



MonotaRO

TSE 1st Section 3064 Industry: Retail, Internet

Earnings forecast update. Focus on evolution of logistics infrastructure

New target price 2,150 yen; Reiterate our Hold rating

We have updated our earnings forecast for MonotaRO (3064, the company) based on its FY12/21 results and our post-earnings interview with the company. Following the forecast change, we have lowered our target price from 2,350 yen to 2,150 yen. We maintain our Hold rating.

FY12/21 results and FY12/22 guidance

On February 3, the company announced FY12/21 consolidated OP of 24.1bn yen (+23.1% YoY, OPM 12.7%), slightly below the company's guidance of 24.7bn yen. FY12/22 OP guidance is 24.4bn yen (+1.0% YoY, OPM 10.8%). The company forecasts a decline in OPM, assuming 2.1bn yen of one-time costs for the transition of its distribution centers. FY12/22 parent sales guidance is 216.5bn yen (+18.7% YoY), of which the large corporation business is 48.9bn yen (+36.0% YoY), and monotaro.com, etc. is 167.6bn yen (+14.4% YoY).

Mita Securities' earnings forecast: Lowering our OPM assumptions

We are lowering our OP forecast from 26.8bn yen to 23.7bn yen (-1.6% YoY, OPM 10.5%) for FY12/22, 31.5bn yen to 30.1bn yen (+26.6% YoY, OPM 11.2%) for FY12/23, and 37.6bn yen to 36.2bn yen (+20.6% YoY, OPM 11.6%) for FY12/24. We have largely maintained our sales forecast and raised our gross margin assumption to reflect the COGS ratio reduction due to the change in delivery companies. The lowering of our OP forecast is mainly due to the more conservative assumptions about the costs (both temporary and permanent) associated with the change in logistics structure (relocation of the Amagasaki DC to the Inagawa DC).

The new Inagawa DC is a state-of-the-art distribution center with 800 automatic guided vehicles (AGVs), and once fully operational, it is expected to significantly improve the company's distribution efficiency. We expect OPM to improve in one to two years when operations in the new environment stabilize.

In addition, the company announced that it plans to open a new distribution center in the Tokyo area in around 2025. In our new forecast, we have factored in a temporary decline in OPM in FY12/25. It should be noted that the company will need to add a new distribution center every two to three years if it is to maintain its high growth.

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% (unchanged), based on our earnings forecast for FY12/22-FY12/26. Our target price is equivalent to 50x our FY12/23 EPS forecast of 43.00 yen.

Upside risk factors for our view include higher-than-expected sales growth and early improvement in profitability. Downside risk factors include a decline in demand for MRO products due to macroeconomic deterioration, higher-than-expected procurement and shipping costs, additional costs related to the transfer of distribution centers, a significant increase in losses for overseas businesses, and a large-scale share sale by its major shareholders.

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Forecast change

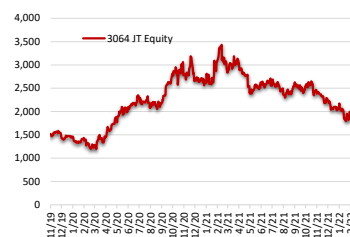
Rating
Hold

Target price (JPY)	2,150 ← 2,350
Stock price (JPY) (Feb 16)	2,080
Market cap (JPYbn)	1,042.7

Key changes

Rating	No
Target price	Yes
Earnings forecast	Yes

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		12/20	12/21	12/22E	12/23E	12/24E
Sales	JPYbn	157.3	189.7	226.2	267.8	313.4
OP	JPYbn	19.6	24.1	23.7	30.1	36.2
RP	JPYbn	19.7	24.3	23.8	30.1	36.3
NP	JPYbn	13.8	17.6	16.7	21.4	25.7
EPS	JPY	27.7	35.3	33.6	43.0	51.8
BPS	JPY	94.1	119.3	137.6	164.6	196.4
DPS	JPY	9.0	11.5	13.5	16.0	20.0
PER	x	94.7	58.9	61.9	48.4	40.1
PBR	x	27.9	17.4	15.1	12.6	10.6
Div. yield	%	0.3	0.6	0.6	0.8	1.0
ROA	%	19.5	19.8	15.9	17.2	17.6
ROE	%	32.9	33.1	26.2	28.4	28.7

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.

