



# MonotaRO

TSE Prime

3064

Industry: Retail, Internet

MITA SECURITIES Co., Ltd.

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## Satisfactory 1Q results; 2Q and beyond are more and more important

## Update

### 1Q OP above target. 2Q cost spikes and challenging global environment need watching

MonotaRO (3064, the company) announced 1Q FY12/22 results. Consolidated OP was 6.664bn yen (+10.9% YoY), and OPM was 12.2% (-0.9ppt YoY). Progress toward the company's 1H OP guidance of 11.702bn yen (-1.6% YoY) was 57%. OP exceeded its 1Q target of 6.268bn yen by 396m yen. About half of the excess of OP over the target was due to the deferral of SG&A expenses on parent basis. The impression of the results is satisfactory.

Rating

**Hold**

Target price (JPY)	2,150
Stock price (JPY) (Apr 28)	2,259
Market cap (JPYbn)	1,132.5

Since the SG&A expense ratio is expected to increase from 2Q due to higher logistics costs for the Inagawa DC to start operations in April, the slightly higher-than expected profit in 1Q is unlikely to be viewed as an important factor by the market. Going forward, we would need to watch the impact of the yen's rapid depreciation as well as the spikes in logistics costs. There may also be concerns about the risk of product shortages due to the impact of the lockdown in China.

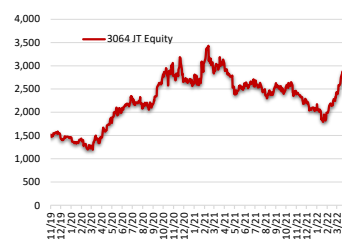
### Key changes

Rating	No
Target price	No
Earnings forecast	No

### Parent OPM look higher due to deferral of some SG&A expenses

Parent sales were 52.687bn yen (+18.7% YoY), of which 11.942bn yen (+35.3% YoY) comes from the large corporate business. The sales composition of the large corporate business accounted for 22.7% (+2.8ppt YoY). Parent OP was 6.866bn yen (+12.7% YoY), and OPM was 13.0% (-0.7ppt YoY). Progress toward the company's 1H parent OP guidance of 12.037bn yen (-0.3% YoY) was 57%. OP exceeded its 1Q target of 6.456bn yen by 410m yen. About half of the excess of OP over the target (about 0.3% of sales) was due to the deferral of logistics costs and the postponement of the launch of the Product Information Management (PMI) system.

### Stock price (JPY)



Source: Bloomberg Finance LP

The YoY decline in OPM was due to lower gross profit margin (-0.6ppt YoY). Factors behind the lower gross profit margin included a higher proportion of sales for the large corporate business, a lower proportion of PB/imported product sales, a lower gross profit margin on PB products, and yen depreciation. The gross profit margin of 28.6% was in line with the company's target.

### 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	63.9	67.2	52.5	43.6
PBR	x	27.9	18.9	16.4	13.7	11.5
Div. yield	%	0.3	0.5	0.6	0.7	0.9
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

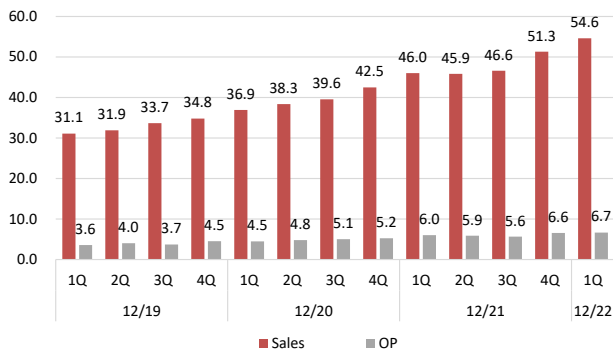
Note: Adjusted for stock split

### 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.

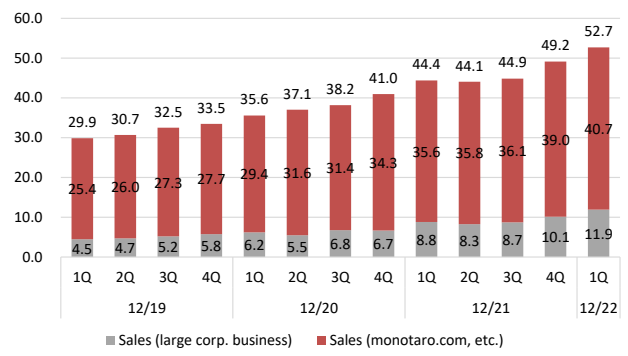
Please refer to the report dated February 17, 2022 for the rationale of the rating and target price.

