PLAID, Inc.

Q1 FY 9/24 Financial Results Briefing

February 13, 2024

Presentation

Moderator: Thank you very much for joining us. PLAID, Inc. will now present its financial results for the first quarter of the fiscal year ending September 30, 2024.

Today's presentation contains forward-looking statements. These statements are not guarantees of future results and involve risks and uncertainties. Please note that actual results may differ materially from these forward-looking statements due to changes in the environment and other factors.

In addition, please read this note carefully.

There will be a Q&A session after the presentations. We also have a Q&A form available, so you may text us your questions at any time.

Today's presentation will be given by CFO Muto. We will now begin. Muto, please go ahead.

Muto: Thank you. I would now like to give you an update on our first quarter results and business update.

First, here is a summary of financial results.

Earnings Results Q1 FY 9/24

Financial results summary

(JPY mil.)		FY 9/23 Q1	FY 9/24 Q1	YoY (%)
Net sales[1]	**Consolidated**	**1,952**	**2,531**	**+29.7%**
	Non-consolidated	1,762	2,270	+28.8%
	Group companies	227	390	+71.8%
Gross profit margin[2]	**Consolidated**	**73.3%**	**71.6%**	**-1.7pt**
	Non-consolidated	73.3%	71.7%	-1.6pt
	KARTE domain[5]	75.5%	75.6%	+0.1pt
Adjusted operating income[1][3]	**Consolidated**	**-87**	**44**	**-**
	Non-consolidated	-5	172	-
	Group companies	-87	-137	-
ARR[4]	**Consolidated**	**6,858**	**8,402**	**+22.5%**
	Non-consolidated	6,423	7,558	+17.7%

PLAID |

Notes: 1.Difference between consolidated amount and the total amount of non-consolidated and group companies is the consolidation adjustment / 2.After deduction of provision for loss on order received / 3.Operating income + Goodwill amortization + Stock-based compensation expenses + Other one-time cost/ 4.Annual Recurring Revenue. It is calculated by multiplying the monthly subscription sales at the end of each quarter by 12 / 5.After deduction of provision for loss on order received, and after adjusting intra-group transaction with RightTouch