Investment thesis

Outlook

Figure: Summary of Mita Securities' earnings forecast

JPYm	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	12/22	12/22	12/23	12/24
	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	CoE	Consensus	Consensus	Consensus
Consolidated earnings												
Sales	131,463	157,337	189,731	226,209	267,808	313,448	361,505	412,166	226,073	224,800	262,483	300,949
(YoY, %)	20.0	19.7	20.6	19.2	18.4	17.0	15.3	14.0				
Gross profit	37,095	44,694	54,045	63,526	74,413	86,281	98,725	111,759				
(YoY, %)	15.8	20.5	20.9	17.5	17.1	15.9	14.4	13.2				
GPM (%)	28.2	28.4	28.5	28.1	27.8	27.5	27.3	27.1				
Operating profit	15,839	19,607	24,129	23,741	30,060	36,242	40,154	47,083	24,380	25,767	31,117	38,450
(YoY, %)	14.9	23.8	23.1	-1.6	26.6	20.6	10.8	17.3				
OPM (%)	12.0	12.5	12.7	10.5	11.2	11.6	11.1	11.4				
Recurring profit	15,887	19,671	24,302	23,775	30,090	36,263	40,178	47,102	24,392	24,733	30,753	39,730
(YoY, %)	15.2	23.8	23.5	-2.2	26.6	20.5	10.8	17.2				
Net profit	10,984	13,771	17,552	16,701	21,362	25,743	28,523	33,409	17,067	18,017	21,710	26,965
(YoY, %)	15.4	25.4	27.5	-4.8	27.9	20.5	10.8	17.1				
Depreciation	1,395	1,562	2,145	3,809	4,456	4,883	5,733	6,337				
Capital expenditure	2,416	9,111	12,001	14,091	12,511	10,862	13,459	13,595				
Free CF	5,299	6,254	-2,032	1,673	6,094	13,911	13,297	19,857				
Parent earnings												
Sales	126,543	151,798	182,472	216,971	256,399	299,458	344,522	391,608	216,505			
(YoY, %)	20.1	20.0	20.2	18.9	18.2	16.8	15.0	13.7				
monotaro.com, etc.	106,388	125,637	146,491	167,857	191,323	216,160	242,066	268,660	167,585			
(YoY, %)	15.9	18.1	16.6	14.6	14.0	13.0	12.0	11.0				
Large corp. business	20,155	26,161	35,981	49,114	65,076	83,297	102,456	122,947	48,920			
(YoY, %)	49.3	29.8	37.5	36.5	32.5	28.0	23.0	20.0				
Gross profit	36,111	43,475	52,527	61,849	72,337	83,707	95,596	107,969				
(YoY, %)	15.9	20.4	20.8	17.7	17.0	15.7	14.2	12.9				
GPM (%)	28.5	28.6	28.8	28.5	28.2	28.0	27.7	27.6				
Operating profit	16,430	20,149	24,533	24,530	30,800	36,932	40,645	47,270	25,018			
(YoY, %)	15.1	22.6	21.8	0.0	25.6	19.9	10.1	16.3				
OPM (%)	13.0	13.3	13.4	11.3	12.0	12.3	11.8	12.1				
Recurring profit	16,444	20,194	24,647	24,563	30,829	36,952	40,669	47,289	24,998			
(YoY, %)	15.4	22.8	22.1	-0.3	25.5	19.9	10.1	16.3				
Net profit	11,309	13,139	17,701	16,990	21,580	25,867	28,469	33,102	17,321			
(YoY, %)	15.1	16.2	34.7	-4.0	27.0	19.9	10.1	16.3				
Per share indicators												
EPS (adjusted for stock split, JPY)	22.11	27.72	35.33	33.61	43.00	51.81	57.41	67.25	34.35	36.26	43.70	54.27
BPS (adjusted for stock split, JPY)	74.57	94.12	119.33	137.64	164.64	196.45	231.86	274.10				
DPS (adjusted for stock split, JPY)	7.50	9.00	11.50	13.50	16.00	20.00	22.00	25.00	13.50			
Valuation, profitability, etc.												
PER (x)	66.1	94.7	58.9	61.9	48.4	40.1	36.2	30.9				
PBR (x)	19.6	27.9	17.4	15.1	12.6	10.6	9.0	7.6				
Dividend payout ratio (%)	33.9	32.5	32.5	40.2	37.2	38.6	38.3	37.2				
Dividend yield (%)	0.5	0.3	0.6	0.6	0.8	1.0	1.1	1.2				
ROA (%)	19.9	19.5	19.8	15.9	17.2	17.6	16.9	17.2				
ROE (%)	33.0	32.9	33.1	26.2	28.4	28.7	26.8	26.6				
Financial soundness indicators												
Capital ratio (%)	62.1	57.5	61.9	60.1	60.4	62.2	63.7	65.4				
Debt/Equity (x)	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1				

