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On **September 3, 2020**, Raccoon Holdings, Inc. announced earnings results for Q1 FY04/21, as well as its revised full-year earnings and dividend forecasts.

Cumulative (JPYmn)	FY04/19				FY04/20				FY04/21				FY04/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	FY Est.
Revenue	669	1,352	2,162	2,980	818	1,668	2,531	3,478	1,084				23.6%~24.4%	4,450~4,600
YoY	9.3%	9.1%	14.6%	17.1%	22.3%	23.4%	17.0%	16.7%	32.5%					28.0%~32.3%
Gross profit	548	1,102	1,744	2,370	672	1,364	2,045	2,744	908					
GPM	81.9%	81.5%	80.7%	79.5%	82.1%	81.8%	80.8%	78.9%	83.7%					
SG&A expenses	415	831	1,350	1,821	496	999	1,518	2,038	563					
YoY	-0.6%	0.1%	8.1%	9.2%	19.5%	20.2%	12.4%	11.9%	13.5%					
SG&A ratio	62.0%	61.5%	62.4%	61.1%	60.6%	59.9%	60.0%	58.6%	51.9%					
Operating profit	133	271	394	549	176	365	527	706	345				27.1%~29.2%	1,180-1,270
YoY	25.7%	27.6%	17.8%	25.4%	31.9%	34.8%	33.8%	28.7%	96.1%					67.1%~79.9%
OPM	19.9%	20.0%	18.2%	18.4%	21.5%	21.9%	20.8%	20.3%	31.8%					25.7%~28.5%
Recurring profit	133	267	389	546	175	370	530	708	335				26.8%~28.9%	1,160-1,250
YoY	27.7%	28.2%	17.9%	26.5%	31.4%	38.4%	36.2%	29.8%	91.1%					63.7%~76.4%
RPM	19.9%	19.8%	18.0%	18.3%	21.4%	22.2%	20.9%	20.4%	30.9%					25.2%~28.1%
Net income attributable to owners of the parent	90	182	238	380	112	237	338	451	220				27.6%~29.8%	740-800
YoY	30.3%	30.2%	7.5%	34.2%	23.9%	30.1%	42.3%	18.9%	97.6%					64.0%~77.3%
Net margin	13.5%	13.5%	11.0%	12.7%	13.6%	14.2%	13.4%	13.0%	20.3%					16.1%~18.0%

Quarterly (JPYmn)	FY04/19				FY04/20				FY04/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	669	683	811	818	818	850	863	947	1,084			
YoY	9.3%	8.9%	25.2%	24.1%	22.3%	24.5%	6.5%	15.7%	32.5%			
Gross profit	548	554	642	626	672	692	681	698	908			
GPM	81.9%	81.1%	79.2%	76.5%	82.1%	81.5%	78.9%	73.8%	83.7%			
SG&A expenses	415	416	519	471	496	503	519	520	563			
YoY	-0.6%	0.8%	24.1%	12.4%	19.5%	20.9%	-0.0%	10.3%	13.5%			
SG&A ratio	62.0%	60.9%	64.1%	57.6%	60.6%	59.2%	60.2%	54.9%	51.9%			
Operating profit	133	138	123	155	176	189	162	179	345			
YoY	25.7%	29.6%	0.7%	49.8%	31.9%	37.7%	31.6%	15.6%	96.1%			
OPM	19.9%	20.2%	15.2%	18.9%	21.5%	22.3%	18.8%	18.9%	31.8%			
Recurring profit	133	134	122	157	175	194	160	179	335			
YoY	27.7%	28.7%	0.3%	54.1%	31.4%	45.4%	31.3%	14.0%	91.1%			
RPM	19.9%	19.6%	15.0%	19.2%	21.4%	22.9%	18.5%	18.9%	30.9%			
Net income attributable to owners of the parent	90	92	55	142	112	125	101	113	220			
YoY	30.3%	30.1%	-31.7%	129.4%	23.9%	36.1%	82.5%	-20.4%	97.6%			
Net margin	13.5%	13.5%	6.8%	17.4%	13.6%	14.8%	11.7%	11.9%	20.3%			

