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On **December 5, 2019**, Raccoon Holdings, Inc. announced earnings results for 1H FY04/20.

Cumulative (JPYmn)	FY04/18				FY04/19				FY04/20				FY04/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Revenue	612	1,239	1,887	2,546	669	1,352	2,162	2,980	818	1,668			48.3%	3,450
YoY	7.5%	8.2%	8.2%	7.9%	9.3%	9.1%	14.6%	17.1%	22.3%	23.4%				15.8%
Gross profit	524	1,043	1,583	2,106	548	1,102	1,744	2,370	672	1,364				
GPM	85.5%	84.1%	83.9%	82.7%	81.9%	81.5%	80.7%	79.5%	82.1%	81.8%				
SG&A expenses	418	830	1,249	1,668	415	831	1,350	1,821	496	999				
YoY	6.7%	7.9%	7.9%	6.7%	-0.6%	0.1%	8.1%	9.2%	19.5%	20.2%				
SG&A ratio	68.2%	67.0%	66.2%	65.5%	62.0%	61.5%	62.4%	61.1%	60.6%	59.9%				
Operating profit	106	212	334	438	133	271	394	549	176	365			54.5%	670
YoY	12.3%	6.1%	5.3%	4.0%	25.7%	27.6%	17.8%	25.4%	31.9%	34.8%				22.1%
OPM	17.3%	17.1%	17.7%	17.2%	19.9%	20.0%	18.2%	18.4%	21.5%	21.9%				19.4%
Recurring profit	104	208	330	432	133	267	389	546	175	370			55.2%	670
YoY	11.1%	6.7%	5.7%	4.1%	27.7%	28.2%	17.9%	26.5%	31.4%	38.4%				22.8%
RPM	17.1%	16.8%	17.5%	16.9%	19.9%	19.8%	18.0%	18.3%	21.4%	22.2%				19.4%
Net income attributable to owners of the parent	69	140	221	283	90	182	238	380	112	237			55.8%	425
YoY	19.9%	34.4%	21.2%	10.6%	30.3%	30.2%	7.5%	34.2%	23.9%	30.1%				12.0%
Net margin	11.3%	11.3%	11.7%	11.1%	13.5%	13.5%	11.0%	12.7%	13.6%	14.2%				12.3%

Quarterly (JPYmn)	FY04/18				FY04/19				FY04/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	612	627	648	659	669	683	811	818	818	850		
YoY	7.5%	8.9%	8.2%	7.1%	9.3%	8.9%	25.2%	24.1%	22.3%	24.5%		
Gross profit	524	519	541	522	548	554	642	626	672	692		
GPM	85.5%	82.7%	83.5%	79.3%	81.9%	81.1%	79.2%	76.5%	82.1%	81.5%		
SG&A expenses	418	413	419	419	415	416	519	471	496	503		
YoY	6.7%	9.0%	8.0%	3.0%	-0.6%	0.8%	24.1%	12.4%	19.5%	20.9%		
SG&A ratio	68.2%	65.8%	64.6%	63.6%	62.0%	60.9%	64.1%	57.6%	60.6%	59.2%		
Operating profit	106	106	122	103	133	138	123	155	176	189		
YoY	12.3%	0.6%	3.8%	0.1%	25.7%	29.6%	0.7%	49.8%	31.9%	37.7%		
OPM	17.3%	16.9%	18.9%	15.7%	19.9%	20.2%	15.2%	18.9%	21.5%	22.3%		
Recurring profit	104	104	122	102	133	134	122	157	175	194		
YoY	11.1%	2.6%	4.0%	-0.6%	27.7%	28.7%	0.3%	54.1%	31.4%	45.4%		
RPM	17.1%	16.6%	18.8%	15.4%	19.9%	19.6%	15.0%	19.2%	21.4%	22.9%		
Net income attributable to owners of the parent	69	71	81	62	90	92	55	142	112	125		
YoY	19.9%	52.2%	3.7%	-15.8%	30.3%	30.1%	-31.7%	129.4%	23.9%	36.1%		
Net margin	11.3%	11.3%	12.5%	9.4%	13.5%	13.5%	6.8%	17.4%	13.6%	14.8%		