Source: Company data, QUICK, Mita Securities

Note: Consensus forecasts are by QUICK consensus

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

JPYm	12/22	12/22	12/22	12/23	12/23	12/24	12/24
	CoE	Old Mita E	New Mita E	Old Mita E	New Mita E	Old Mita E	New Mita E
Sales	226,073	226,800	226,209	267,041	267,808	311,620	313,448
Operating profit	24,380	26,760	23,741	31,476	30,060	37,615	36,242
Recurring profit	24,392	26,794	23,775	31,488	30,090	37,622	36,263
Net profit	17,067	18,705	16,701	21,990	21,362	26,281	25,743
EPS (JPY)	34.35	37.65	33.61	44.26	43.00	52.90	51.81

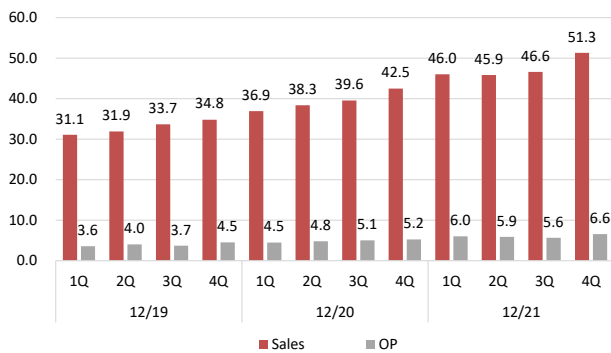
Source: Company data, Mita Securities

Figure: Major logistic facilities

Facility name	Amagasaki DC	Kasama DC	Ibaraki Chuo SC	Inagawa DC	New DC in Tokyo area
Location	Hyogo Prefecture	Ibaraki Prefecture	Ibaraki Prefecture	Hyogo Prefecture	Tokyo/Kanto region
Start of operation	2014	2017	March, 2021	April, 2022 (Phase 1) July-September 2023 (Phase 2)	Target 2025
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	TBD
Note	To be closed				

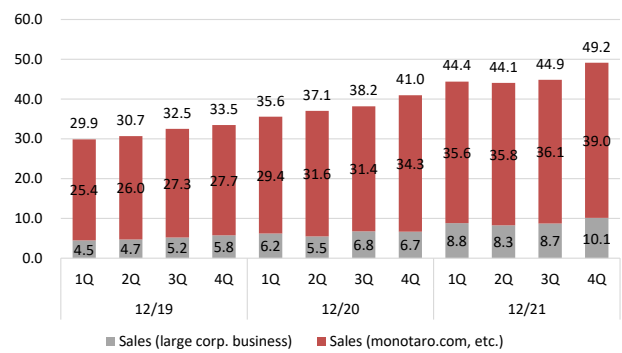
Source: Company data, Mita Securities

Figure: Consolidated sales, OP (quarterly, JPYbn)



