



MonotaRO

TSE 1st Section 3064 Industry: Retail, Internet

January sales achieved the target. Market attention should shift to progress in cost control

January sales grew 17.6%, achieving the company target

Parent company sales in January 2022 were 16.356bn yen (+17.6% YoY), achieving the company's monthly target. The number of business days was 19, the same as in January 2021.

Sales to large corporations increased by around 37% YoY, slightly below the company's target. However, the sales exceeded the target on an order basis. Some orders could not be booked as sales due to shipment timing issues.

Sales to SMEs (monotaro.com) increased by around 13% YoY, above the company's target. Average purchase price was 9,730 yen (9,250 yen in January 2021), and average number of purchases was 2.4 times (2.3 times in January 2021). In terms of sales to existing customers by sector, the situation has not changed much. The company saw growth in the manufacturing sector, while no growth in the construction, automobile-related, and other sectors.

The number of new customer acquisitions was 112.8 thousand accounts (-5.0% YoY), in-line with the company's target.

Cost control may attract more attention than sales growth

For FY12/22, MonotaRO targets parent sales of 216.505bn yen (+18.7% YoY), of which 104.617bn yen (+18.3% YoY) is for the first half and 111.888bn yen (+19.0% YoY) for the second half. In FY12/21, the company was short of its sales target in many months as the sales growth target was as high as 23.0% YoY. In FY12/22, the company should be able to achieve the target in many months, in our view.

However, the company expects a significant decline in operating profit margin in FY12/22 (from 13.4% in FY12/21 to 11.6% in FY12/22) due to the start of operations at the new distribution center. We believe that progress in the cost plan is likely to attract more attention than the sales growth rate going forward.

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

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Update

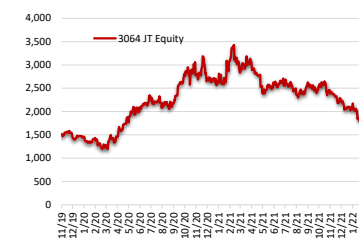
Rating
Hold

Target price (JPY)	2,350
Stock price (JPY) (Feb 10)	1,987
Market cap (JPYbn)	996.0

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		12/20	12/21	12/22E	12/23E	12/24E
Sales	JPYbn	157.3	189.7	226.8	267.0	311.6
OP	JPYbn	19.6	24.1	26.8	31.5	37.6
RP	JPYbn	19.7	24.3	26.8	31.5	37.6
NP	JPYbn	13.8	17.6	18.7	22.0	26.3
EPS	JPY	27.7	35.3	37.6	44.3	52.9
BPS	JPY	94.1	119.3	136.4	162.7	193.6
DPS	JPY	9.0	11.5	14.0	18.0	22.0
PER	x	94.7	56.3	52.9	45.0	37.6
PBR	x	27.9	16.7	14.6	12.2	10.3
Div. yield	%	0.3	0.6	0.7	0.9	1.1
ROA	%	19.5	19.8	18.1	17.2	17.6
ROE	%	32.9	33.1	30.2	29.6	29.7

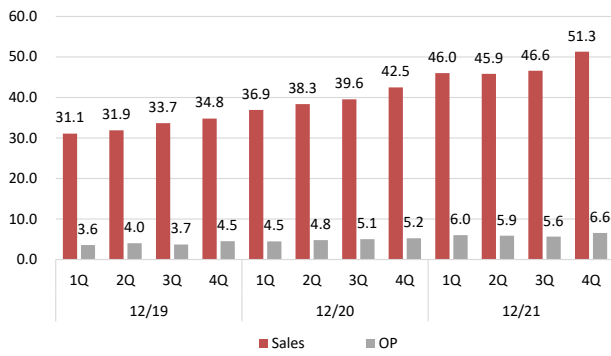
Source: Company data, Mita Securities

Note: Adjusted for stock split

Company profile

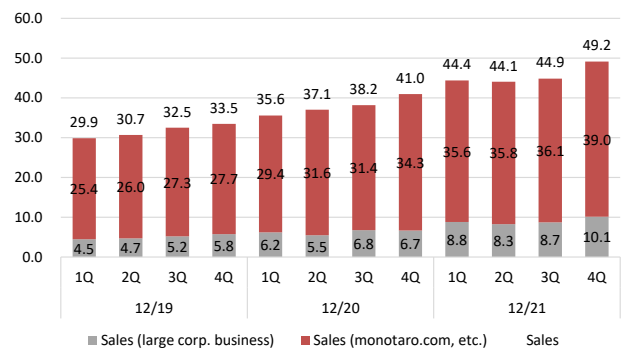
MonotaRO is an EC company that sells indirect materials (MRO products) used in factories, construction sites, and auto repair shops. The company has over 18 million products and 6.78 million registered accounts (as of the end of December 2021). The company is a consolidated subsidiary of W.W. Grainger.

