



# Money Forward

TSE Prime

3994

Industry: Internet service, SaaS, Fintech

## Large additional investment in Indonesian SaaS company; Rising balance sheet risk

### Large additional investment in Mekari

On May 13, Money Forward (3994, the company) announced an additional USD 48m investment in Indonesian SaaS company SLEEKR PTE. LTD (under the brand name "Mekari"). The company has made multiple investments in Mekari since its first investment in 2018. After this investment, the company will have a 42.7% stake in Mekari, but only 9.9% in terms of voting rights. The company has not disclosed whether it may be granted voting rights in the future.

### Focus on rising balance sheet risk

This investment is a large one, equivalent to approximately 6.2bn yen. We understand that the largest investment the company has made in the past was approximately 3.4bn yen in Smartcamp (a consolidated subsidiary).

The company's balance sheet at the end of 1Q FY11/22 showed 5.4bn yen in investment securities and 4.8bn yen in goodwill. Since the beginning of 2Q FY11/22, the company has invested 650m yen in Susten Capital Management (making it an equity-method affiliate) and also made Next Solution a subsidiary (acquisition price not disclosed). On the other hand, net assets at the end of 1Q were 40.3bn yen, and the company's guidance is for a net loss of -2.05bn to -2.55bn yen in 2Q. If 2Q net loss comes in line with the company's guidance, the total amount of investment securities and goodwill could be around 45% of net assets at the end of 2Q.

As SaaS company valuations become increasingly volatile globally, the company's increased balance sheet risk should be watched closely going forward. In particular, the company is already the largest shareholder in Mekari, so it is important to consider the possibility of the company taking an additional stake in Mekari in the event of a similar fundraising in the future.

*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) (May 13) | 3,225 |
| Market cap (JPYbn)         | 172.9 |

### 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  | 5.0    | 5.7    | 6.3    |
| 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<br>5/13 | Mkt cap<br>JPYbn | Sales YoY | Sales YoY | Sales YoY | EBITDA Mgn | ROE   | ROE   | PER   | PER   | PBR  | EV/EBITDA | EV/EBITDA | EV/Sales | EV/Sales | EV/Sales | Div yield | 1M    | 3M    | 1YR   |
|---------------------------|--------|------------|------------------|-----------|-----------|-----------|------------|-------|-------|-------|-------|------|-----------|-----------|----------|----------|----------|-----------|-------|-------|-------|
|                           |        |            |                  | LTM       | Cur E     | Nxt E     | LTM        | LTM   | Cur E | LTM   | Cur E | Last | LTM       | Cur E     | LTM      | Cur E    | LTM      |           |       |       |       |
| RAKUS CO LTD              | 3923   | 1,326      | 240.3            | 34.1      | 33.4      | 29.2      | 14.9       | 22.2  | 16.2  | 142.3 | 201.0 | 28.9 | 195.6     | 102.1     | 29.1     | 8.7      | 6.7      | 0.2       | -23.5 | -29.3 | -34.8 |
| MONEY FORWARD INC         | 3994   | 3,225      | 172.9            | 36.6      | 30.1      | 29.3      | -10.6      | -13.4 | -11.0 | NA    | NA    | 4.5  | NA        | NA        | 14.2     | 7.0      | 5.4      | 0.0       | -41.6 | -33.4 | -35.8 |
| SMAREGI INC               | 4431   | 990        | 19.4             | 29.7      | NA        | 25.6      | 27.2       | 17.2  | 12.2  | 21.4  | 32.3  | 4.8  | 64.6      | 19.8      | 17.7     | 3.8      | 3.0      | 0.0       | -15.4 | -40.8 | -63.1 |
| SANSAN INC                | 4443   | 1,106      | 138.2            | 23.9      | 25.2      | 23.4      | 9.7        | 3.0   | 3.3   | 401.1 | 180.6 | 11.8 | 126.9     | 96.4      | 6.0      | 6.4      | 5.1      | 0.0       | -19.0 | 1.5   | -43.8 |
| FREEE KK                  | 4478   | 3,155      | 178.1            | 44.5      | 34.6      | 28.3      | -20.7      | -11.4 | -7.2  | NA    | NA    | 3.8  | NA        | NA        | 24.8     | 9.2      | 7.2      | 0.0       | -24.0 | -21.5 | -57.8 |
| ORBC BUSINESS CONSULTANTS | 4733   | 4,200      | 316.7            | 18.8      | NA        | NA        | NA         | 8.9   | NA    | 26.7  | 26.3  | 2.3  | NA        | NA        | 5.7      | NA       | NA       | 1.7       | 5.3   | -1.4  | -30.9 |
| BENGO4.COM INC            | 6027   | 3,100      | 69.0             | 29.3      | NA        | NA        | 14.7       | 19.1  | NA    | 145.7 | 98.1  | 25.4 | 135.7     | NA        | 20.5     | NA       | NA       | NA        | -23.2 | -32.5 | -63.8 |
| Average                   |        |            |                  | 31.0      | 30.8      | 27.2      | 5.9        | 6.5   | 2.7   | 147.4 | 107.7 | 11.6 | 130.7     | 72.7      | 16.9     | 7.0      | 5.5      | 0.3       | -20.2 | -22.5 | -47.1 |
| Median                    |        |            |                  | 29.7      | 31.8      | 28.3      | 12.2       | 8.9   | 3.3   | 142.3 | 98.1  | 4.8  | 131.3     | 96.4      | 17.7     | 7.0      | 5.4      | 0.0       | -23.2 | -29.3 | -43.8 |