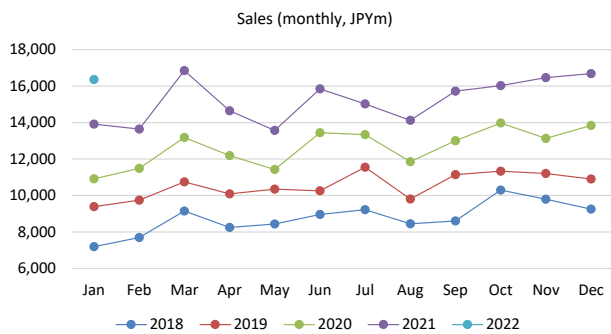
Source: Company data, Mita Securities Note: Consolidated basis

Figure: Parent sales (quarterly, JPYbn)



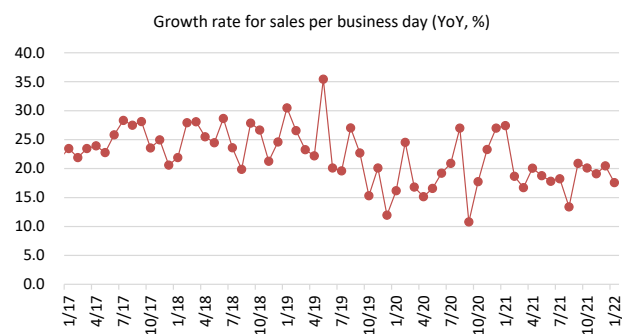
Source: Company data, Mita Securities Note: Parent basis

Figure: Parent monthly sales (JPYm)



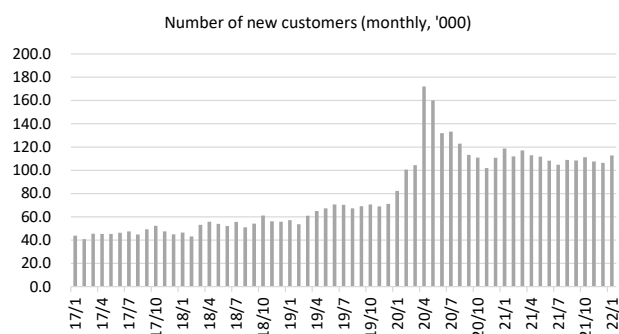
Source: Company data, Mita Securities Note: Parent basis

Figure: Parent sales growth (monthly)



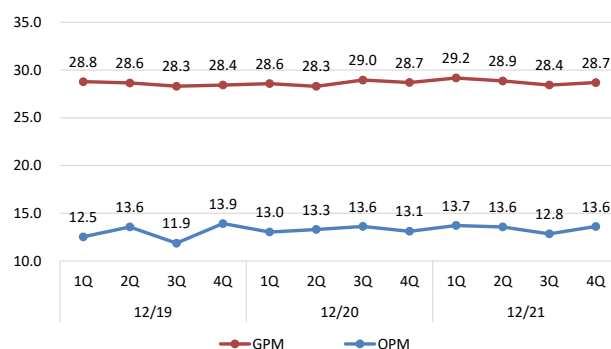
Source: Company data, Mita Securities Note: Parent basis, adjusted for business days

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 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% (unchanged), based on our earnings forecast for FY12/22-FY12/26. Our target price is equivalent to 50x our FY12/23 EPS forecast of 43.00 yen.

