



Monogatari Corporation

TSE 1st Section 3097 Industry: Food service, retail

Japanese BBQ extremely popular in January. SSS exceeded pre-pandemic levels

January SSS 101.6% vs. 2019, of which Yakiniku division 110.7%

Monogatari Corporation (3097, the company) disclosed monthly data for January (on a preliminary basis).

Same-store sales for directly-owned stores were 125.1% vs. January 2021 (113.9% for December), 96.5% vs. January 2020, and 101.6% vs. January 2019. The number of holidays (weekends and national holidays) was the same as in January 2021, 2020, and 2019.

Same-store sales for the Yakiniku division were 129.9% vs. January 2021 (118.7% for December), 104.0% vs. January 2020, and 110.7% vs. January 2019. Same-store sales for the Ramen division were 115.2% vs. January 2021 (111.3% for December), 94.7% vs. January 2020, and 99.1% vs. January 2019.

In January, the business environment for restaurant operators was difficult, as the rapid increase in the number of cases of the new coronavirus led to an increase in the number of areas requesting restaurants to shorten their opening hours. However, the company's same-store sales were strong, achieving higher levels than the pre-pandemic period (January 2019). Looking at the situation for other food service providers, revolving sushi restaurants performed well, while family restaurants performed poorly.

The number of domestic directly-owned stores at end of January was 355 (+3 MoM, +15 vs. end-FY6/21).

Near-term risk factors and medium-to long-term outlook

Many of the company's restaurant formats use an all-you-can-eat system with a time limit. In addition, they are not suitable for takeout or delivery. For February, when the impact of shorter business hours is stronger, we expect more severe results than in January. However, this should be viewed as a temporary effect caused by external factors. The strong sales performance in the October-January period indicates the high popularity of the company's main formats, especially Yakiniku King. The secret to the popularity is the company's efforts to enhance the brand value of the formats and refine its operations, in our view. The company has been able to achieve both strong earnings at existing stores and aggressive new store openings, and we believe that there is significant room for growth in the medium to long term.

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

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

jshimizu@mitasec.com

Update

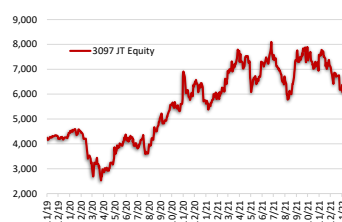
Rating Buy

Target price (JPY)	9,100
Stock price (JPY) (Feb 9)	6,350
Market cap (JPYbn)	76.7

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	28.3	20.1	19.2
PBR	x	2.9	2.9	3.9	3.4	3.0
Div. yield	%	1.0	1.1	0.9	1.3	1.4
ROA	%	9.4	1.3	6.3	7.9	7.5
ROE	%	17.9	2.6	14.7	18.0	16.4

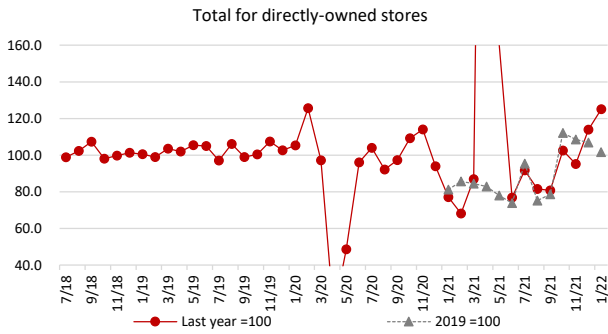
Source: Company data, Mita Securities

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.

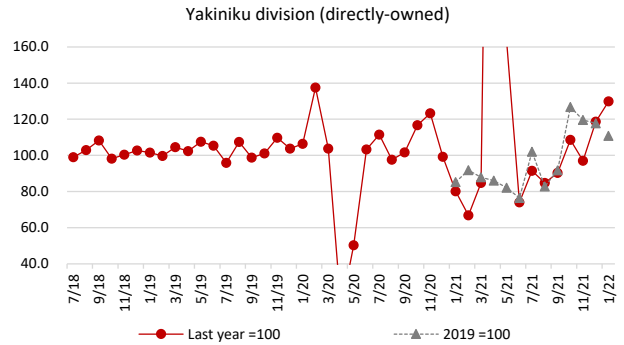
Monthly same-store sales data for Monogatari Corporation