Source: Bloomberg Finance LP data, Mita Securities

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

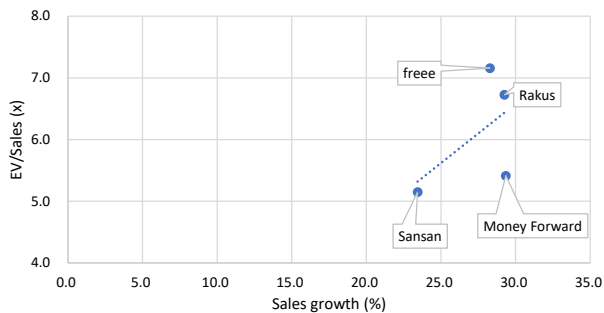
Figure: Comparison of valuations with peers (overseas companies)

| Company name               | Ticker | PX<br>5/13 | Mkt cap<br>USDbn | Sales YoY | Sales YoY | Sales YoY | EBITDA Mgn | ROE    | ROE   | PER     | PER   | PBR   | EV/EBITDA | EV/EBITDA | EV/Sales | EV/Sales | EV/Sales | Div yield | 1M    | 3M    | 1YR   |
|----------------------------|--------|------------|------------------|-----------|-----------|-----------|------------|--------|-------|---------|-------|-------|-----------|-----------|----------|----------|----------|-----------|-------|-------|-------|
|                            |        |            |                  | LTM       | Cur E     | Nxt E     | LTM        | LTM    | Cur E | LTM     | Cur E | Last  | LTM       | Cur E     | LTM      | Cur E    | LTM      |           |       |       |       |
| AUTODESK INC               | ADSK   | 197        | 42.9             | 15.7      | 16.2      | 15.0      | 16.8       | 54.8   | 128.0 | 86.8    | 29.3  | 50.6  | 64.5      | 22.8      | 12.7     | 8.7      | 7.6      | 0.0       | 0.2   | -15.6 | -29.0 |
| ALTERYX INC-CLASS A        | AYX    | 59         | 4.0              | 13.9      | 34.1      | 19.4      | -33.0      | -71.7  | -11.4 | NA      | NA    | 17.4  | NA        | NA        | 9.4      | 6.2      | 5.2      | 0.0       | -18.3 | 12.7  | -23.7 |
| COUPA SOFTWARE INC         | COUP   | 73         | 5.5              | 33.9      | 14.1      | 21.6      | -10.6      | -39.2  | 4.0   | NA      | 399.7 | 6.1   | NA        | 91.8      | 15.2     | 7.7      | 6.3      | 0.0       | -26.8 | -43.8 | -68.3 |
| INTUIT INC                 | INTU   | 372        | 105.1            | 47.9      | 32.1      | 15.4      | 27.7       | 17.8   | 21.7  | 46.8    | 31.9  | 6.7   | 51.1      | 23.6      | 14.3     | 9.0      | 7.8      | 0.7       | -20.1 | -29.6 | -10.9 |
| NEW RELIC INC              | NEWR   | 47         | 3.1              | 17.7      | 17.9      | 18.9      | -18.4      | -68.0  | -3.8  | NA      | NA    | 9.6   | NA        | 51.0      | 5.3      | 3.1      | 2.6      | NA        | -35.2 | -36.3 | -21.4 |
| SERVICENOW INC             | NOW    | 453        | 90.7             | 29.5      | 30.1      | 24.8      | 12.7       | 6.3    | 30.5  | 400.6   | 61.7  | 22.7  | 134.1     | 37.8      | 17.6     | 12.0     | 9.6      | NA        | -10.8 | -23.5 | -1.7  |
| OKTA INC                   | OKTA   | 98         | 15.4             | 55.6      | 55.0      | 33.5      | -52.0      | -25.6  | -3.3  | NA      | NA    | 2.6   | NA        | NA        | 23.5     | 8.4      | 6.3      | 0.0       | -31.9 | -50.0 | -57.4 |