Source: Shared Research, based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Performance by segment (cumulative) (JPYmn)	FY04/18				FY04/19				FY04/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	612	1,239	1,887	2,546	669	1,352	2,162	2,980	818	1,668		
EC business	412	835	1,264	1,695	425	851	1,297	1,763	455	927		
Financial business	200	405	623	851	244	501	866	1,217	363	740		
[Old segments]												
EC business	412	835	1,264	1,695	-	-	-	-	-	-		
Paid business	72	146	223	303	-	-	-	-	-	-		
Guarantor business	128	259	400	547	-	-	-	-	-	-		
YoY	7.5%	8.2%	8.2%	7.9%	9.3%	9.1%	14.6%	17.1%	22.3%	23.4%		
EC business	5.0%	6.2%	5.8%	5.2%	3.2%	1.9%	2.6%	4.0%	7.1%	9.0%		
Financial business	13.1%	12.5%	13.5%	13.9%	21.7%	23.8%	38.9%	43.1%	48.8%	47.7%		
[Old segments]												
EC business	5.0%	6.2%	5.8%	5.2%	-	-	-	-	-	-		
Paid business	38.0%	31.3%	26.1%	21.6%	-	-	-	-	-	-		
Guarantor business	2.7%	4.1%	7.6%	10.0%	-	-	-	-	-	-		
Operating profit	106	212	334	438	133	271	394	549	176	365		
EC business	151	310	475	645	167	331	518	714	186	388		
Financial business	27	45	70	76	38	79	97	143	74	150		
Adjustments (inter-segment eliminations)	-72	-144	-212	-284	-72	-140	-221	-309	-85	-172		
[Old segments]												
EC business	45	98	161	226	-	-	-	-	-	-		
Paid business	9	21	34	45	-	-	-	-	-	-		
Guarantor business	55	94	143	166	-	-	-	-	-	-		
Adjustments (inter-segment eliminations)	-3	-1	-4	1	-	-	-	-	-	-		
OPM	17.3%	17.1%	17.7%	17.2%	19.9%	20.0%	18.2%	18.4%	21.5%	21.9%		
EC business	36.6%	37.1%	37.6%	38.1%	39.4%	39.0%	39.9%	40.5%	41.0%	41.8%		
Financial business	13.4%	11.1%	11.2%	9.0%	15.4%	15.8%	11.2%	11.7%	20.4%	20.2%		
[Old segments]												
EC business	11.0%	11.7%	12.8%	13.3%	-	-	-	-	-	-		
Paid business	13.2%	14.5%	15.3%	14.8%	-	-	-	-	-	-		
Guarantor business	42.6%	36.2%	35.7%	30.4%	-	-	-	-	-	-		

Performance by segment (quarterly) (JPYmn)	FY04/18				FY04/19				FY04/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	612	627	648	659	669	683	811	818	818	850		
EC business	412	423	429	431	425	425	446	466	455	472		
Financial business	200	204	218	228	244	257	365	352	363	377		
[Old segments]												
EC business	412	423	429	431	-	-	-	-	-	-		
Paid business	72	74	77	80	-	-	-	-	-	-		
Guarantor business	128	130	141	148	-	-	-	-	-	-		
YoY	7.5%	8.9%	8.2%	7.1%	9.3%	8.9%	25.2%	24.1%	22.3%	24.5%		
EC business	5.0%	7.5%	4.8%	3.5%	3.2%	0.6%	4.0%	8.1%	7.1%	11.0%		
Financial business	13.1%	11.9%	15.5%	14.7%	21.7%	25.9%	66.9%	54.5%	48.8%	46.7%		
[Old segments]												
EC business	5.0%	7.5%	4.8%	3.5%	-	-	-	-	-	-		
Paid business	38.0%	25.4%	17.2%	10.6%	-	-	-	-	-	-		
Guarantor business	2.7%	5.5%	14.6%	17.1%	-	-	-	-	-	-		
Operating profit	106	106	122	103	133	138	123	155	176	189		
EC business	151	159	165	169	167	164	186	196	186	201		
Financial business	26	19	25	5	37	41	17	45	74	41		
Adjustments (inter-segment eliminations)	-72	-72	-68	-70	-72	-68	-81	-88	-85	-87		
[Old segments]												
EC business	45	53	63	64	-	-	-	-	-	-		
Paid business	9	12	13	11	-	-	-	-	-	-		
Guarantor business	55	39	49	24	-	-	-	-	-	-		
Adjustments (inter-segment eliminations)	-3	3	-3	5	-	-	-	-	-	-		
OPM	17.3%	16.9%	18.9%	15.7%	19.9%	20.2%	15.2%	18.9%	21.5%	22.3%		
EC business	36.6%	37.6%	38.4%	39.2%	39.4%	38.6%	41.8%	42.0%	41.0%	42.6%		
Financial business	13.0%	9.3%	11.4%	2.2%	15.2%	15.9%	4.7%	12.8%	20.4%	10.9%		
[Old segments]												
EC business	11.0%	12.5%	14.7%	14.9%	-	-	-	-	-	-		
Paid business	13.2%	15.7%	16.7%	13.4%	-	-	-	-	-	-		
Guarantor business	42.6%	29.9%	34.9%	16.0%	-	-	-	-	-	-		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Starting in FY04/15, revenue refers to net revenue rather than gross revenue. Figures prior to this have been retroactively revised for comparison purposes.