Source: Shared Research, based on company data

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

Quarterly (JPYmn)	FY04/19				FY04/20				FY04/21				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Revenue	669	683	811	818	818	850	863	947	1,084				
YoY	9.3%	8.9%	25.2%	24.1%	22.3%	24.5%	6.5%	15.7%	32.5%				
Gross profit	548	554	642	626	672	692	681	698	908				
GPM	81.9%	81.1%	79.2%	76.5%	82.1%	81.5%	78.9%	73.8%	83.7%				
SG&A expenses	415	416	519	471	496	503	519	520	563				
YoY	-0.6%	0.8%	24.1%	12.4%	19.5%	20.9%	-0.0%	10.3%	13.5%				
SG&A ratio	62.0%	60.9%	64.1%	57.6%	60.6%	59.2%	60.2%	54.9%	51.9%				
Operating profit	133	138	123	155	176	189	162	179	345				
YoY	25.7%	29.6%	0.7%	49.8%	31.9%	37.7%	31.6%	15.6%	96.1%				
OPM	19.9%	20.2%	15.2%	18.9%	21.5%	22.3%	18.8%	18.9%	31.8%				
Recurring profit	133	134	122	157	175	194	160	179	335				
YoY	27.7%	28.7%	0.3%	54.1%	31.4%	45.4%	31.3%	14.0%	91.1%				
RPM	19.9%	19.6%	15.0%	19.2%	21.4%	22.9%	18.5%	18.9%	30.9%				
Net income attributable to owners of the parent	90	92	55	142	112	125	101	113	220				
YoY	30.3%	30.1%	-31.7%	129.4%	23.9%	36.1%	82.5%	-20.4%	97.6%				
Net margin	13.5%	13.5%	6.8%	17.4%	13.6%	14.8%	11.7%	11.9%	20.3%				

By segment Cumulative (JPYmn)	FY04/19				FY04/20				FY04/21				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Revenue	669	1,352	2,162	2,980	818	1,668	2,531	3,478	1,084				
EC business	425	851	1,297	1,763	455	927	1,404	1,963	688				
Financial business	244	501	866	1,217	363	740	1,127	1,515	396				
YoY	9.3%	9.1%	14.6%	17.1%	22.3%	23.4%	17.0%	16.7%	32.5%				
EC business	3.2%	1.9%	2.6%	4.0%	7.1%	9.0%	8.3%	11.3%	51.2%				
Financial business	21.7%	23.8%	38.9%	43.1%	48.8%	47.7%	30.2%	24.4%	9.1%				
Operating profit	133	271	394	549	176	365	527	706	345				
EC business	167	331	518	715	186	388	592	859	333				
Financial business	38	79	97	143	74	150	196	188	120				
Adjustments (eliminations)	-72	-140	-221	-309	-85	-172	-260	-341	-108				
OPM	19.9%	20.0%	18.2%	18.4%	21.5%	21.9%	20.8%	20.3%	31.8%				
EC business	39.4%	39.0%	39.9%	40.5%	41.0%	41.8%	42.1%	43.8%	48.4%				
Financial business	15.4%	15.8%	11.2%	11.7%	20.4%	20.2%	17.4%	12.4%	30.3%				

By segment Quarterly (JPYmn)	FY04/19				FY04/20				FY04/21				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Revenue	669	683	811	818	818	850	863	947	1,084				
EC business	425	425	446	466	455	472	477	559	688				
Financial business	244	257	365	352	363	377	386	388	396				
YoY	9.3%	8.9%	25.2%	24.1%	22.3%	24.5%	6.5%	15.7%	32.5%				
EC business	3.2%	0.6%	4.0%	8.1%	7.1%	11.0%	6.8%	19.8%	51.2%				
Financial business	21.7%	25.9%	66.9%	54.5%	48.8%	46.7%	6.0%	10.3%	9.1%				
Operating profit	133	138	123	155	176	189	162	179	345				
EC business	167	164	186	197	186	201	204	268	333				
Financial business	38	42	18	46	74	76	46	-8	120				
Adjustments (eliminations)	-72	-68	-81	-88	-85	-87	-88	-80	-108				
OPM	19.9%	20.2%	15.2%	18.9%	21.5%	22.3%	18.8%	18.9%	31.8%				
EC business	39.4%	38.6%	41.8%	42.2%	41.0%	42.6%	42.8%	47.9%	48.4%				
Financial business	15.4%	16.2%	4.9%	13.0%	20.4%	20.0%	11.9%	-2.1%	30.3%				

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 reports 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.