Figure: Consolidated sales, OP (quarterly, JPYbn)



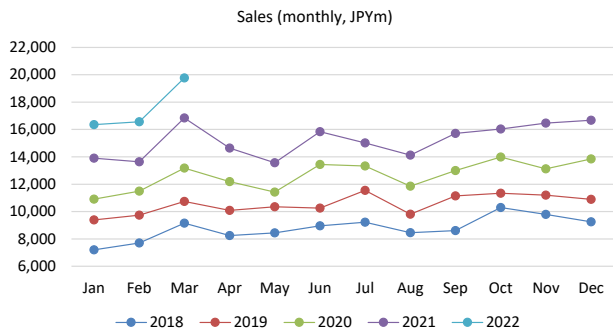
Source: Company data, Mita Securities Note: Consolidated basis

Figure: Parent sales (quarterly, JPYbn)



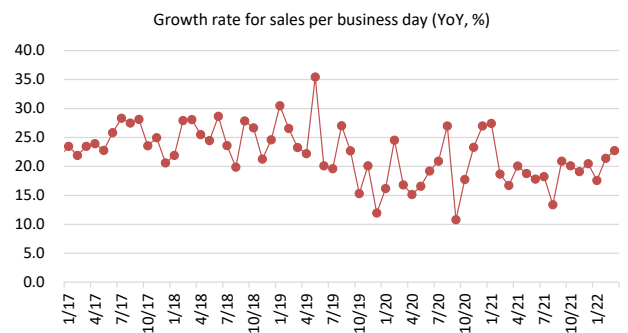
Source: Company data, Mita Securities Note: Parent basis

Figure: Parent monthly sales (JPYm)



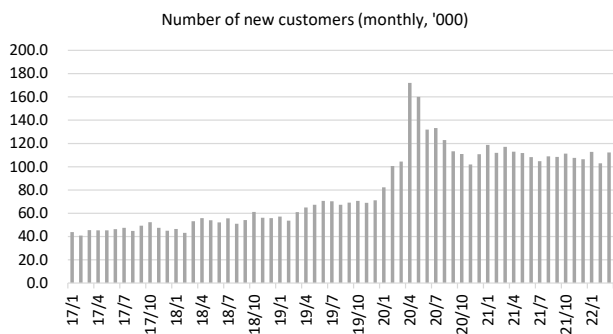
Source: Company data, Mita Securities Note: Parent basis

Figure: Parent sales growth (monthly)



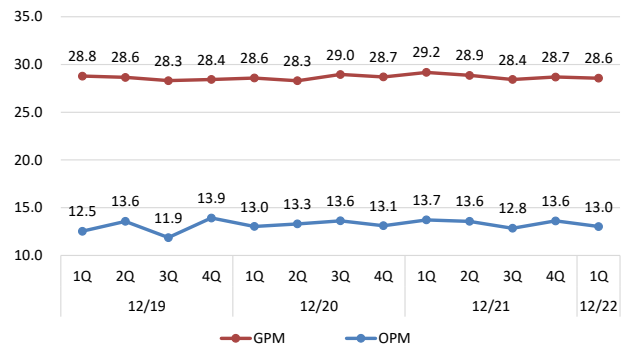
Source: Company data, Mita Securities Note: Parent basis, adjusted for business days

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 27-Apr	Mkt cap JPYbn	PER LTM	PER		PBR Last	EV/EBITDA		EV/Sales Next E	ROE		Sales growth Current E	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	1,595	162.9	18.6	17.4	16.0	2.7	5.3	0.3	16.0	16.4	2.9	20.3	9.2	1.9	-3.1	17.4	-19.9	
<b>MONOTARO CO LTD</b>	<b>3064</b>	<b>2,284</b>	<b>1,134.5</b>	<b>64.1</b>	<b>63.4</b>	<b>51.6</b>	<b>18.9</b>	<b>32.2</b>	<b>4.3</b>	<b>26.6</b>	<b>29.0</b>	<b>18.3</b>	<b>1.0</b>	<b>22.8</b>	<b>0.6</b>	<b>-20.2</b>	<b>26.1</b>	<b>-18.1</b>	
ZOZO INC	3092	3,165	857.3	23.9	21.6	19.5	15.0	12.6	4.1	52.3	42.9	11.0	10.6	10.7	2.3	-12.8	-2.0	-27.1	
MERCARI INC	4385	2,251	353.1	NA	NA	326.7	8.8	21.6	1.5	-14.7	-9.5	39.3	-174.0	NA	0.0	-28.6	-46.9	-59.6	
Z HOLDINGS CORP	4689	521	3,909.0	55.0	47.1	35.9	1.4	10.9	2.4	3.0	4.0	22.8	-22.1	31.3	1.1	-4.5	-4.8	-5.4	
RAKUTEN GROUP INC	4755	930	1,457.0	NA	NA	NA	1.9	NA	NA	-17.4	0.2	1.0	NA	NA	0.5	-5.5	-4.4	-36.7	
MISUMI GROUP INC	9962	3,200	930.2	26.7	23.7	21.6	3.6	11.5	2.2	15.7	15.5	6.3	128.3	9.8	1.1	-12.8	-11.5	4.1	
Average				37.6	34.7	78.5	7.5	15.7	2.5	11.6	14.1	14.5	-6.0	16.8	1.1	-12.5	-3.7	-26.0	
Median				26.7	23.7	28.7	3.6	12.0	2.3	15.7	15.5	11.0	5.8	10.7	1.1	-12.8	-4.4	-19.9	