TP of 2,150 yen based on RIM

Figure: Residual Income Model (RIM)

	Y0	Y1	Y2	Y3	Y4	Y5	Y6~
	A	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)	59.3	68.4	81.8	97.6	115.2	136.2	
Net profit		16.7	21.4	25.7	28.5	33.4	
Cost of equity		2.7	3.1	3.7	4.4	5.2	
Residual income		14.0	18.3	22.1	24.1	28.2	
PV of residual income		13.4	16.7	19.3	20.2	22.6	
PV of terminal value							924.1

Beta	0.80	Estimated equity value (JPYbn)	1,075.8
Risk free rate (%)	0.50	Number of shares O/S (m)	497
Risk premium (%)	5.00	Target price (JPY)	2,150
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	1,550	1,600	1,700	1,800	1,900	2,000	2,150	2,350	2,550	2,750	3,050	3,450	3,900

Source: Mita Securities

Figure: Comparison of valuations for Japanese EC companies

Company	Ticker	Share price 16-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 Change	3M Change	1YR Change
					Current E	Next E		Next E	Next E	Current E	Next E		Current E	Next E				
ASKUL CORP	2678	1,665	170.7	19.3	18.3	16.4	2.8	5.6	0.3	15.9	16.2	0.3	20.2	11.1	1.8	17.2	9.3	-11.6
MONOTARO CO LTD	3064	2,080	1,042.7	58.9	56.3	47.3	17.4	29.5	4.0	29.0	29.6	18.1	4.6	19.1	0.6	2.8	-13.3	-38.3
ZOZO INC	3092	3,185	992.6	28.3	27.3	24.8	20.3	16.5	5.4	58.4	49.3	8.8	15.2	10.2	1.7	1.3	-14.8	-9.4
MERCARI INC	4385	3,575	572.1	NA	181.0	50.7	14.2	24.0	2.6	9.1	24.2	41.9	-45.8	256.9	0.0	-27.7	-49.9	-35.2
Z HOLDINGS CORP	4689	566	4,301.7	60.5	46.0	37.9	1.6	12.0	2.7	3.6	4.4	22.8	-12.2	21.2	1.0	-6.9	-30.8	-14.4
RAKUTEN GROUP INC	4755	997	1,577.0	NA	NA	103.3	2.0	NA	NA	-17.0	-1.8	13.8	NA	NA	0.5	-7.0	-17.3	-12.1
MISUMI GROUP INC	9962	3,640	1,035.1	29.7	26.8	23.7	4.0	12.6	2.4	15.6	15.7	7.6	125.0	13.0	0.9	-12.1	-27.8	2.1
Average				39.3	59.3	43.4	8.9	16.7	2.9	16.4	19.6	16.2	17.8	55.3	0.9	-4.6	-20.7	-21.8
Median				29.7	36.6	37.9	4.0	14.6	2.6	15.6	16.2	13.8	9.9	16.1	0.9	-6.9	-17.3	-12.1

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

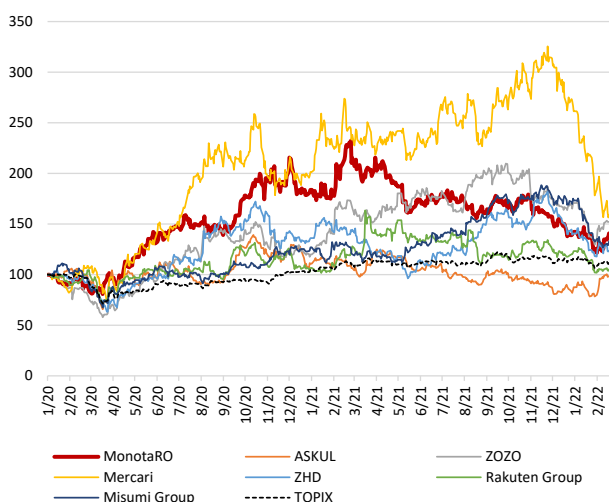
Figure: Comparison of valuations for overseas EC companies