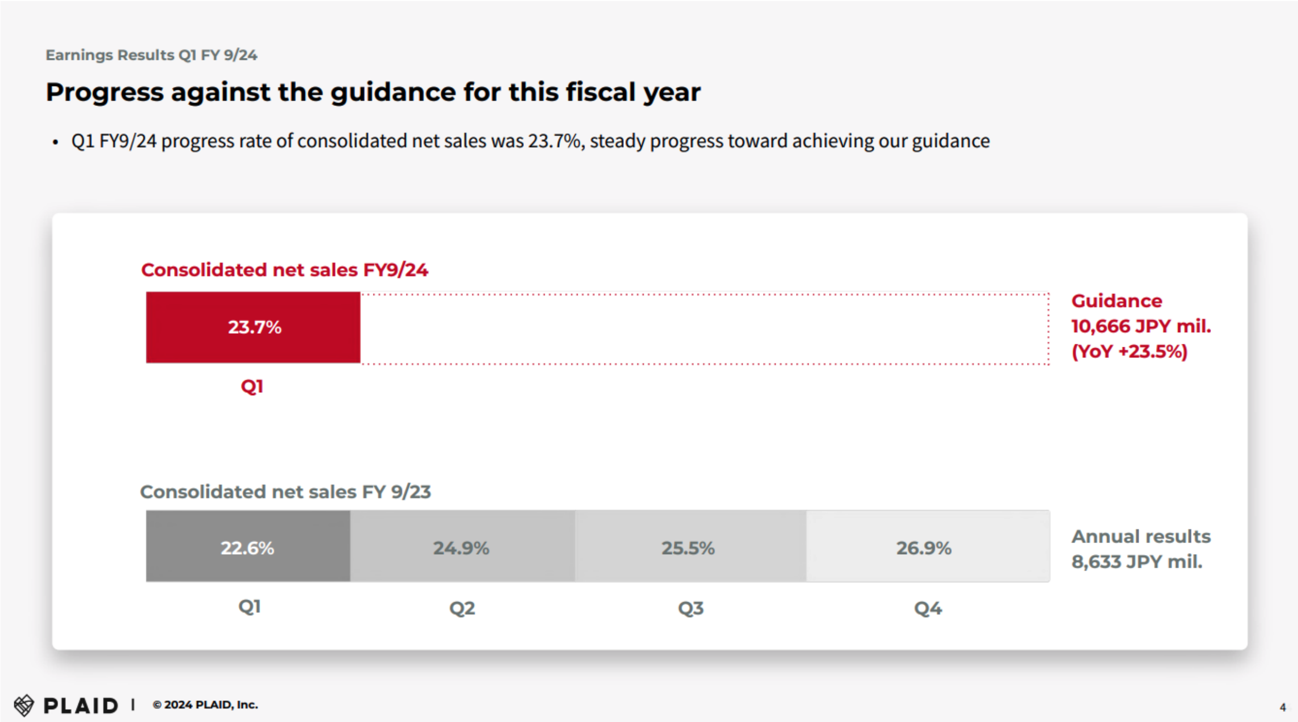
5

We believe it was an extremely good Q1. As you can see, the sales growth rate is 29.7% on a consolidated basis and 28.8% on a PLAID non-consolidated basis, returning to a growth rate approaching 30%.

In particular, if you look at PLAID on a non-consolidated basis, in addition to a 28.8% growth rate, adjusted operating income on a non-consolidated basis is JPY172 million in the black. This is approximately 7.6% in terms of adjusted operating income margin, which is approximately the ratio of operating income to sales. The total of these growth rates is 36.4%, and as investors know, there are phrases like "Rule of 30%" and "Rule of 40%," but I think it is significant that we have achieved the Rule of Thirty, at least on a PLAID non-consolidated basis, and are close to reaching the Rule of Forty.

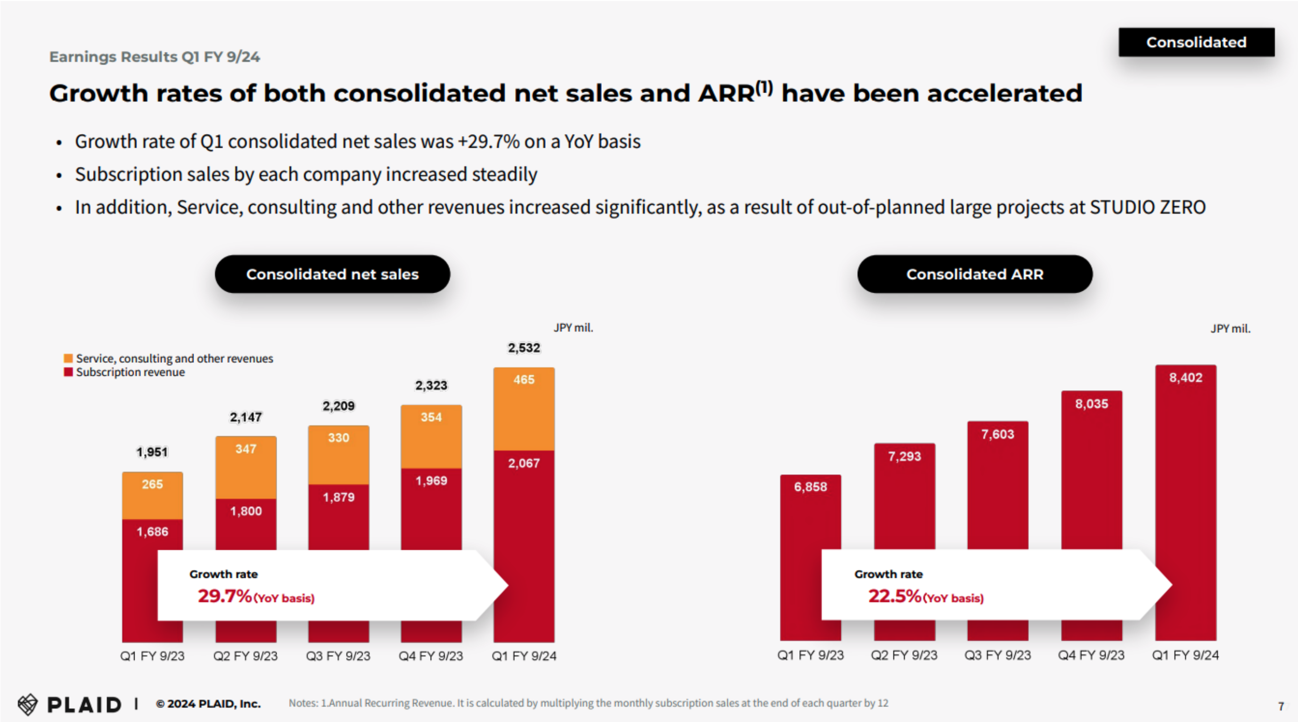
As some of you may recall, in Q4 of FY22, we forecasted for the full year 2023 that PLAID alone would achieve profitable growth, and that the KARTE domain would achieve profitable growth. That is, we have committed to you not only to growth, but also to increasing profitability. I believe that this is actually being realized in the situation of PLAID alone.