Figure: Total (directly-owned stores)



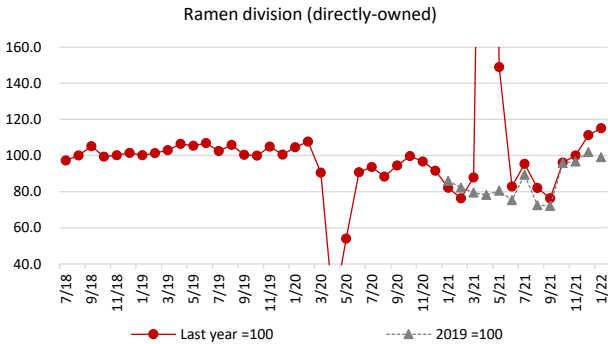
Source: Company data, Mita Securities

Figure: Yakiniku division (directly-owned stores)



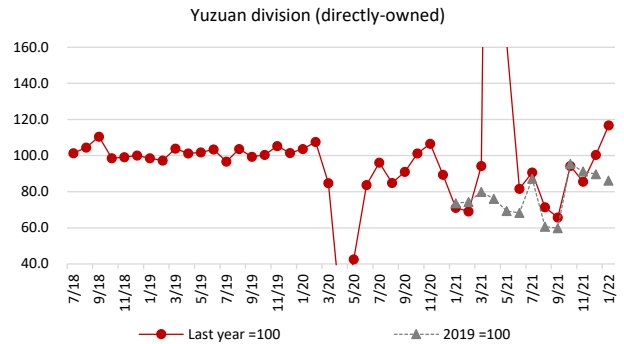
Source: Company data, Mita Securities

Figure: Ramen division (directly-owned stores)



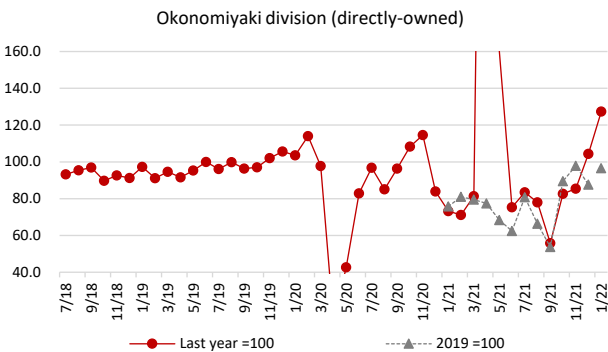
Source: Company data, Mita Securities

Figure: Yuzuan division (directly-owned stores)



Source: Company data, Mita Securities

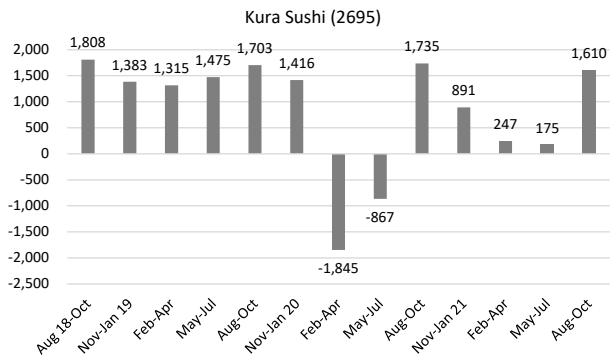
Figure: Okonomiyaki division (directly-owned stores)



Source: Company data, Mita Securities

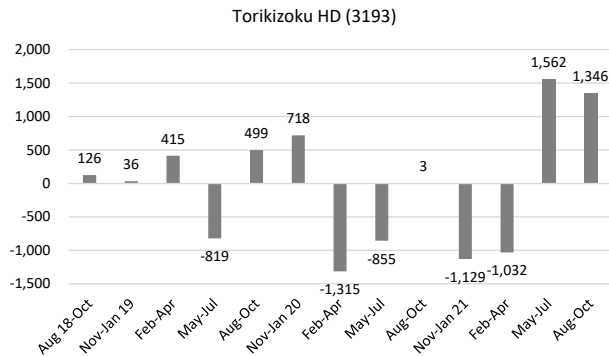
Pre-tax profits for food service companies covered by Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



