



Money Forward

TSE Prime 3994 Industry: Internet service, SaaS, Fintech

1Q SaaS ARR on steady growth, upfront investments lagging

1Q results in line with revised guidance. No surprises

On April 13, Money Forward (3994, the company) announced 1Q (Dec-Feb) FY11/22 sales of 4.756bn yen (+37.2% YoY), EBITDA of -1.159bn yen (vs. 358m yen for 1Q FY11/21), and OP of -1.639bn yen (vs. 81m yen for 1Q FY11/21). The results were mostly in line with the company's 1Q guidance revised on March 1 (sales of 4.649 ~ 4.718bn yen, EBITDA of -1.6 ~ -1.1bn yen, and OP of -2.1 ~ -1.6bn yen), so there were no surprises. SaaS ARR, the company's most important KPI, came in at 12.904bn yen (+39.9% YoY), slightly above the revised guidance range of 12.645 ~ 12.829bn yen. All in all, our impression of the results is neutral.

Delays in upfront investments

Our 1Q earnings forecasts were sales of 4.363bn yen, EBITDA of -2.239bn yen, OP of -2.683bn yen, and SaaS ARR of 12.537bn yen. The losses on an EBITDA and OP basis turned out to be not as large as we had expected. This should be viewed with caution, as this indicates delays in the upfront investments, such as hiring. The company is at a point where it needs to invest aggressively in sales and marketing to continue high growth in SaaS ARR. The number of employees at the end of 1Q was 1,389, which was below our estimate. The company explains that it plans to accelerate hiring in 2Q.

SaaS ARR on steady growth

SaaS ARR of 12.904bn yen includes 8.727bn yen for Business domain corporate customers (+46.7% YoY), 1.264bn yen for Business domain sole proprietors (+35.0% YoY), 1.800bn yen for Home domain premium charges (+23.5% YoY), 782m yen for X domain recurring revenues (+15.7% YoY), and 331m yen for Finance domain recurring revenues (+59.9% YoY). The breakdown of the Business domain is as follows: number of paying customers 201,669 (+30.7% YoY; +10.0% QoQ), and ARPA 49,561 yen (+11.0% YoY; +7.3% QoQ). Both indicators were higher than our assumptions (number of paying customers 195,249; ARPA 49,162 yen). The number of paying customers grew significantly for sole proprietors, capturing demand for tax returns, and ARPA grew notably for corporate customers due to consolidation of HiTTO and price hikes.

1H guidance and full-year guidance: To accelerate upfront investments in 2Q

The company announced 1H guidance as follows: sales of 9.508 ~ 9.828bn yen (+27.4 ~ +31.7% YoY), EBITDA of -3.059 ~ -2.559bn yen (vs. 648m yen for 1H FY11/21), OP of -4.039 ~ -3.539bn yen (vs. 44m for 1H FY11/21), and SaaS ARR of 13.576 ~ 13.982bn yen (+34.0 ~ +38.0% YoY). The company projects that losses will be larger in 2Q than in 1Q. Compared to our forecast (sales of 9.465bn yen, EBITDA of -2.886bn yen, OP of -3.810bn yen, and SaaS ARR of 13.567bn yen), the guidance for sales and SaaS ARR is more aggressive. EBITDA and OP guidance is in line with our forecast as the company plans to make upfront investments in 2Q that were delayed in 1Q.

The company maintained its full-year guidance as follows: sales of 20.322 ~ 21.886bn yen, and SaaS ARR of 15.718 ~ 16.841bn yen. Our forecast is for sales of 20.648bn yen (+32.1% YoY) and SaaS ARR of 16.004bn yen (+42.5% YoY).

Please refer to the report dated February 7, 2022 for the rationale of the rating and target price.