Company	Ticker	Share price 16-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 Change	3M Change	1YR Change
					Current E	Next E		Next E	Next E	Current E	Next E		Current E	Next E				
AMAZON.COM INC	AMZN	3,162.01	1,609.0	67.8	46.5	33.9	11.6	15.7	2.6	17.2	20.6	7.3	-4.8	37.2	0.0	-2.5	-10.7	-3.3
ALIBABA GROUP HOLDING-SP ADR	BABA	125.56	340.4	18.5	15.5	13.7	2.2	9.6	1.7	10.1	10.6	11.0	-21.0	12.7	0.0	-4.6	-25.5	-53.6
EBAY INC	EBAY	57.65	36.1	14.5	14.5	12.8	3.3	9.7	3.6	58.8	34.2	-9.0	16.3	13.4	1.2	-9.1	-24.0	-8.3
JD.COM INC-ADR	JD	75.30	117.4	87.8	47.2	38.7	3.4	27.6	0.5	2.8	6.0	22.7	-4.3	22.0	0.0	2.1	-12.2	-27.2
VIPSHOP HOLDINGS LTD - ADR	VIPS	10.26	7.0	7.7	7.7	7.4	1.4	4.4	0.3	14.6	14.5	-2.9	-7.1	4.6	0.0	10.4	-18.4	-69.4
Average				39.3	26.3	21.3	4.4	13.4	1.8	20.7	17.2	5.8	-4.2	18.0	0.2	-0.7	-18.2	-32.4
Median				18.5	15.5	13.7	3.3	9.7	1.7	14.6	14.5	7.3	-4.8	13.4	0.0	-2.5	-18.4	-27.2

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

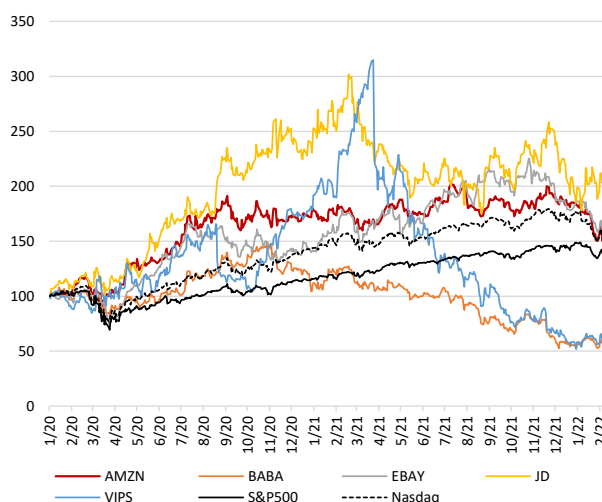
Figure: Stock price trends for Japanese EC companies



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 higher-than-expected sales growth and early improvement in profitability. Downside risk factors include a decline in demand for MRO products due to macroeconomic deterioration, higher-than-expected procurement and shipping costs, additional costs related to the transfer of distribution centers, a significant increase in losses for overseas businesses, 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	A	Mita E	Mita E	Mita E	Mita E	Mita E	(CAGR, %)
Sales growth (%)	20.0	19.7	20.6	19.2	18.4	17.0	15.3	14.0	
OP growth (%)	14.9	23.8	23.1	-1.6	26.6	20.6	10.8	17.3	
RP growth (%)	15.2	23.8	23.5	-2.2	26.6	20.5	10.8	17.2	
NP Growth (%)	15.4	25.4	27.5	-4.8	27.9	20.5	10.8	17.1	
GPM (%)	28.2	28.4	28.5	28.1	27.8	27.5	27.3	27.1	
SGA/Sales (%)	16.2	15.9	15.8	17.6	16.6	16.0	16.2	15.7	
EBITDA margin (%)	13.2	13.5	14.0	12.2	12.9	13.1	12.7	13.0	
OPM (%)	12.0	12.5	12.7	10.5	11.2	11.6	11.1	11.4	
ROA (%)	19.9	19.5	19.8	15.9	17.2	17.6	16.9	17.2	
ROE (%)	33.0	32.9	33.1	26.2	28.4	28.7	26.8	26.6	