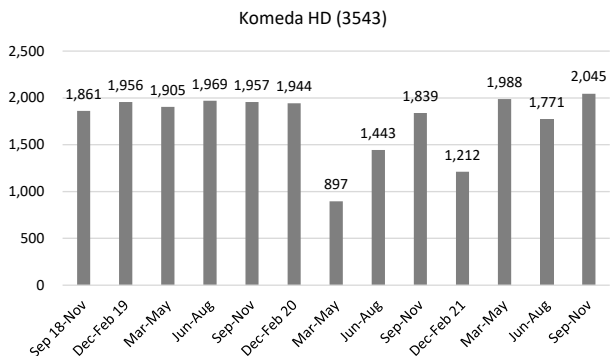
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



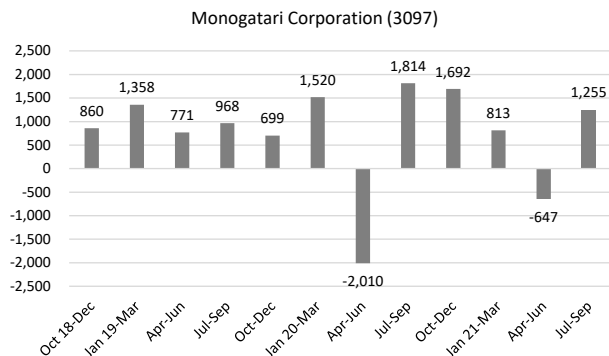
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



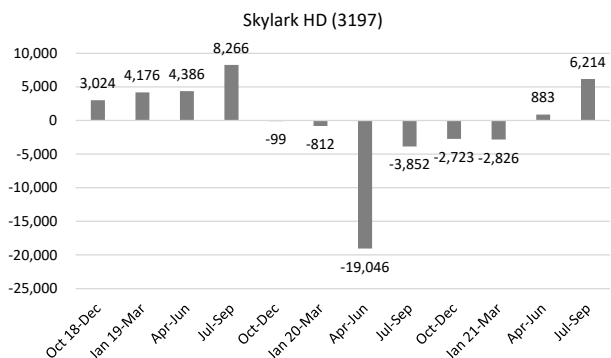
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



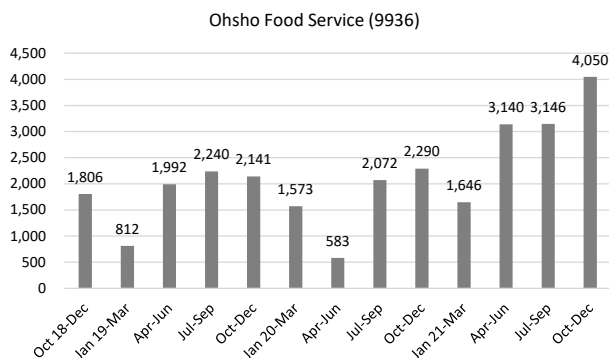
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

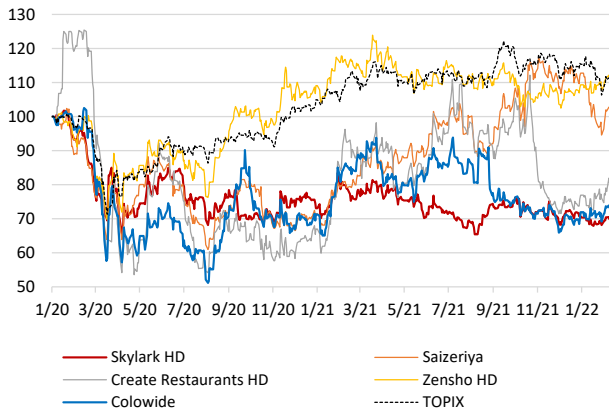
Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