In addition, looking at the Group companies, although they are not necessarily large in terms of scale, the growth rate of group company sales is 71.8%, and adjusted operating income is a negative JPY137 million because we are still in the investment stage, but PLAID on its own is growing moderately while the group companies are growing significantly, creating a well-balanced business portfolio. I believe that was what we were able to demonstrate to everyone in Q1.



The full-year forecast for this fiscal year is JPY10,666 million, and the Q1 progress rate against the full-year sales forecast is 23.7%, which can be said to be steady progress. Since this was 22.6% of last year's full-year results, I think we can say that the probability of achieving the top-line full-year forecast is increasing, given that the pace of progress is exceeding last year's rate.

From here, I would like to explain our consolidated financial results.

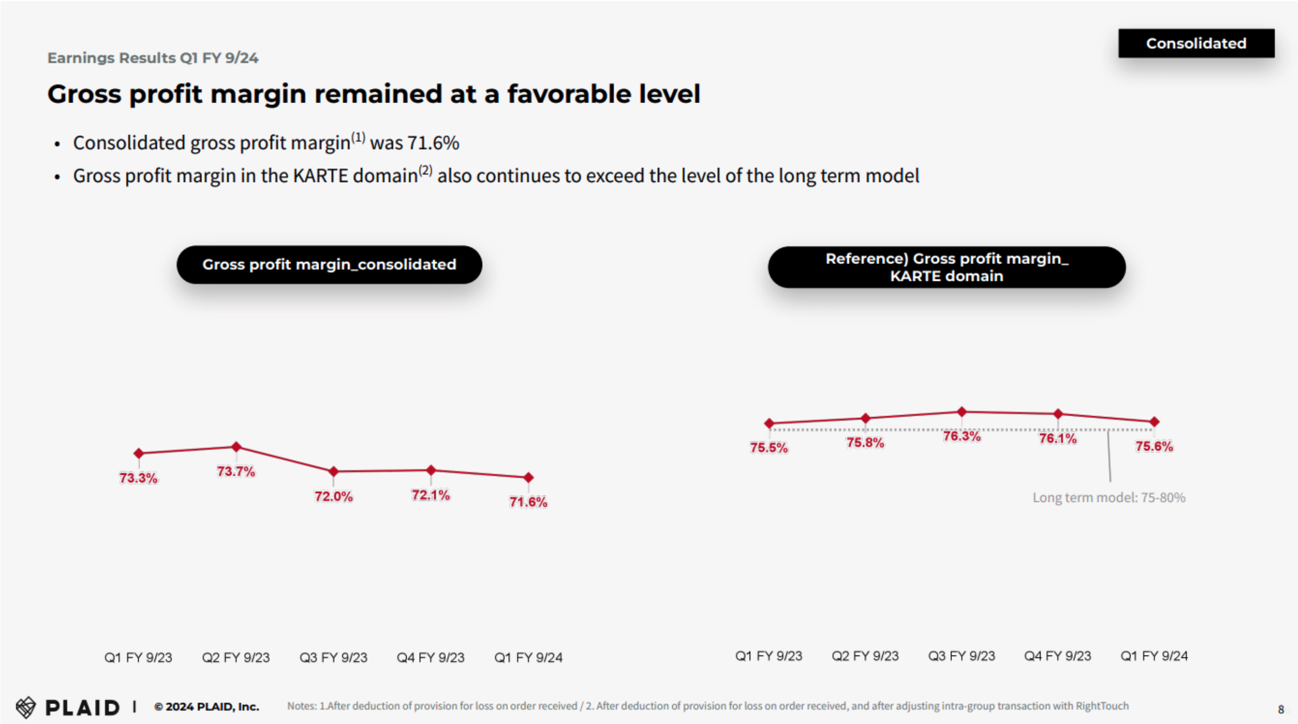


First of all, consolidated net sales, the top line, is in a situation where growth is further accelerating. Consolidated net sales in Q1 were JPY2.532 billion, up 29.7% YoY. Subscription sales are also growing, but the contribution from growth in services and consulting is more significant.

