



Makuake

TSE Mothers 4479 Industry: Internet service, E-commerce

A further decline in CVR is a negative, but not a new factor

CVR declined despite an increase in the number of projects. However, this is not a new negative factor

Makuake (4479, the company) announced 1Q FY9/22 parent results. Total amount of pre-orders (GMV) was 5.369bn yen (+19.0% YoY, -7.5% QoQ), sales were 1.153bn yen (+16.1% YoY, -10.5% QoQ), and OP was 39m yen (-74.6% YoY, -69.9% QoQ).

Demand among project owners for Makuake was strong, with the number of new projects up 6.5% QoQ. The number of access unique users was also up 2.5% QoQ, which was favorable according to the company. On the other hand, the conversion rate (CVR), which has been an issue for some time, declined further, and the number of pre-orders fell 20.3% QoQ, resulting in a QoQ decline in GMV. The lack of large-scale advertising in light of the low CVR was also a factor behind the GMV decline.

GMV, sales, and OP were below our forecast (GMV 6.148bn yen, sales 1.285bn yen, OP 99m yen). Progress toward the full-year company guidance (GMV 30.0bn yen, sales 6.2bn yen, OP 465m yen) was 18% for GMV, 19% for sales, and 8% for OP.

While the further decline in CVR seems negative, we note that it is not a new negative factor in 1Q. The problem seems to be that the company's operations and the usability of its apps have not been able to cope with the increase in the number of projects. The company is currently working on measures to improve CVR toward 2H and we are closely watching its development. On the other hand, the number of new projects continues to be solid, confirming the strength of the project owners' need to sell prototypes via Makuake, which should be seen as a positive in the medium to long term. We believe the company should be able to realize such growth potential by addressing the challenges it faces.

KPIs: Focus on the effectiveness of CVR measures going forward

The number of new projects was solid at 2,360 (+29.2% YoY, +6.5% QoQ), and the repeat rate of project owners improved to 47.1% (43.6% in 1Q FY9/21, 42.8% in 4Q). This implies a high level of satisfaction among project owners.

The number of access unique users continued to expand to 14,801 thousand (+64.0% YoY, +2.5% QoQ), but the number of pre-orders was only 418 thousand (+0.9% YoY, -20.3% QoQ). CVR (= number of pre-orders / number of access UUs) declined further to 2.8% (4.6% in 1Q FY9/21, 3.6% in 4Q).

The company recognizes that it needs to secure curators and reviewers to match the increase in the number of projects in order to improve the CVR, and it is currently strengthening its workforce. In addition, the company is planning to release new features of the app in 2Q (e.g., to improve matching) to improve CVR.

Please refer to the report dated December 27, 2021 for the rationale of the rating and target price.

MITA SECURITIES Co., Ltd.
Junichi Shimizu
Chief Analyst, Head of Research

Update

Rating
Buy

Target price (JPY)	7,000
Stock price (JPY) (Jan 25)	3,115
Market cap (JPYbn)	38.7

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		9/20	9/21	9/22E	9/23E	9/24E
Sales	JPYbn	3.2	4.6	6.1	8.9	12.0
OP	JPYbn	0.5	0.3	0.5	0.7	1.0
RP	JPYbn	0.5	0.3	0.5	0.7	1.0
NP	JPYbn	0.4	0.2	0.3	0.5	0.7
EPS	JPY	31.7	19.9	28.0	40.4	58.3
BPS	JPY	228.2	551.6	579.6	619.9	678.3
DPS	JPY	0.0	0.0	0.0	0.0	0.0
PER	x	335.2	232.6	111.2	77.2	53.4
PBR	x	46.5	8.4	5.4	5.0	4.6
Div. yield	%	0.0	0.0	0.0	0.0	0.0
ROA	%	9.8	3.0	3.1	3.8	4.4
ROE	%	25.1	5.2	5.0	6.7	9.0