Figure: Consolidated sales, OP (quarterly, JPYbn)



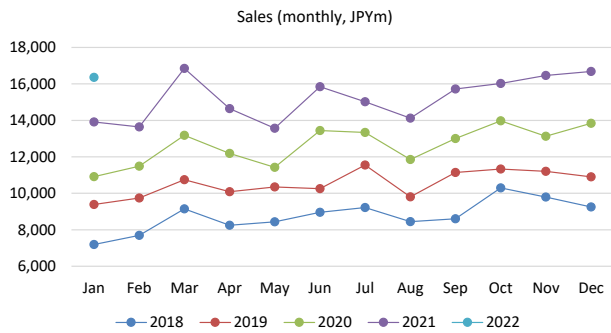
Source: Company data, Mita Securities Note: Consolidated basis

Figure: Parent sales (quarterly, JPYbn)



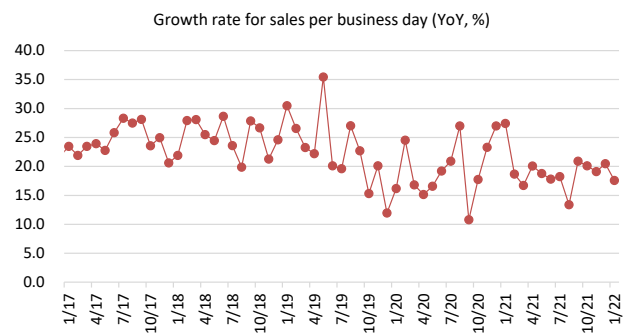
Source: Company data, Mita Securities Note: Parent basis

Figure: Parent monthly sales (JPYm)



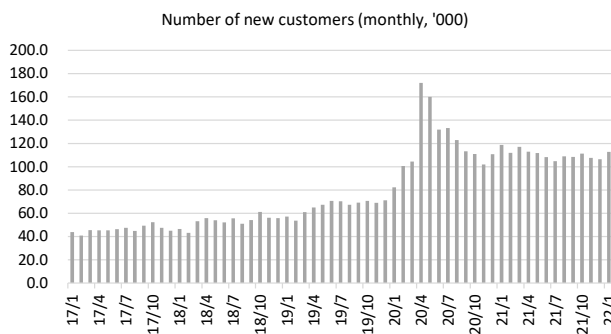
Source: Company data, Mita Securities Note: Parent basis

Figure: Parent sales growth (monthly)



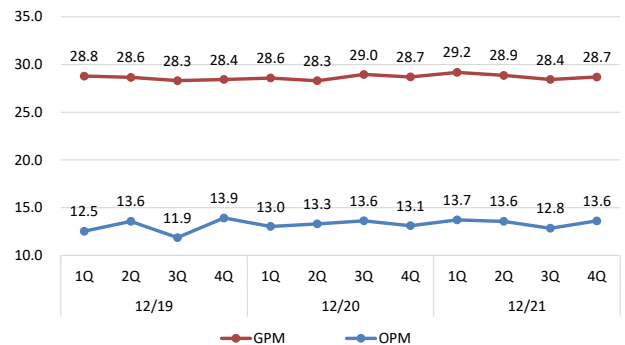
Source: Company data, Mita Securities Note: Parent basis, adjusted for business days

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 9-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	Next E		Change	Change	Change
ASKUL CORP	2678	1,679	172.1	19.4	18.4	16.6	2.8	5.7	0.3	15.9	16.2	0.3	20.2	11.1	1.8	6.1	8.0	-12.8
MONOTARO CO LTD	3064	1,990	997.5	56.3	53.5	45.2	16.6	28.2	3.8	29.6	29.5	17.5	5.4	18.3	0.6	-2.7	-19.1	-35.4
ZOZO INC	3092	3,165	986.4	28.1	27.3	24.7	20.1	16.4	5.3	58.4	49.3	8.8	14.6	10.6	1.7	-7.2	-12.0	-8.3
MERCARI INC	4385	3,680	588.7	NA	172.5	52.2	14.6	24.4	2.7	9.1	24.2	42.9	-41.4	230.5	0.0	-30.0	-45.5	-33.8
Z HOLDINGS CORP	4689	587	4,493.5	62.7	47.7	39.3	1.6	12.5	2.8	3.6	4.4	22.8	-12.2	21.2	0.9	-8.1	-26.5	-11.5
RAKUTEN GROUP INC	4755	997	1,577.0	NA	NA	NA	2.0	NA	NA	-27.3	-20.7	4.1	NA	NA	0.5	-13.5	-17.4	-14.6
MISUMI GROUP INC	9962	3,535	1,005.3	28.8	26.0	23.0	3.8	12.2	2.4	15.6	15.7	7.6	125.0	13.0	1.0	-18.8	-26.2	-1.1
Average				39.1	57.6	33.5	8.8	16.6	2.9	15.0	16.9	14.9	18.6	50.8	0.9	-10.6	-19.8	-20.3
Median				28.8	37.5	32.0	3.8	14.5	2.7	15.6	16.2	8.8	10.0	15.7	0.9	-8.1	-19.1	-12.8