The growth rate of subscription sales was 22.6%, which is about the same as the growth rate of ARR on a consolidated basis. As you can see, ARR accumulated from JPY8.035 billion in Q4 to JPY8.4 billion at the end of Q1, so ARR accumulated a little over JPY360 million in the quarter, or about JPY120 million per month. This Q1 ARR buildup on a consolidated basis is also very good.

As for services, we will come back to this later, but the fact that STUDIO ZERO has been awarded several large projects is also a major contributing factor.

In addition to top-line growth, profitability has remained at a favorable level.

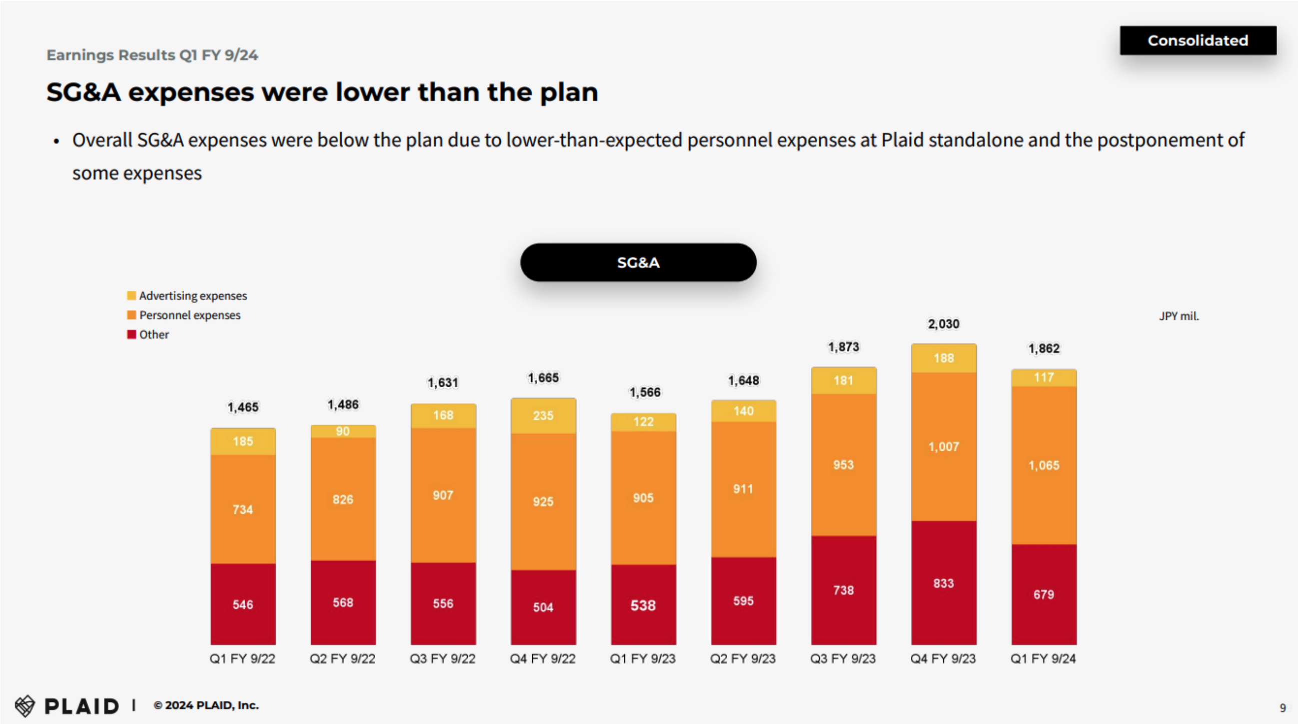


First, the gross profit margin was 71.6% on a consolidated basis. Although this figure may appear to be declining, the actual sales of consulting services, which are relatively less profitable than SaaS services, are increasing, so you can imagine that the percentage is declining, but we are still able to maintain 70%.