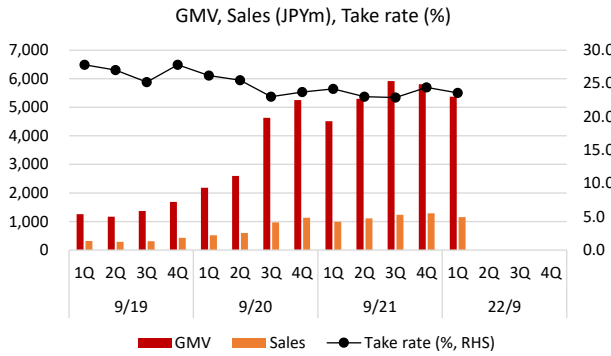
Source: Company data, Mita Securities

Company profile

Makuake operates a web and app-based marketplace "Makuake" for pre-sales of new products. The company was founded in May 2013 as a subsidiary of CyberAgent, and was listed on the TSE Mothers in December 2019. In FY9/21, the total amount of pre-orders (GMV) was 21.5bn yen and sales were 4.6bn yen. The number of employees at the end of FY9/21 was 152.

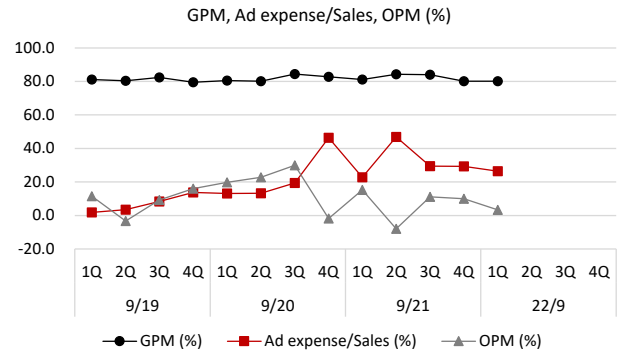
Makuake's earnings and KPIs

Figure: GMV, sales (JPYm), take rate (%)



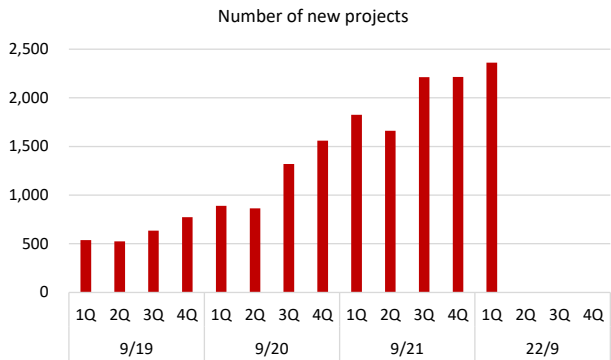
Source: Company data, Mita Securities

Figure: GPM, Ad expense/Sales, OPM (%)



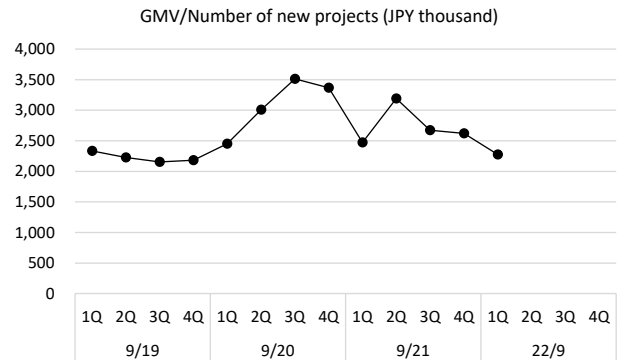
Source: Company data, Mita Securities

Figure: Number of new projects



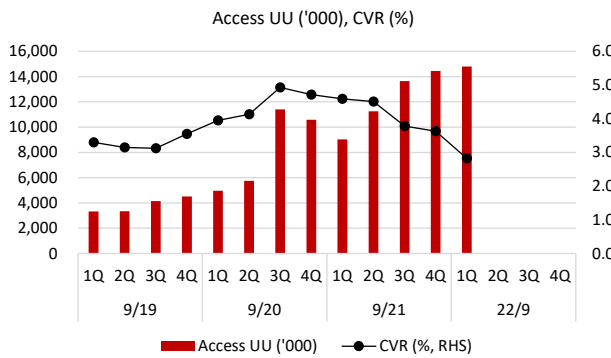
Source: Company data, Mita Securities

Figure: Transaction amount per project (JPY thousand)