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

Update

Rating
Hold

Target price (JPY)	5,650
Stock price (JPY) (Apr 13)	5,840
Market cap (JPYbn)	312.8

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		11/20	11/21	11/22E	11/23E	11/24E
Sales	JPYbn	11.3	15.6	20.6	26.4	33.9
OP	JPYbn	-2.8	-1.1	-6.0	-3.9	-2.8
RP	JPYbn	-2.5	-1.4	-6.1	-4.0	-2.9
NP	JPYbn	-2.4	-1.5	-6.2	-4.1	-3.0
EPS	JPY	-50.8	-27.8	-116.3	-77.2	-57.1
BPS	JPY	201.7	759.0	642.7	565.5	508.5
DPS	JPY	0.0	0.0	0.0	0.0	0.0
PER	x	NA	NA	NA	NA	NA
PBR	x	23.4	10.3	8.4	9.5	10.6
Div. yield	%	0.0	0.0	0.0	0.0	0.0
ROA	%	-12.7	-3.8	-11.1	-7.6	-5.7
ROE	%	-27.7	-5.9	-16.6	-12.8	-10.6

Source: Company data, Mita Securities

Company profile

Money Forward is a provider of back-office SaaS for SMEs and sole proprietors, personal budgeting apps for consumers, Fintech promotion and DX support services for financial institutions, and financial services for small businesses. The company was listed on the TSE Mothers in September 2017 and changed its market to the First Section in June 2021. FY11/21 sales were 15.6bn yen, and OP was -1.1bn yen. The company had 1,259 full-time employees at the end of FY11/21.

Comparison of valuations and stock prices with peers

Figure: Comparison of valuations with peers (Japanese companies)

Company name	Ticker	PX 4/12	Mkt cap JPYbn	Sales YoY	Sales YoY	Sales YoY	EBITDA Mgn LTM	ROE	ROE	PER	PER	PBR	EV/EBITDA	EV/EBITDA	EV/Sales	EV/Sales	EV/Sales	Div yield	1M Chg	3M Chg	1YR Chg
				LTM	Cur E	Nxt E		LTM	Cur E	LTM	Cur E		Last	LTM	Cur E	LTM	Cur E				
RAKUS CO LTD	3923	1,675	303.5	34.6	34.0	31.6	14.9	22.2	12.0	179.7	311.5	36.5	195.6	156.2	29.1	14.5	11.0	0.1	13.3	-30.8	-26.6
MONEY FORWARD INC	3994	5,370	287.7	38.1	30.2	30.2	-1.3	-5.9	-9.0	NA	NA	7.1	NA	NA	24.7	12.4	9.5	0.0	5.1	-2.4	25.9
SMAREGI INC	4431	1,200	23.6	29.7	NA	25.6	27.2	17.2	12.2	25.9	39.1	5.8	64.6	24.9	17.7	4.8	3.8	0.0	-7.3	-35.6	-59.8
SANSAN INC	4443	1,318	164.7	23.9	25.5	24.4	9.7	3.0	3.7	478.0	194.5	14.0	126.9	121.8	6.0	7.7	6.2	0.0	32.1	-33.6	-47.1
FREEE KK	4478	4,105	231.2	48.1	37.4	28.3	-20.7	-11.4	-4.3	NA	NA	5.0	NA	NA	24.8	12.8	10.0	0.0	29.5	-21.2	-56.2
OBIC BUSINESS CONSULTANTS	4733	4,015	302.7	17.8	NA	NA	NA	9.0	NA	26.2	24.7	2.3	NA	NA	7.4	NA	NA	1.7	2.4	-11.3	-31.0
BENGO4.COM INC	6027	4,050	90.2	31.7	NA	NA	14.7	19.1	NA	190.4	184.0	33.2	135.7	NA	20.5	NA	NA	NA	22.9	-17.3	-57.1
Average				32.0	31.8	28.0	7.4	7.6	2.9	180.0	150.8	14.8	130.7	101.0	18.6	10.4	8.1	0.3	14.0	-21.7	-36.0
Median				31.7	32.1	28.3	12.2	9.0	3.7	179.7	184.0	7.1	131.3	121.8	20.5	12.4	9.5	0.0	13.3	-21.2	-47.1