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	A	Mita E	Mita E	Mita E	Mita E	Mita E	(CAGR, %)
Sales	131,463	157,337	189,731	226,209	267,808	313,448	361,505	412,166	16.8
COGS	94,367	112,643	135,685	162,683	193,394	227,167	262,781	300,407	
Gross profit	37,095	44,694	54,045	63,526	74,413	86,281	98,725	111,759	
SGA	21,256	25,086	29,916	39,784	44,353	50,039	58,571	64,676	
Operating profit	15,839	19,607	24,129	23,741	30,060	36,242	40,154	47,083	14.3
Non-operating income	156	158	275	150	160	170	180	190	
Non-operating expense	108	94	103	117	131	149	155	171	
Recurring profit	15,887	19,671	24,302	23,775	30,090	36,263	40,178	47,102	14.2
Extraordinary gains	1	1	0	0	0	0	0	0	
Extraordinary losses	320	199	41	600	0	0	0	0	
Pre-tax profit	15,568	19,473	24,260	23,175	30,090	36,263	40,178	47,102	14.2
Corporate taxes	4,816	5,999	6,919	6,973	9,249	11,086	12,201	14,187	
Minority interests	-232	-297	-211	-499	-521	-566	-545	-494	
Net profit	10,984	13,771	17,552	16,701	21,362	25,743	28,523	33,409	13.7
EBITDA	17,332	21,268	26,470	27,611	34,582	41,186	45,951	53,479	
Shares O/S (m)	248	248	497	497	497	497	497	497	
EPS	44.22	55.44	35.33	33.61	43.00	51.81	57.41	67.25	
DPS	15.00	18.00	11.50	13.50	16.00	20.00	22.00	25.00	
Payout ratio (%)	33.9	32.5	32.5	40.2	37.2	38.6	38.3	37.2	
BPS	149.15	188.24	119.33	137.64	164.64	196.45	231.86	274.10	

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 Parent	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	5-yr ave growth (CAGR, %)
	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	
Sales growth (%)	20.1	20.0	20.2	18.9	18.2	16.8	15.0	13.7	
monotaro.com, etc. (%)	15.9	18.1	16.6	14.6	14.0	13.0	12.0	11.0	
Large corp. business (%)	49.3	29.8	37.5	36.5	32.5	28.0	23.0	20.0	
OP growth (%)	15.1	22.6	21.8	0.0	25.6	19.9	10.1	16.3	
RP growth (%)	15.4	22.8	22.1	-0.3	25.5	19.9	10.1	16.3	
NP Growth (%)	15.1	16.2	34.7	-4.0	27.0	19.9	10.1	16.3	
GPM (%)	28.5	28.6	28.8	28.5	28.2	28.0	27.7	27.6	
SGA/Sales (%)	15.6	15.4	15.3	17.2	16.2	15.6	16.0	15.5	
OPM (%)	13.0	13.3	13.4	11.3	12.0	12.3	11.8	12.1	

Source: Company data, Mita Securities

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

PL Parent, JPYm	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	5-yr ave growth (CAGR, %)
	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	
Sales	126,543	151,798	182,472	216,971	256,399	299,458	344,522	391,608	16.5
monotaro.com, etc.	106,388	125,637	146,491	167,857	191,323	216,160	242,066	268,660	12.9
Large corp. business	20,155	26,161	35,981	49,114	65,076	83,297	102,456	122,947	27.9
COGS	90,431	108,323	129,945	155,122	184,063	215,751	248,926	283,638	
Gross profit	36,111	43,475	52,527	61,849	72,337	83,707	95,596	107,969	
SGA	19,681	23,325	27,993	37,319	41,537	46,775	54,951	60,699	
Operating profit	16,430	20,149	24,533	24,530	30,800	36,932	40,645	47,270	14.0
Recurring profit	16,444	20,194	24,647	24,563	30,829	36,952	40,669	47,289	13.9
Pre-tax profit	16,125	18,933	24,606	23,963	30,829	36,952	40,669	47,289	14.0
Net profit	11,309	13,139	17,701	16,990	21,580	25,867	28,469	33,102	13.3