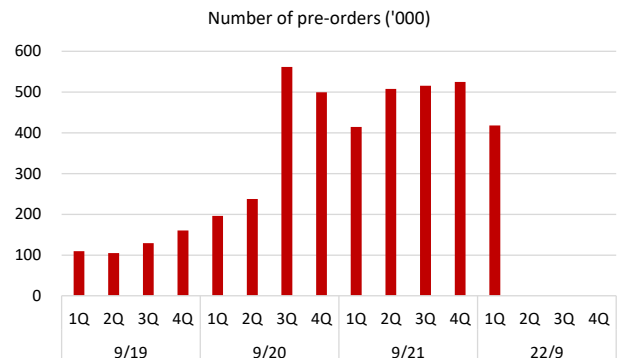
Source: Company data, Mita Securities

Figure: Number of access unique users ('000), CVR (%)



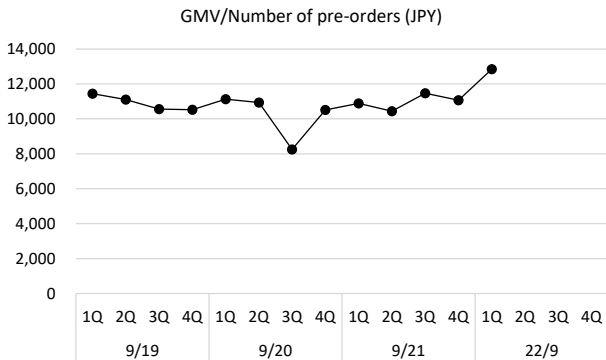
Source: Company data, Mita Securities

Figure: Number of pre-orders ('000)



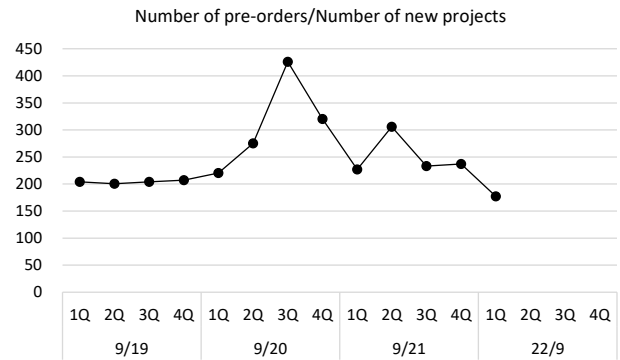
Source: Company data, Mita Securities

Figure: Average price of pre-order (JPY)



Source: Company data, Mita Securities

Figure: Number of pre-orders per project



Source: Company data, Mita Securities

Comparison of valuations and stock prices with peers

Figure: Comparison of valuations with peers

Company name	Ticker	PX 25-Jan	Mkt cap JPYbn	Sales YoY		EBITDA Mgn LTM	ROE		PER LTM	PER Cur E	PBR Last	EV/EBITDA		EV/Sales			Div yield Cur E	1M Chg	3M Chg	1YR Chg
				LTM	Cur E		LTM	Cur E				LTM	Cur E	LTM	Cur E	Nxt E				
CREEMA LTD	4017	881	5.9	NA	17.4	7.6	11.7	NA	70.5	19.9	4.8	96.6	NA	7.7	1.6	1.4	0.0	-36.0	-52.9	-83.4
SMAREGI INC	4431	1,764	34.6	29.7	NA	27.2	17.2	NA	38.0	68.2	8.5	64.6	44.5	17.7	7.4	5.4	0.0	-20.3	-52.3	-27.6
GIFTEE INC	4449	1,257	36.2	152.3	-44.8	30.6	15.9	4.7	47.2	155.2	6.7	80.8	63.3	25.1	9.9	7.3	0.0	-40.3	-68.2	-60.7
BASE INC	4477	510	56.9	33.0	16.0	-8.3	-8.3	-4.7	NA	NA	3.6	NA	NA	10.5	3.5	2.7	0.0	-20.9	-45.5	-79.0
MAKUAKE INC	4479	3,115	38.7	29.3	31.7	9.3	4.7	5.3	166.9	104.5	5.6	119.5	NA	10.0	5.2	3.7	0.0	-29.8	-31.1	-69.9
JIMOTY INC	7082	2,397	14.4	19.0	NA	19.6	23.2	NA	52.3	NA	15.1	54.3	NA	11.0	NA	NA	NA	-32.5	-40.8	-14.3
Average				52.7	5.1	14.3	10.7	1.8	75.0	87.0	7.4	83.1	53.9	13.7	5.5	4.1	0.0	-30.0	-48.5	-55.8
Median				29.7	16.7	14.4	13.8	4.7	52.3	86.3	6.1	80.8	53.9	10.8	5.2	3.7	0.0	-31.1	-48.9	-65.3