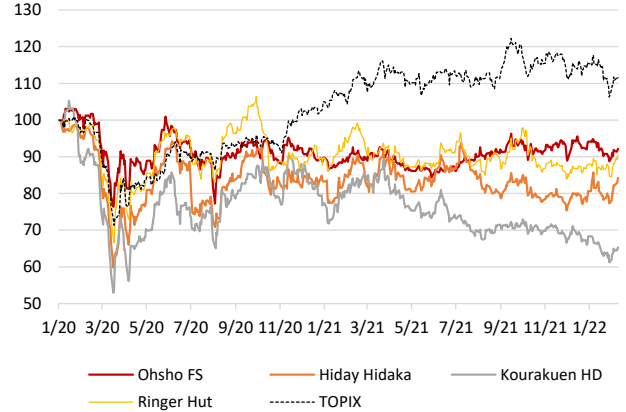
Stock price trends for food service companies

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



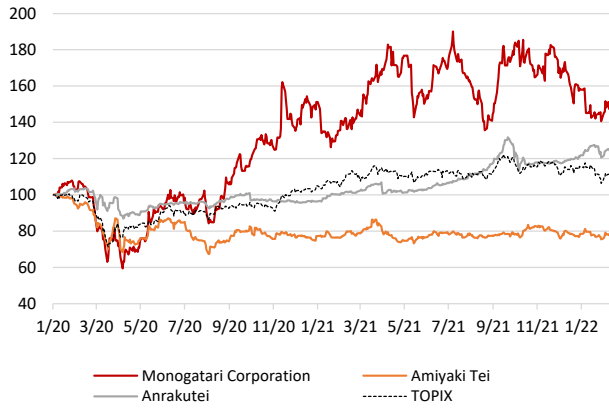
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



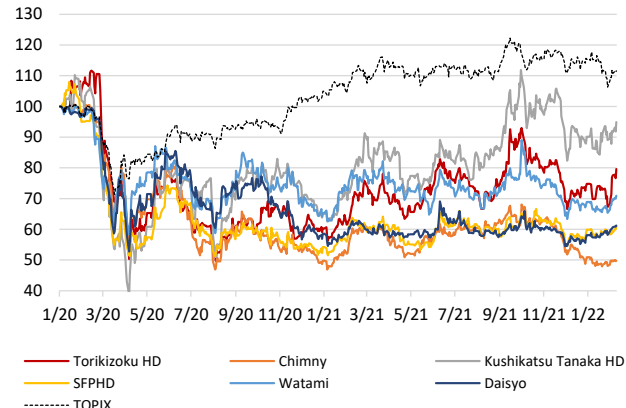
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



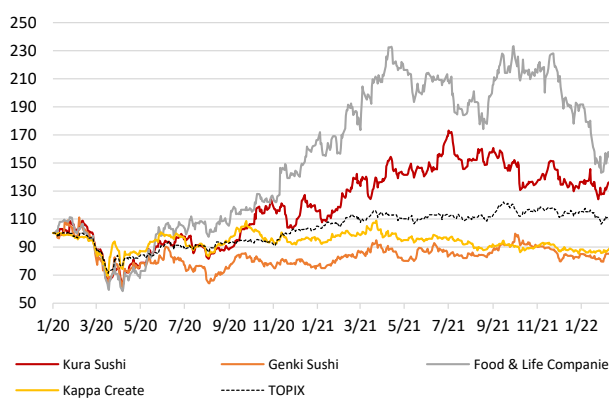
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



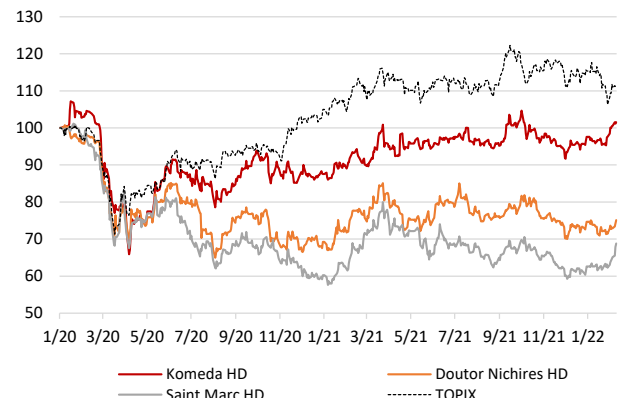
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

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

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