5.6	0.4
UKAI CO LTD	7621	3,015	15.8	1.5	-3.1	-8.0	-40.6	NA	NA	NA	NA	NA	7.1	NA	NA	NA	0.0	-3.1	0.2
GLOBAL-DINING INC	7625	422	4.4	0.9	34.8	7.0	25.6	NA	NA	NA	6.6	NA	1.5	NA	NA	NA	-9.4	-1.4	137.1
ICHIBANYA CO LTD	7630	4,600	146.9	-0.5	-5.4	9.4	8.5	8.9	NA	56.9	54.4	38.6	4.9	NA	2.9	1.7	0.1	-5.3	-10.7
ASAKUMA CO LTD	7678	1,535	8.3	-0.4	-22.5	-22.4	-29.2	NA	NA	NA	NA	NA	3.2	NA	NA	NA	0.8	-1.0	2.3
MOS FOOD SERVICES INC	8153	3,190	102.1	-0.2	12.3	10.5	8.1	6.3	NA	26.7	33.1	31.8	2.1	NA	1.1	0.9	2.2	-5.1	14.0
KISSOJI CO LTD	8160	2,165	57.2	0.0	-12.5	NA	-13.7	NA	NA	NA	NA	NA	2.4	NA	NA	NA	-0.7	-10.7	-10.2
SRS HOLDINGS CO LTD	8163	776	30.0	0.5	-0.7	8.0	8.8	NA	NA	29.5	NA	NA	2.2	NA	NA	NA	-0.1	-7.9	-9.2
ROYAL HOLDINGS CO LTD	8179	1,927	87.4	2.3	-15.6	-10.7	-47.6	-13.8	10.9	NA	NA	47.7	3.1	NA	1.6	0.0	-7.4	-8.0	-0.8
RINGER HUT CO LTD	8200	2,225	58.0	1.0	-14.1	-2.2	-13.0	6.3	NA	NA	88.3	218.1	5.2	NA	1.9	0.4	0.2	-4.2	-3.0
GIFT INC	9279	2,868	28.5	0.2	23.2	6.0	22.4	23.0	NA	36.0	27.7	22.7	7.3	NA	2.2	0.5	-6.4	16.0	64.4
GENKI SUSHI CO LTD	9828	2,528	22.5	0.6	6.7	5.8	6.3	NA	NA	42.9	NA	NA	2.7	NA	NA	NA	-5.9	-7.3	4.1
GOURMET KINEYA CO LTD	9850	1,025	23.5	1.5	-20.1	6.3	-16.2	NA	NA	NA	NA	NA	2.8	NA	NA	NA	3.0	1.8	2.4
GINZA RENOI CO LTD	9853	830	5.2	0.1	-25.9	-39.4	-37.8	NA	NA	NA	NA	NA	1.7	NA	NA	NA	0.1	0.7	2.1
YOSHINOYA HOLDINGS CO LTD	9861	2,313	150.6	0.8	-14.9	8.1	3.2	11.6	2.5	112.2	29.9	135.8	3.5	17.3	1.1	0.0	-2.1	7.1	19.0
KFC HOLDINGS JAPAN LTD	9873	2,922	65.5	-0.8	11.3	8.6	16.5	NA	NA	16.4	NA	NA	2.6	NA	NA	NA	0.7	-4.4	0.2
MATSUYAFOODS HOLDINGS CO LTD	9887	3,615	68.9	0.3	-4.7	0.8	2.3	NA	NA	72.8	NA	NA	1.7	NA	NA	NA	-0.4	-0.4	6.5
SAGAMI HOLDINGS CORP	9900	1,053	31.9	-0.2	-6.9	-5.6	-5.7	NA	NA	NA	NA	NA	2.2	NA	NA	NA	1.8	0.0	-16.0
OHSO FOOD SERVICE CORP (TP 7,250 Buy)	9936	6,090	141.8	-0.2	-0.3	11.6	12.8	12.0	10.1	16.7	17.2	19.7	2.0	NA	1.5	1.9	2.2	0.2	2.5
JOYFULL CO LTD	9942	802	25.6	4.9	-22.8	-6.6	105.9	NA	NA	9.8	NA	NA	6.0	NA	NA	NA	-1.2	-0.6	25.9
DAISYO CORP	9979	975	20.7	0.9	-21.0	3.0	-35.7	NA	NA	NA	NA	NA	1.8	NA	NA	NA	-4.0	-3.6	-5.0
Average				1.0	-6.6	1.5	-3.9	10.5	11.2	103.8	48.9	118.4	4.3	12.1	1.7	0.8	-2.3	-3.6	11.1
Median				0.5	-6.9	4.7	2.2	11.8	11.4	39.2	29.9	28.2	3.1	11.9	1.5	0.6	-0.8	-3.6	3.2

