



MonotaRO

TSE 1st Section 3064 Industry: Retail, Internet

FY12/22 guidance came as a negative surprise. One-time costs for new and old DCs look large

FY12/21 OP 24.1bn yen; Misses the company guidance but exceeds our forecast

MonotaRO (3064, the company) announced its FY12/21 results. Consolidated OP came in at 24.1bn yen (+23.1% YoY), missing the company's guidance of 24.7bn yen, but slightly above our forecast of 23.6bn yen. Consolidated OPM improved to 12.7% (vs. 12.5% for FY12/20). Parent OP was 24.5bn yen (+21.8% YoY), exceeding our forecast of 23.9bn yen, but OP at overseas subsidiaries was below our forecast.

Margins recovered in 4Q

Consolidated OP for 4Q (Oct-Dec) was 6.6bn yen (+25.7% YoY, +16.7% YoY), and OPM was 12.8% (vs. 12.1% for 3Q). Compared to 3Q, gross margin improved, and SG&A/Sales ratio declined. Parent OP was 6.7bn yen (+24.7% YoY, +16.2% QoQ).

FY12/22 guidance should be a negative surprise to the market

The company's guidance for FY12/22 is for sales of 226.1bn yen (+19.2% YoY), OP of 24.4bn yen (+1.0% YoY), and NP of 17.1bn yen (-2.8% YoY). OP guidance is 9% lower than our OP forecast (our forecast for FY12/22: sales 226.8bn yen, OP 26.8bn yen, NP 18.7bn yen). It is also 11% lower than the QUICK consensus forecast of 27.4bn yen.

The company's assumption of one-time costs (SG&A expenses) due to the start of operations at the Inagawa DC appears to be much higher than our forecast. The company also expects to book an extraordinary loss related to the Amagasaki DC.

The company's forecast for a negative NP growth is likely to be perceived as a negative surprise by the market. However, there is no need to be overly pessimistic, in our view, as it appears that the decline is largely due to the temporary cost factors.

Please refer to the report dated December 16, 2021 for the rationale of the rating and target price.

MITA SECURITIES Co., Ltd.

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Update

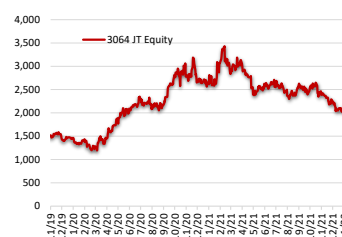
Rating
Hold

Target price (JPY)	2,350
Stock price (JPY) (Feb 3)	1,871
Market cap (JPYbn)	937.9

Key changes

Rating	No
Target price	No
Earnings forecast	No

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	56.8	49.7	42.3	35.4
PBR	x	27.9	16.6	13.7	11.5	9.7
Div. yield	%	0.3	0.6	0.7	1.0	1.2
ROA	%	19.5	19.0	18.1	17.2	17.6
ROE	%	32.9	31.8	30.2	29.6	29.7

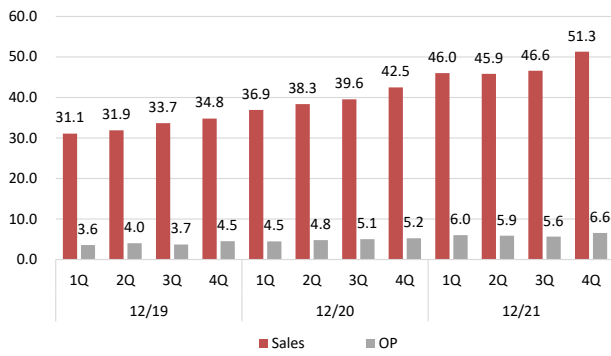
Source: Company data, Mita Securities

Note: Adjusted for stock split

Company profile

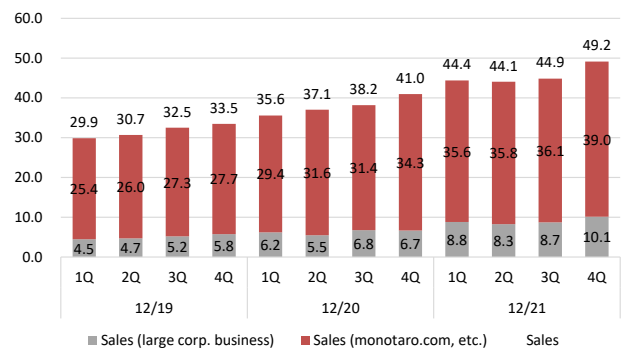
MonotaRO is an EC company that sells indirect materials (MRO products) used in factories, construction sites, and auto repair shops. The company has over 18 million products and 6.78 million registered accounts (as of the end of December 2021). The company is a consolidated subsidiary of W.W. Grainger.