Note: In Q2 FY04/17, the company changed the name of the Accounts Receivable Guarantee business to the Guarantor business. Starting in FY04/19, the Paid business and the Guarantor business have been combined to form the Financial business segment and segment reporting has been changed accordingly. Along with this, the company has also changed its accounting for expenditures related to the operation of the company as a whole; instead of putting all these expenses under the EC segment (as it did in the past), the company will make adjustment charges to each segment earnings so as to properly apportion these expenses. Along with its shift to a holding company structure, the company will also assess each reporting segment a "business guidance fee" and other charges. These charges will be booked as expenses by each reporting segment, while the company as a whole report them as revenue. As a result of these changes in accounting methodology, segment earnings at the EC business will increase, segment earnings at the Financial business will decrease, and the adjustment charges subtracted from the combined earnings of all reporting segments will increase.

1H FY04/20 results (out December 5, 2019)

- ▷ Revenue: JPY1.7bn (+23.4% YoY)
- ▷ EBITDA: JPY436mn (+40.8% YoY)
- ▷ Operating profit: JPY365mn (+34.8% YoY)
- ▷ Recurring profit: JPY370mn (+38.4% YoY)
- ▷ Net income*: JPY237mn (+30.1% YoY)

*Net income is net income attributable to owners of the parent.

- ▷ Versus full-year forecasts, revenue was 48.3% (45.4% in 1H FY04/19 versus full-year FY04/19 results), operating profit 54.5% (49.4%), recurring profit 55.2% (48.9%), and net income 55.8% (48.0%).
- ▷ Revenue up 23.4% YoY: This reflected a 9.0% YoY increase in revenue in the EC segment and a 47.7% YoY increase in the Financial segment.

Operating profit up 34.8% YoY: The company strategy is to increase advertising spending in FY04/20, and accordingly advertising expenses have increased. Further, goodwill amortization rose due to the acquisition of shares in ALEMO in FY04/19. Depreciation expenses also expanded with the acquisition of the company's head office building, but rents were significantly reduced. As a result, the gross profit margin improved 0.3pp YoY to 81.8% and the SG&A-to-sales ratio fell 1.6pp YoY to 59.9%, pushing the operating profit margin up 1.9pp YoY to 21.9%.

Earnings by segment

EC segment

The EC segment reported a 9.0% YoY rise in revenue to JPY927mn. Raccoon has taken measures to increase the transaction value for its Super Delivery service (the mainstay of the EC segment), by increasing both membership numbers and average customer spend. Since several years ago, the company expanded its target member from strictly domestic retailers to including domestic non-retail businesses and overseas businesses. In order to address the diversifying procurement needs due to the target expansion, it is working to also expand the product categories it handles. During Q2 FY04/20, the company started handling tools such as DIY products and carpenter tools in October 2019. Additionally, it ran advertisements targeting suppliers—a measure it had not implemented previously—in an effort to acquire more suppliers and increase the number of listed items. In October 2019, the company had over 1 million items listed.

In addition to the large increase in domestic transactions handled for businesses other than retailers, the company started supplying products to Amazon Fashion, which drove a recovery in domestic retailer transactions with a 7.8% YoY increase. International transactions (Super Delivery exports + overseas shipments placed on the company's Japanese-language website) were weak for Hong Kong and South Korea due to rising tensions in Hong Kong and deteriorating Japan–Korea relations. Meanwhile, transaction volumes steadily increased in other countries, resulting in an overall increase of 22.0% YoY. As a result, the total value of transactions going through the company's Super Delivery service posted double-digit growth during 1H, increasing by 10.0% YoY to JPY5.9bn.

As of end-October 2019, Super Delivery had a total of 144,935 member retailers (+17,773 versus end-FY04/19), 1,623 participating suppliers (+204 YoY), and 1,039,101 listed items (+164,158 YoY).

EC segment profit of JPY388mn was up 16.9% YoY.

Financial segment

In 1H FY04/20, the Financial segment reported a 41.5% YoY rise in revenue to JPY829mn (including intra-company sales and transfers).

At the Paid business, Raccoon worked to increase usage by member companies. The Paid business continued to grow steadily, with over 3,500 member companies as of end-October 2019. With the increase in the number of active suppliers and the increase in sales per supplier and usage, the value of external transactions rose to JPY9.4bn (+24.2% YoY) and total payments handled to JPY12.8bn (+18.3% YoY; including JPY3.4bn in payments between group companies).

At the Guarantor business, Raccoon continued working to create new sales channels for its T&G Credit Guarantee service and URIHO guarantor service by establishing new business partnership agreements with regional financial institutions, as well as taking measures to search for more efficient advertising media and improve name recognition. Starting in August 2019, the company expanded its target customer base for the URIHO guarantor service from companies with less than JPY500mn in annual sales to companies with less than JPY1.0bn in annual sales, enabling more small and medium-sized businesses to use the service. In the rent guarantee business, the company worked to raise its profile with real estate companies for both business and residential rent guarantees.

The guarantees outstanding at end-1H FY04/20 came to JPY68.2bn (JPY23.4bn of which was originated by Raccoon Financial and JPY44.8bn by ALEMO), an 8.3% increase over end-FY04/19.

Financial segment profit of JPY150mn was up 88.9% YoY.

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