| PAYCOM SOFTWARE INC        | PAYC   | 289        | 17.4             | 30.5      | 27.7      | 23.1      | 31.8       | 25.5   | 37.9  | 75.1    | 52.0  | 16.6  | 55.0      | 31.9      | 17.4     | 12.8     | 10.4     | NA        | -9.6  | -17.1 | -11.6 |
| QUALYS INC                 | QLYS   | 121        | 4.7              | 14.6      | 17.9      | 17.1      | 41.0       | 23.3   | 26.8  | 49.3    | 38.8  | 11.1  | 29.2      | 22.2      | 12.0     | 8.9      | 7.6      | NA        | -17.5 | -1.0  | 21.5  |
| SPLUNK INC                 | SPLK   | 102        | 16.4             | 19.9      | 24.7      | 22.5      | -43.1      | -147.4 | 3.4   | NA      | NA    | 73.1  | NA        | 160.2     | 8.1      | 5.5      | 4.5      | 0.0       | -26.1 | -17.9 | -12.4 |
| ATLASSIAN CORP PLC-CLASS A | TEAM   | 189        | 48.0             | 32.8      | 28.9      | 26.5      | -23.1      | -201.7 | 124.8 | NA      | 112.0 | 158.1 | 1,760.3   | 70.7      | 28.6     | 17.4     | 13.7     | 0.0       | -28.8 | -42.8 | -12.1 |
| VEEVA SYSTEMS INC-CLASS A  | VEEV   | 173        | 26.7             | 26.3      | 14.3      | 17.0      | 29.5       | 16.5   | 20.1  | 61.9    | 43.0  | 8.3   | 56.2      | 28.7      | 16.6     | 11.3     | 9.6      | NA        | -9.8  | -24.8 | -31.4 |
| WORKDAY INC-CLASS A        | WDAY   | 182        | 46.2             | 19.0      | 21.2      | 19.9      | 4.0        | 0.8    | 16.9  | 1,519.1 | 50.6  | 10.1  | 172.9     | 29.5      | 12.1     | 7.2      | 6.0      | NA        | -18.9 | -22.6 | -20.3 |
| ZENDESK INC                | ZEN    | 102        | 12.5             | 31.1      | 27.5      | 24.7      | -10.9      | -63.8  | 5.2   | NA      | 144.5 | 38.2  | NA        | 71.6      | 10.1     | 7.2      | 5.8      | 0.0       | -18.4 | -14.0 | -24.4 |
| ZSCALER INC                | ZS     | 153        | 21.6             | 60.4      | 54.0      | 37.1      | -26.3      | -63.5  | 14.8  | NA      | 278.6 | 40.1  | NA        | 153.0     | 41.5     | 20.0     | 14.6     | 0.0       | -33.6 | -46.4 | -7.3  |
| Average                    |        |            |                  | 29.9      | 27.7      | 22.4      | -3.6       | -35.7  | 27.7  | 320.0   | 112.9 | 31.4  | 290.4     | 61.1      | 16.3     | 9.7      | 7.8      | 0.1       | -20.4 | -24.8 | -20.7 |
| Median                     |        |            |                  | 29.5      | 27.5      | 21.6      | -10.6      | -25.6  | 16.9  | 75.1    | 52.0  | 16.6  | 60.3      | 37.8      | 14.3     | 8.7      | 7.6      | 0.0       | -18.9 | -23.5 | -20.3 |