Source: Bloomberg Finance LP data, Mita Securities

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

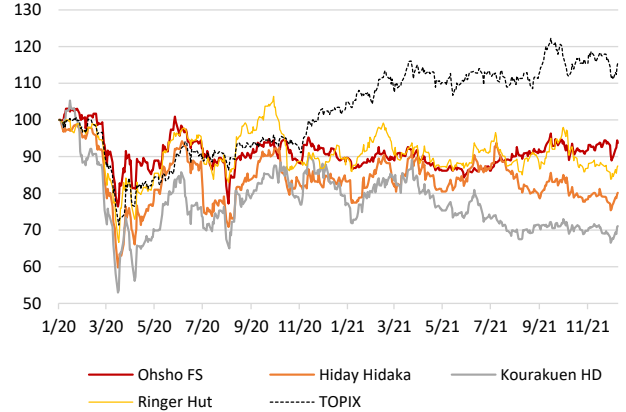
Stock price trends for food service companies

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



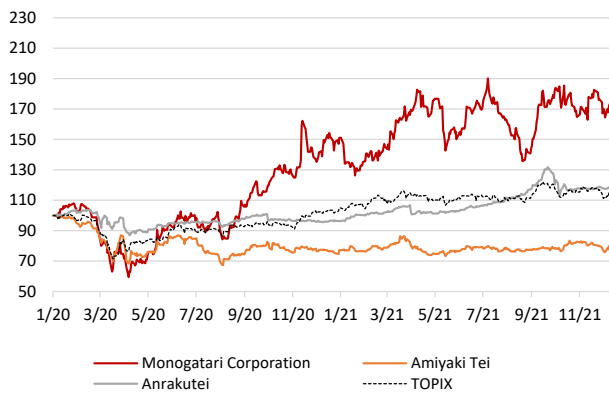
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



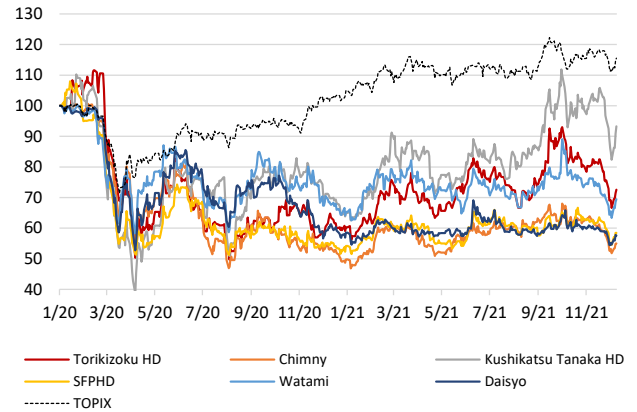
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



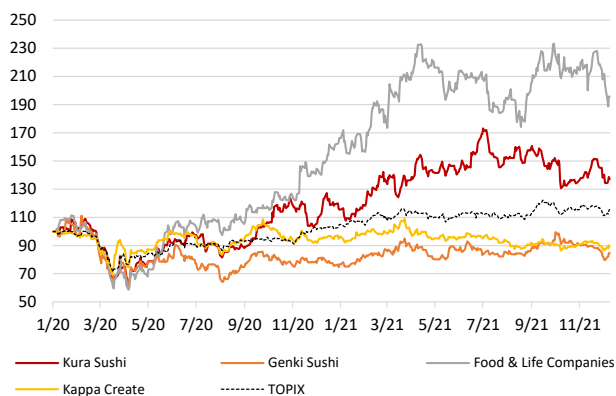
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



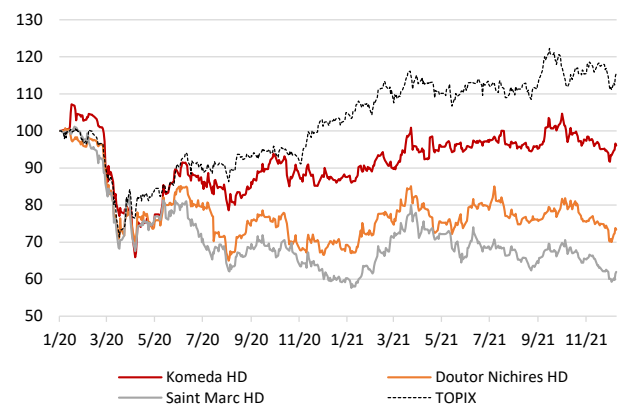
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

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]

We hereby certify that the views on securities and issuers expressed in this report accurately reflect the personal views of the analyst(s) listed on the cover page of this report. The analyst(s) also certifies that the analyst(s) has not been compensated, directly or indirectly, or promised to be compensated, for expressing any particular view in this report.

[Ratings]

Ratings are based on the following definitions.

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%.

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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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