Q1 FY04/21 results (out September 3, 2020)

- ▷ Revenue: JPY1.1bn (+32.5% YoY)
- ▷ EBITDA: JPY382mn (+80.6% YoY)
- ▷ Operating profit: JPY345mn (+96.1% YoY)
- ▷ Recurring profit: JPY335mn (+91.1% YoY)
- ▷ Net income*: JPY220mn (+97.6% YoY)

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

- ▷ Progress versus plan: Verses revised full-year FY04/21 forecast (in ranges) announced on September 3, 2020*, Q1 results left the company with 23.6–24.4% of its target for revenue (23.5% in Q1 FY04/20 versus full-year FY04/20 results), 27.1–29.2% for operating profit (24.9%), 26.8–28.9% for recurring profit (24.7%), and 27.6–29.8% for net income (24.7%).
- ▷ Revenue up 32.5% YoY: This reflected a 51.2% YoY increase in the EC segment as transaction values for the Super Delivery service grew a sharp 75.2% YoY, and a 9.1% YoY increase in the Financial segment.
- ▷ Operating profit up 96.1% YoY: In the Financial business, cost of revenue fell due to lower losses on claims compared to Q4 FY04/20, when the first wave of the novel coronavirus hit. In addition, the cost-of-revenue ratio substantially fell as the company reviewed its allowance for losses on claims and allowance for losses on doubtful accounts in its Financial business based on recent loss claims. As a result, GPM improved 1.6pp YoY to 83.7%. In terms of SG&A expenses, personnel and advertising expenses were up YoY, but other SG&A expenses remained low across the board, resulting in an 8.7pp YoY improvement in SG&A-to-revenue ratio to 51.9% and a 10.3pp YoY increase in OPM to 31.8%.

*Revised full-year FY04/21 earnings forecast (announced on September 3, 2020)

- ▷ Revenue: JPY4.5–4.6bn (previous forecast: JPY3.9bn)
- ▷ EBITDA: JPY1.3–1.4bn (JPY980mn–1.1bn)
- ▷ Operating profit: JPY1.2–1.3bn (JPY810–900mn)
- ▷ Recurring profit: JPY1.2–1.3bn (JPY800–890mn)
- ▷ Net income: JPY740–800mn (JPY490–550mn)
- ▷ EPS: JPY34.61–37.42 (JPY24.29–27.26)
- ▷ Dividend per share: JPY16.00, for an interim dividend of JPY8.00 and a year-end dividend of JPY8.00 (JPY6.5, for an interim dividend of JPY0.00 and a year-end dividend of JPY6.50)

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

Reason for revision

In light of strong Q1 results, the company reexamined its outlook for FY04/21, including the impact of the novel coronavirus outbreak, and concluded that FY04/21 results would exceed its previous forecast. Accordingly, it revised its full-year earnings forecast. The company had previously left its annual dividend forecast for FY04/21 undetermined, but considering recent results, it decided to pay an interim and year-end dividend per share of JPY8.00 each, for a total annual dividend per share of JPY16.00.

Factors considered in the calculation of the revised earnings forecast

- ▷ Revenue in the EC business was up 51.2% YoY as transaction values for the Super Delivery service grew 75.2% YoY. The company expects transaction values to remain high as the increase in revenue was driven not only by short-term demand for masks and disinfection products related to the novel coronavirus pandemic, but also by changes in the socio-economic environment in the wake of the pandemic, which led to a stronger preference for contactless economic activities.
- ▷ With defaults in the Financial business falling within normal levels, the company plans to review its default costs on the assumption that defaults will be less severe than initially expected.
- ▷ In its Super Delivery service in the EC business, the company plans to change its fee structure in order to attract more participating suppliers and further expand the market. The company expects this change to have a negative impact on FY04/21 revenue and profits of around JPY100mn.
- ▷ The company plans to step up promotions in both its EC and Financial businesses to drive medium- to long-term growth. If implemented, the company expects FY04/21 advertising expenses to be about JPY100mn higher than initially planned.

Results by segment

EC segment

The EC segment reported an 51.2% YoY rise in revenue to JPY688mn and a 78.6% YoY increase in operating profit to JPY333mn.

- ▷ Raccoon has taken measures to increase the transaction value for its Super Delivery service (the mainstay of the EC segment), by increasing both new membership numbers and average customer spend. Membership is available to a wide range of businesses, including domestic retail and non-retail businesses as well as overseas businesses.
- ▷ Due to the effects of the novel coronavirus outbreak, there has been an influx of companies having difficulty continuing conventional face-to-face sales activities for wholesaling and purchasing, which led to an increase in membership and participating supplier registrations in Q4 FY04/20. This trend has continued into FY04/21, leading to an accelerated growth in registrations.
- ▷ As of end-July 2020, Super Delivery had a total of 179,731 member retailers (+12,664 versus end-FY04/20), 2,032 participating suppliers (+179), and 1,238,454 listed items (+91,163)
- ▷ Against the backdrop of the prolonged novel coronavirus outbreak, there is a growing need for Super Delivery as a service that facilitates contactless transactions. Elevated demand for masks and disinfection products, which saw a surge in transaction values in Q4 FY04/20, continues but is gradually declining. On the other hand, the transaction value of other products rose both in Japan and overseas, resulting in an increase in both the number of active member retailers and average customer spend.
- ▷ In Q1 FY04/21, the overall transaction value for Super Delivery reached JPY5.1bn (+75.2% YoY). Domestic transaction value grew 74.9% YoY and overseas transaction value grew 76.4% YoY, both posting the highest growth in recent years.