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

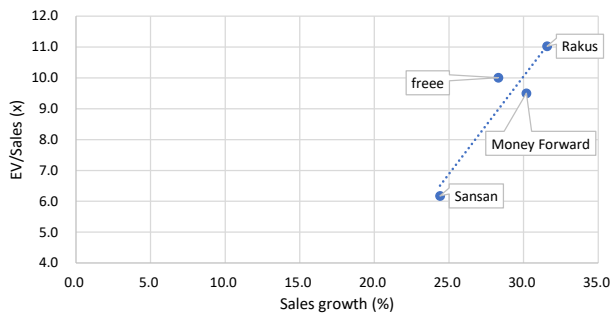
Figure: Comparison of valuations with peers (overseas companies)

Company name	Ticker	PX 4/12	Mkt cap USDbn	Sales YoY	Sales YoY	Sales YoY	EBITDA Mgn LTM	ROE	ROE	PER	PER	PBR	EV/EBITDA	EV/EBITDA	EV/Sales	EV/Sales	EV/Sales	Div yield	1M Chg	3M Chg	1YR Chg
				LTM	Cur E	Nxt E		LTM	Cur E	LTM	Cur E		Last	LTM	Cur E	LTM	Cur E				
AUTODESK INC	ADSK	196	42.6	15.7	16.2	15.0	16.8	54.8	128.0	86.4	29.1	50.4	64.5	22.7	12.7	8.6	7.5	0.0	2.0	-27.2	-33.4
ALTERYX INC-CLASS A	AYX	72	4.9	8.2	23.1	19.3	-19.6	-40.9	-12.2	NA	NA	12.0	NA	NA	8.0	7.1	5.9	0.0	16.9	20.1	-16.8
COUPA SOFTWARE INC	COUP	103	7.8	33.9	14.0	21.6	-10.6	-39.2	4.0	NA	561.6	8.6	NA	123.5	15.2	10.4	8.5	0.0	3.4	-31.9	-61.7
INTUIT INC	INTU	462	130.6	47.9	32.1	15.5	27.7	17.8	22.8	58.1	39.6	8.4	51.1	29.0	14.3	11.0	9.6	0.6	5.1	-20.0	11.0
NEW RELIC INC	NEWR	71	4.7	14.9	18.5	18.4	-18.3	-66.7	-9.2	NA	NA	13.9	NA	143.6	9.4	5.7	4.8	NA	21.5	-34.1	7.5
SERVICENOW INC	NOW	510	102.0	30.4	25.0	24.7	13.7	7.0	32.7	436.1	69.3	27.6	155.0	42.6	21.8	13.6	10.9	NA	-0.4	-11.0	-5.0
OKTA INC	OKTA	143	22.5	55.6	55.0	33.6	-52.0	-25.6	-3.3	NA	NA	3.8	NA	NA	23.5	12.3	9.2	0.0	-6.9	-33.0	-42.4
PAYCOM SOFTWARE INC	PAYC	317	19.1	25.4	26.0	23.2	30.5	25.3	24.4	93.9	57.9	20.6	74.4	36.0	22.6	14.4	11.7	NA	4.7	-11.3	-16.7
QUALYS INC	QLYS	145	5.6	13.3	16.9	17.0	33.9	16.9	25.2	79.5	49.7	13.0	36.0	28.6	12.2	10.9	9.3	NA	13.4	13.4	37.1
SPLUNK INC	SPLK	131	21.0	19.9	25.4	22.2	-43.1	-147.4	3.4	NA	NA	93.8	NA	200.8	8.1	6.9	5.7	0.0	6.8	7.5	-9.8
ATLASSIAN CORP PLC-CLASS A	TEAM	268	68.0	34.8	23.3	26.5	-15.2	-362.6	137.4	NA	170.6	548.6	753.2	107.1	39.8	25.4	20.1	0.0	8.9	-16.3	16.3
VEEVA SYSTEMS INC-CLASS A	VEEV	192	29.6	26.3	14.3	16.9	29.5	16.5	20.1	68.7	47.7	9.2	56.2	32.1	16.6	12.6	10.8	NA	9.9	-20.0	-27.1
WORKDAY INC-CLASS A	WDAY	226	56.7	19.0	21.2	19.9	4.0	0.8	16.9	1,883.1	62.7	12.5	172.9	36.6	12.1	8.9	7.4	NA	0.5	-12.4	-12.9
ZENDESK INC	ZEN	123	15.0	30.0	29.1	24.9	-9.3	-48.6	20.6	NA	157.2	30.7	NA	86.2	9.2	8.7	6.9	0.0	8.3	21.0	-15.7
ZSCALER INC	ZS	223	31.5	60.4	54.0	36.7	-26.3	-63.5	14.8	NA	406.2	58.3	NA	224.8	41.5	29.4	21.5	0.0	10.9	-18.6	18.4
Average				29.1	26.3	22.3	-2.5	-43.7	28.4	386.5	150.1	60.8	170.4	85.6	17.8	12.4	10.0	0.1	7.0	-11.6	-10.1
Median				26.3	23.3	21.6	-9.3	-25.6	20.1	86.4	62.7	13.9	69.5	42.6	14.3	10.9	9.2	0.0	6.8	-16.3	-12.9