Figure: Consolidated sales, OP (quarterly, JPYbn)



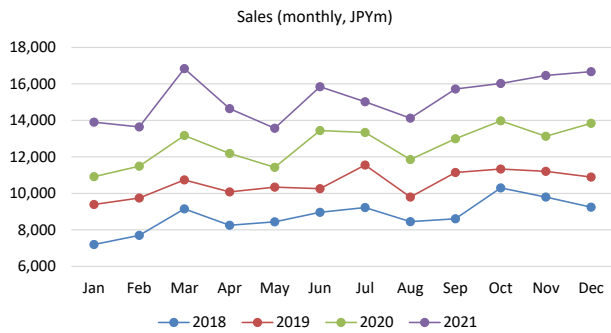
Source: Company data, Mita Securities Note: Consolidated basis

Figure: Parent sales (quarterly, JPYbn)



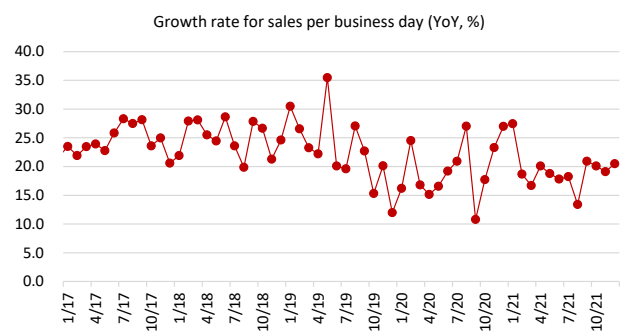
Source: Company data, Mita Securities Note: Parent basis

Figure: Parent monthly sales (JPYm)



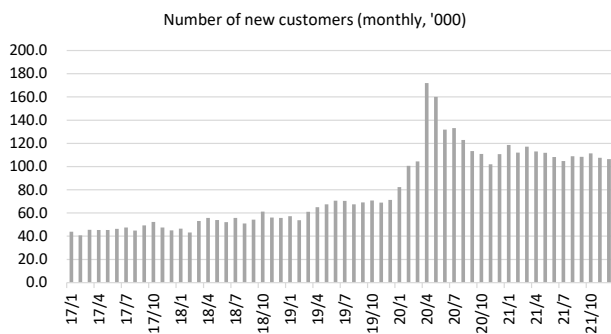
Source: Company data, Mita Securities Note: Parent basis

Figure: Parent sales growth (monthly)



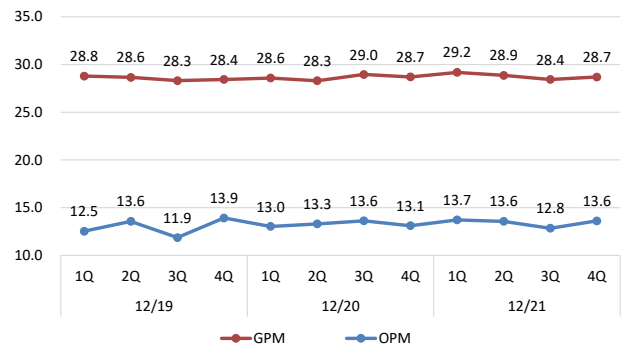
Source: Company data, Mita Securities Note: Parent basis, adjusted for business days

Figure: Parent number of new customers (monthly)



Source: Company data, Mita Securities Note: Parent basis

Figure: Parent GPM, OPM (quarterly)



Source: Company data, Mita Securities

Figure: Comparison of valuations for Japanese EC companies

Company	Ticker	Share price 2-Feb	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	Current E	Next E		Current E	Current E		Next E	Change	Change
ASKUL CORP	2678	1,525	156.3	17.7	16.7	15.1	2.5	5.0	0.3	15.9	16.2	0.3	20.2	11.1	2.0	-0.6	-1.2	-23.9
MONOTARO CO LTD	3064	1,952	978.5	61.1	58.2	51.2	17.9	32.8	4.4	32.8	29.6	18.7	21.1	13.7	0.6	-5.8	-16.9	-36.8
ZOZO INC	3092	3,105	967.7	27.6	26.7	24.1	19.8	16.0	5.2	58.5	49.4	8.4	14.9	10.7	1.8	-13.5	-12.7	-10.9
MERCARI INC	4385	4,430	708.7	529.3	197.5	59.4	16.9	29.7	3.3	9.1	24.2	40.1	-38.4	232.7	0.0	-24.4	-34.5	-13.5
Z HOLDINGS CORP	4689	614	4,697.9	65.6	49.2	41.4	1.7	13.7	2.9	3.6	4.3	22.9	-11.0	18.7	0.9	-8.1	-16.3	-13.3
RAKUTEN GROUP INC	4755	1,000	1,581.7	NA	NA	NA	2.0	NA	NA	-29.6	-20.7	4.1	NA	NA	0.5	-13.3	-20.8	-6.1
MISUMI GROUP INC	9962	3,755	1,067.8	30.6	27.6	24.5	4.1	13.1	2.5	15.6	15.7	7.6	125.0	13.0	0.9	-20.4	-20.8	3.9
Average				122.0	62.7	35.9	9.3	18.4	3.1	15.1	16.9	14.6	22.0	50.0	0.9	-12.3	-17.6	-19.7
Median				45.9	38.4	33.0	4.1	14.9	3.1	15.6	16.2	8.4	17.6	13.3	0.9	-13.3	-16.9	-13.3