Financial segment

The Financial segment reported a 9.1% YoY rise in revenue to JPY396mn (including intra-company sales and transfers) and a 61.9% YoY increase in operating profit to JPY120mn.

- ▷ At the Paid business, Raccoon continued working to increase usage by member companies (merchants) and sales per active supplier. The Paid business continued to grow steadily, with over 3,800 member companies as of end-July 2020 (3,700 at end-April 2020).
- ▷ Many merchants experienced a sales decline in Q4 FY04/20 due to the novel coronavirus outbreak, which resulted in a lower amount of payments handled compared to Q3 FY04/20. However, merchant sales have recovered in FY04/21, resulting in a recovery in the amount of payments handled.
- ▷ The value of external payments handled rose to JPY4.9bn (+7.6% YoY) and total payments handled to JPY7.3bn (+17.4% YoY; including JPY2.4bn in payments between group companies).
- ▷ At the Guarantor business, Raccoon continued pursuing partnership agreements with regional financial institutions and expanding new sales channels for its T&G Accounts Receivables Guarantee service and URIHO guarantor service, while also taking measures to search for more efficient advertising media and improve name recognition. Due to the prolonged novel coronavirus outbreak, inquiries from SMEs evaluating customer bankruptcy and non-payment risk mitigation options have continued to grow.
- ▷ In the rent guarantee business, the company consolidated the business and residential rent guarantee businesses, which were previously divided between Raccoon Financial and ALEMO, into ALEMO in May 2020, and made a fresh start by renaming the company to Raccoon Rent, Inc.
- ▷ The guarantees outstanding at end-July 2020 came to JPY77.8bn (JPY18.4bn of which was originated by Raccoon Financial and JPY59.4bn by Raccoon Rent), a 2.8% increase over end-FY04/20 and a 19.1% increase YoY.

- ▷ Cost of revenue fell QoQ due to lower losses on claims compared to Q4 FY04/20, when the first wave of the novel coronavirus hit. In addition, the cost-of-revenue ratio in the Financial business fell substantially as the company reviewed its allowance for losses on claims and allowance for losses on doubtful accounts on recent loss claims.

Full-year company forecast

Earnings (JPYmn)	FY04/16 FY Act.	FY04/17 FY Act.	FY04/18 FY Act.	FY04/19 FY Act.	FY04/20 FY Act.	FY04/21 FY Est.
Revenue	2,230	2,359	2,546	2,980	3,478	4,450~4,600
YoY	8.4%	5.8%	7.9%	17.1%	16.7%	28.0%~32.3%
Operating profit	394	421	438	549	706	1,180~1,270
YoY	17.1%	6.9%	4.0%	25.4%	28.7%	67.1%~79.9%
OPM	17.7%	17.8%	17.2%	18.4%	20.3%	25.7%~28.5%
Recurring profit	368	414	432	546	708	1,160~1,250
YoY	12.2%	12.7%	4.1%	26.5%	29.8%	63.7%~76.4%
RPM	16.5%	17.6%	16.9%	18.3%	20.4%	25.2%~28.1%
Net income attributable to owners of the parent	239	256	283	380	451	740~800
YoY	18.7%	6.9%	10.6%	34.2%	18.9%	64.0%~77.3%
Net margin	10.7%	10.8%	11.1%	12.7%	13.0%	16.1%~18.0%

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 Accounts Receivable Guarantee business to the Guarantor business.

The company forecast for FY04/21 (revised on September 3, 2020*) calls for revenue of JPY4.5–4.6bn (+28.0–32.3% YoY), EBITDA of JPY1.3–1.4bn (+56.7–66.1% YoY), operating profit of JPY1.2–1.3bn (+67.1–79.9% YoY), recurring profit of JPY1.2–1.3bn (+63.7–76.4% YoY), net income attributable to owners of the parent of JPY740–800mn (+64.0–77.3% YoY), and dividend per share of JPY16.00 (JPY6.50 in FY04/20).

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