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

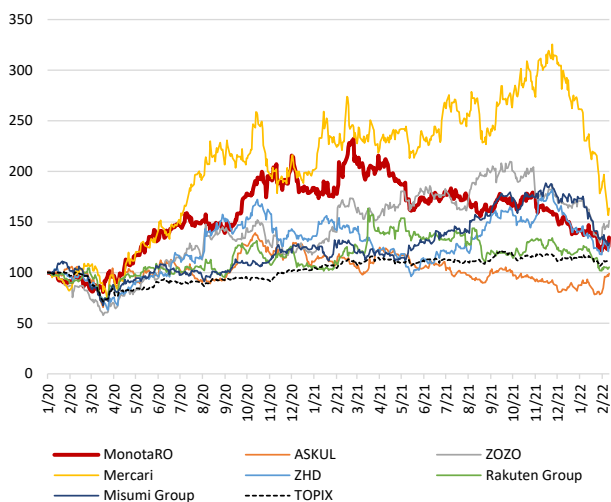
Figure: Comparison of valuations for overseas EC companies

Company	Ticker	Share price 9-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	Next E		Current E	Next E	Change
AMAZON.COM INC	AMZN	3,223.79	1,640.4	69.1	47.4	34.5	11.9	16.0	2.6	17.2	20.9	7.2	-4.8	37.2	0.0	-0.8	-9.9	-2.5
ALIBABA GROUP HOLDING-SP ADR	BABA	126.50	342.9	18.8	15.6	13.9	2.3	9.7	1.8	10.1	10.6	11.0	-21.0	12.7	0.0	-2.5	-21.0	-52.5
EBAY INC	EBAY	60.61	37.9	15.3	15.3	13.5	3.5	10.1	3.8	58.8	34.2	-9.0	16.2	13.5	1.2	-8.6	-18.1	-2.6
JD.COM INC-ADR	JD	78.29	122.1	91.7	49.3	40.4	3.6	29.0	0.6	2.8	6.0	22.7	-4.3	22.0	0.0	14.7	1.4	-19.3
VIPSHOP HOLDINGS LTD -ADR	VIPS	10.05	6.8	7.6	7.5	7.0	1.4	4.3	0.2	14.8	14.4	-2.9	-6.1	7.4	0.0	12.7	-13.4	-70.3
Average				40.5	27.0	21.9	4.5	13.8	1.8	20.7	17.2	5.8	-4.0	18.6	0.2	3.1	-12.2	-29.4
Median				18.8	15.6	13.9	3.5	10.1	1.8	14.8	14.4	7.2	-4.8	13.5	0.0	-0.8	-13.4	-19.3

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

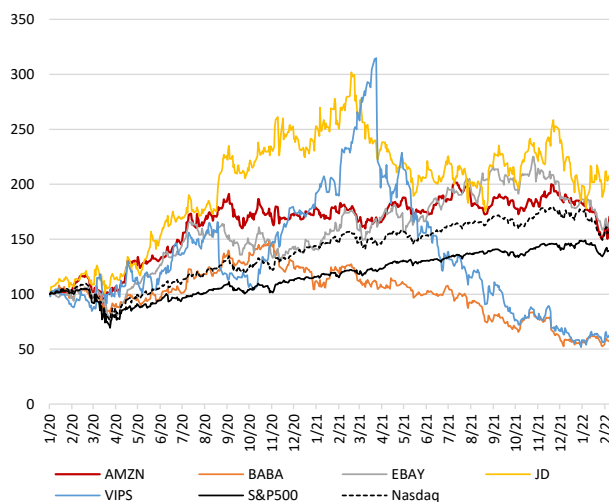
Figure: Stock price trends for Japanese EC companies



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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