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	A	Mita E	Mita E	Mita E	Mita E	Mita E	(CAGR, %)
Assets									
Total current assets	41,771	54,264	57,086	63,247	75,040	88,717	102,902	121,083	
Cash and deposits	11,155	18,843	12,379	10,585	11,518	15,322	17,753	25,126	
Accounts receivable	14,471	18,267	22,565	24,347	31,128	33,706	40,942	43,985	
Inventories	11,561	11,873	15,429	20,006	22,012	27,222	29,639	35,284	
Other	4,584	5,281	6,713	8,309	10,382	12,468	14,569	16,688	
Total fixed assets	17,920	26,998	38,702	50,500	60,287	68,159	77,865	87,192	
Tangible assets	12,048	19,086	28,105	37,122	43,740	48,126	54,151	59,582	
Intangible assets	3,084	4,829	6,332	7,598	9,035	10,628	12,328	14,155	
Investments and other	2,787	3,081	4,264	5,780	7,513	9,405	11,386	13,455	
Total assets	59,691	81,263	95,789	113,747	135,327	156,876	180,767	208,275	16.8
Liabilities									
Total current liabilities	19,973	22,542	23,824	30,321	36,500	43,014	49,247	55,829	
Accounts payable	9,829	11,643	14,562	17,457	20,751	24,372	28,191	32,223	
Short-term debt	3,123	659	34	1,805	2,605	3,205	3,205	3,205	
Other current liabilities	7,021	10,240	9,228	11,059	13,144	15,436	17,852	20,401	
Total long-term liabilities	2,205	11,062	11,681	14,540	17,049	16,834	17,434	17,856	
Long-term debt	1,225	9,591	9,586	11,800	14,000	13,400	13,400	13,400	
Other	980	1,471	2,095	2,740	3,049	3,434	4,034	4,456	
Total liabilities	22,179	33,604	35,505	44,861	53,549	59,848	66,681	73,685	15.7
Net assets									
Shareholders' equity	37,051	46,761	59,287	68,384	81,796	97,602	115,195	136,183	18.1
Minorities	416	823	897	398	-123	-689	-1,234	-1,728	
Warrants	44	72	99	105	105	115	125	135	
Total net assets	37,512	47,658	60,283	68,886	81,778	97,028	114,085	134,590	17.4
Debt									
Debt/EBITDA (X)	0.3	0.5	0.4	0.5	0.5	0.4	0.4	0.3	11.5
D/E (x)	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	
Shareholders' equity ratio (%)	62.1	57.5	61.9	60.1	60.4	62.2	63.7	65.4	

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	A	Mita E	Mita E	Mita E	Mita E	Mita E	(CAGR, %)
Cashflow from operations									
Net profit	10,984	13,771	17,552	16,701	21,362	25,743	28,523	33,409	
Depreciation	1,395	1,562	2,145	3,809	4,456	4,883	5,733	6,337	
Other	-3,315	-64	-7,439	-3,229	-5,480	-3,960	-5,520	-4,226	
Cashflow from investing									
Capital expenditure	-2,416	-9,111	-12,001	-14,091	-12,511	-10,862	-13,459	-13,595	
Disposal of fixed assets	0	0	0	0	0	0	0	0	
Other	-1,349	96	-2,289	-1,516	-1,733	-1,892	-1,980	-2,069	
Cashflow from financing									
Debt issuance/repayment	-3,499	5,819	-667	4,000	3,000	0	0	0	
Share issuance/buyback	-21	-68	-97	0	0	0	0	0	
Dividend paid	-3,478	-3,975	-5,214	-5,713	-6,707	-7,949	-9,937	-10,930	
Other	436	-3	212	0	0	0	0	0	
Cash and cash equivalents	10,746	18,767	11,068	11,028	13,415	19,376	22,736	31,662	
Free cashflow	5,299	6,254	-2,032	1,673	6,094	13,911	13,297	19,857	

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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