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus.

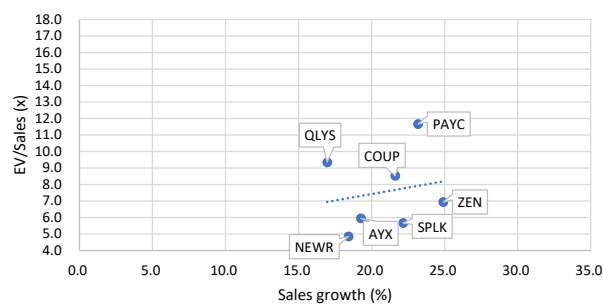
Figure: Sales growth and EV/Sales



Source: Bloomberg Finance LP data, Mita Securities

Note: Based on Bloomberg consensus for next fiscal year

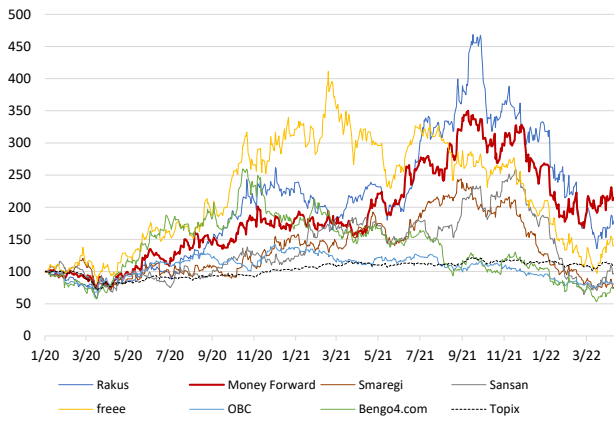
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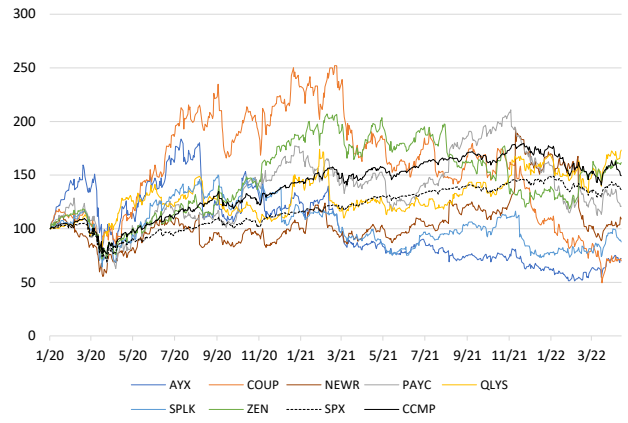
Note: Based on Bloomberg consensus for next fiscal year

Figure: Stock price trends



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

Figure: Stock price trends



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

APPENDIX

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