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus.

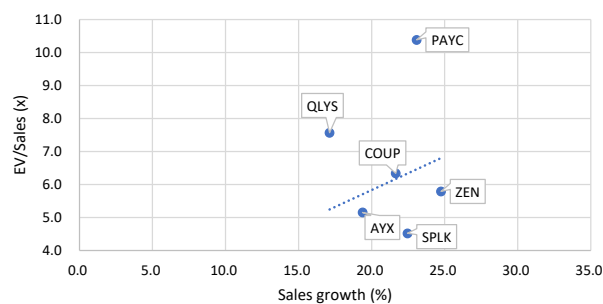
Figure: Sales growth and EV/Sales



Source: Bloomberg Finance LP data, Mita Securities

Note: Based on Bloomberg consensus for next fiscal year

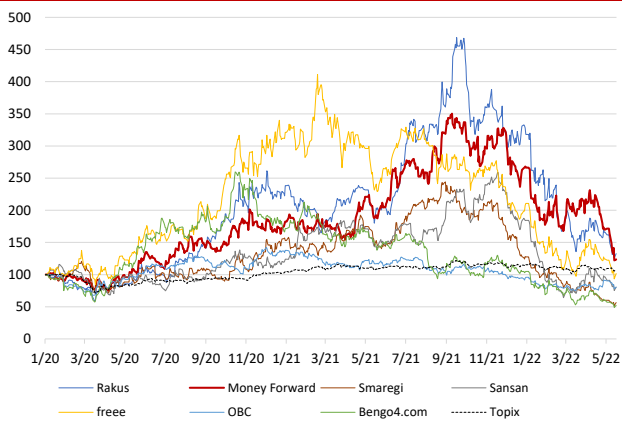
Figure: Sales growth and EV/Sales



Source: Bloomberg Finance LP data, Mita Securities

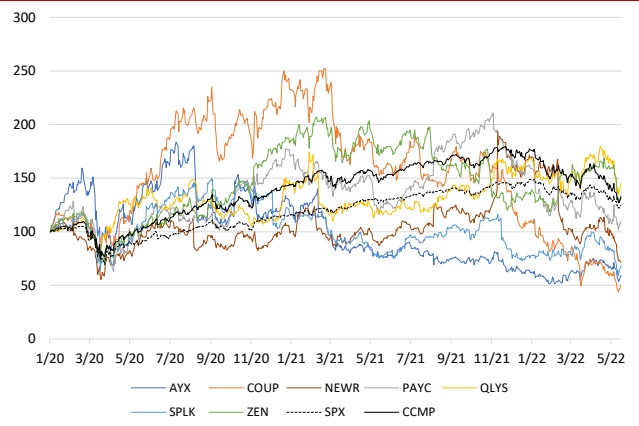
Note: Based on Bloomberg consensus for next fiscal year

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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The target price and ratings are based on our views for the next 12 months or so.

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