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

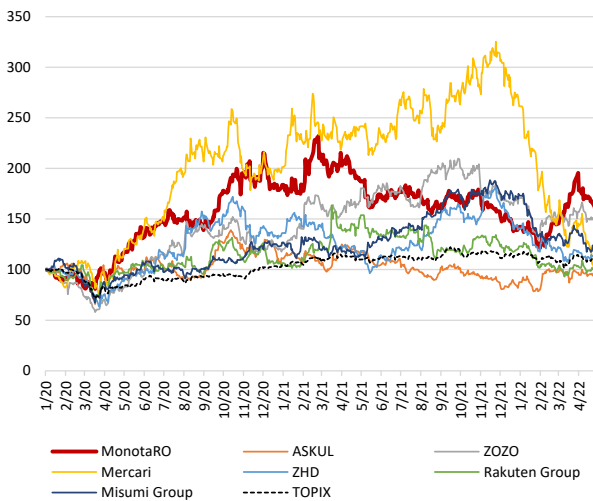
Figure: Comparison of valuations for overseas EC companies

Company	Ticker	Share price 27-Apr	Mkt cap USDbn	PER LTM	PER		PBR Last	EV/EBITDA		EV/Sales Next E	ROE		Sales growth Current E	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	2,763.34	1,405.3	59.2	43.0	30.9	10.2	14.0	2.3	18.0	20.8	7.3	-10.0	39.0	0.0	-18.2	-4.0	-20.1	
ALIBABA GROUP HOLDING-SP ADR	BABA	88.32	239.4	12.8	13.1	11.4	1.6	6.8	1.2	9.8	10.1	7.5	-31.8	14.9	0.0	-23.3	-23.4	-62.7	
EBAY INC	EBAY	52.06	29.5	13.4	12.0	11.2	3.2	7.8	2.8	22.2	23.2	-18.7	8.3	7.0	1.6	-11.4	-9.5	-16.5	
JD.COM INC-ADR	JD	57.42	89.5	73.4	34.8	22.5	2.8	13.1	0.4	4.9	7.9	16.6	102.5	55.1	0.0	-3.9	-17.2	-27.4	
VIPSHOP HOLDINGS LTD-ADR	VIPS	7.20	4.9	6.5	5.6	5.2	1.0	1.9	0.1	14.0	13.2	-9.2	-2.8	9.2	0.0	-21.8	-12.1	-77.6	
Average				33.1	21.7	16.2	3.8	8.7	1.3	13.8	15.0	0.7	13.2	25.0	0.3	-15.7	-13.2	-40.8	
Median				13.4	13.1	11.4	2.8	7.8	1.2	14.0	13.2	7.3	-2.8	14.9	0.0	-18.2	-12.1	-27.4	

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

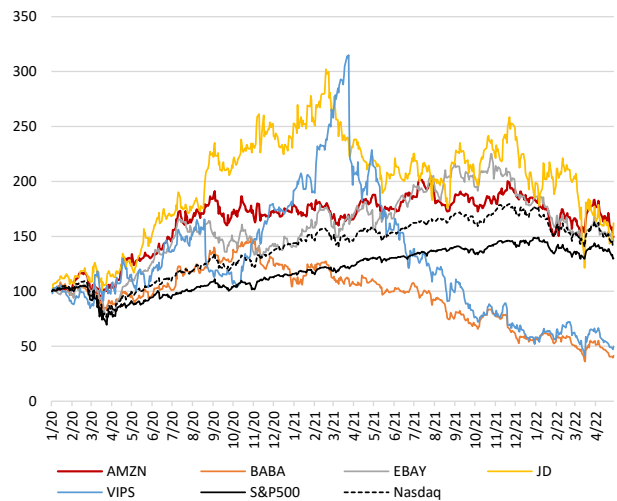
Figure: Stock price trends for Japanese EC companies



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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