Source: Bloomberg Finance LP data, Mita Securities

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

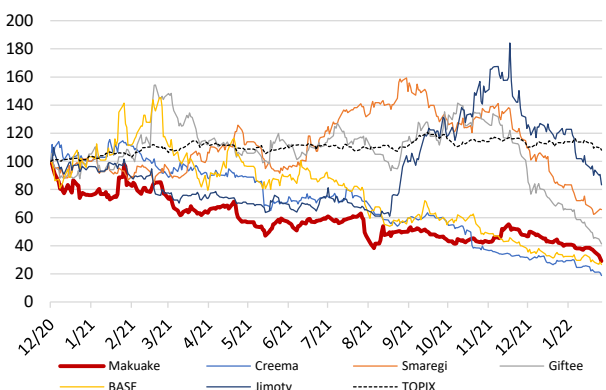
Figure: Comparison of valuations with peers

Company name	Ticker	PX 25-Jan	Mkt cap JPYbn	Sales YoY		EBITDA Mgn LTM	ROE		PER LTM	PER Cur E	PBR Last	EV/EBITDA		EV/Sales			Div yield Cur E	1M Chg	3M Chg	1YR Chg
				LTM	Cur E		LTM	Cur E				LTM	Cur E	LTM	Cur E	Nxt E				
ZOZO INC	3092	2,796	871.4	16.5	10.1	31.7	77.5	58.5	25.2	24.1	19.3	24.4	16.1	7.8	5.1	4.7	2.0	-21.7	-33.1	-5.0
MERCARI INC	4385	4,515	722.3	40.2	40.1	5.4	3.4	6.4	539.4	239.8	17.2	138.2	61.2	7.6	4.1	3.4	0.0	-26.6	-30.5	-13.8
MAKUAKE INC	4479	3,115	38.7	29.3	31.7	9.3	4.7	5.3	166.9	104.5	5.6	119.5	NA	10.0	5.2	3.7	0.0	-29.8	-31.1	-69.9
Average				28.7	27.3	15.5	28.6	23.4	243.9	122.8	14.0	94.0	38.6	8.5	4.8	4.0	0.7	-26.0	-31.6	-29.6
Median				29.3	31.7	9.3	4.7	6.4	166.9	104.5	17.2	119.5	38.6	7.8	5.1	3.7	0.0	-26.6	-31.1	-13.8

Source: Bloomberg Finance LP data, Mita Securities

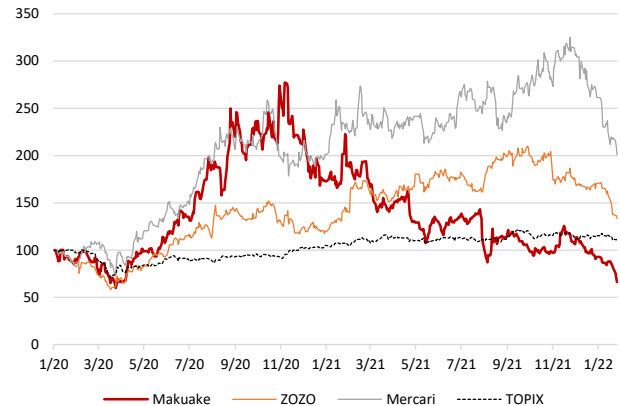
Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

Figure: Stock price trends



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of Nov 2020

Figure: Stock price trends



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

APPENDIX

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