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

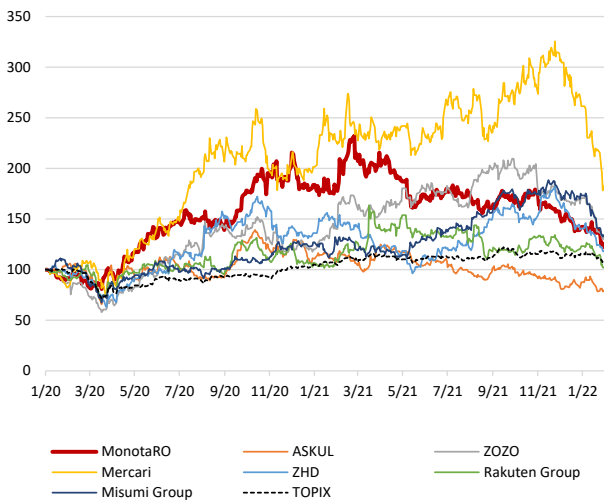
Figure: Comparison of valuations for overseas EC companies

Company	Ticker	Share price 2-Feb	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	Current E	Next E		Current E	Current E		Next E	Current E	Change
AMAZON.COM INC	AMZN	3,012.25	1,527.7	58.9	51.5	45.5	12.7	19.4	2.9	19.9	18.8	9.8	4.3	13.2	0.0	-9.7	-9.1	-10.9
ALIBABA GROUP HOLDING-SP ADR	BABA	122.88	333.1	18.2	15.2	13.5	2.2	9.3	1.7	10.3	10.8	11.1	-20.8	12.6	0.0	3.4	-24.6	-51.7
EBAY INC	EBAY	58.54	36.6	14.7	14.8	13.0	3.4	9.9	3.7	58.8	34.2	-9.1	16.2	13.3	1.2	-12.0	-21.8	2.1
JD.COM INC-ADR	JD	73.21	114.1	85.7	46.1	38.1	3.4	26.6	0.5	3.1	6.4	22.7	-4.3	21.0	0.0	4.5	-9.3	-23.3
VIPSHOP HOLDINGS LTD - ADR	VIPS	9.05	6.1	6.8	6.7	6.3	1.3	3.7	0.2	14.8	14.4	-2.9	-6.1	7.4	0.0	7.7	-21.0	-71.1
Average				36.9	26.8	23.3	4.6	13.8	1.8	21.4	16.9	6.3	-2.1	13.5	0.2	-1.2	-17.2	-31.0
Median				18.2	15.2	13.5	3.4	9.9	1.7	14.8	14.4	9.8	-4.3	13.2	0.0	3.4	-21.0	-23.3

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

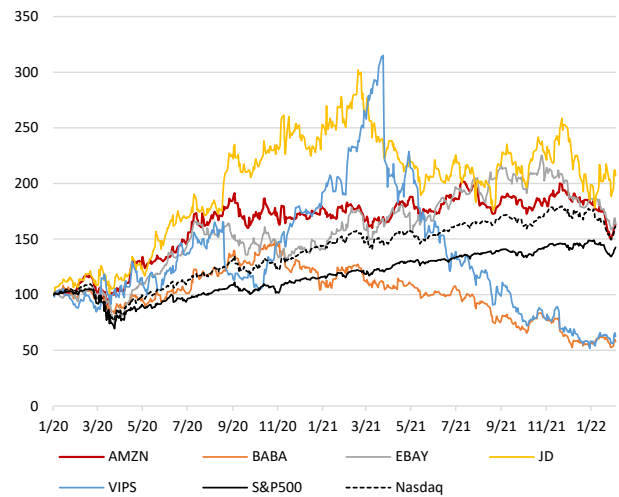
Figure: Stock price trends for Japanese EC companies



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

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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