Why? Because the profitability of our services and consulting sales is reasonably high. It depends on the project, and as a whole, we have a gross margin of about 40 to 50%, which is not as high as the SaaS gross margin of 75% shown on the right, but it is balanced and attractive in terms of profitability, not just in terms of sales, or in terms of supporting SaaS. I think that is one of the values that we offer.

The gross margin in the core KARTE domain has remained at 75% as before, so I think we can say that the gross margin in the core area here is also stable at a very good level.

Next is SG&A expenses.

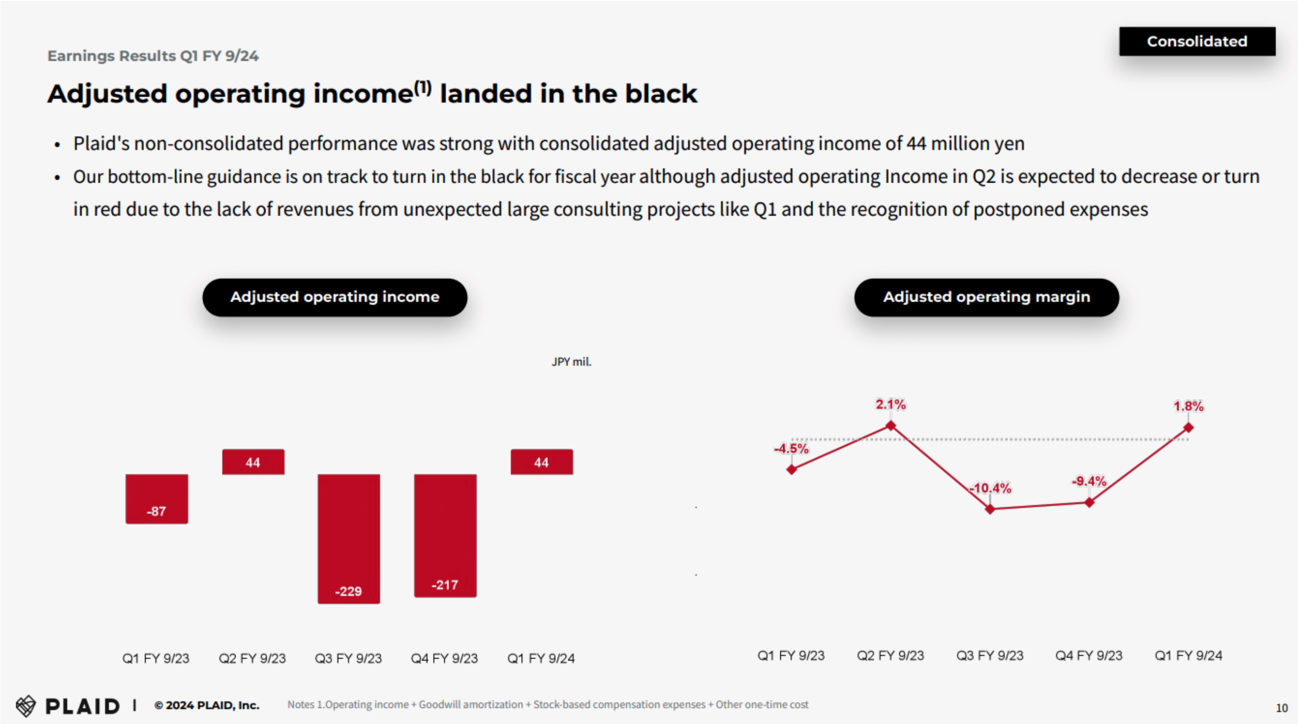


SG&A expenses were JPY1,862 million in Q1, rising at an annual rate of 18.9%. In the sense that it has been held back from top-line growth, I believe it has grown while investing in a healthy way.

As you may have noticed, it has decreased since Q4, but this is not because we were forced to reduce costs in any way. As I have mentioned before, we made a commitment to use the servers last year, but the new analysis engine was so effective that it was less than our commitment, so we used it for R&D and other purposes so as not to waste the reserve from our commitment. That was JPY833 million in Q4, and it just went away.

We are continuing to invest appropriately, although we hope that you will consider the Q4 SG&A expenses as a kind of anomaly and look at them on a YoY basis in comparison with Q1. So, in response to the talk of aiming for profitability in adjusted operating income this fiscal year, I can say that we are not restraining our investments very much, but we are making steady progress toward profitability while making appropriate investments in growth, including investments in human resources, as well as investments in R&D.

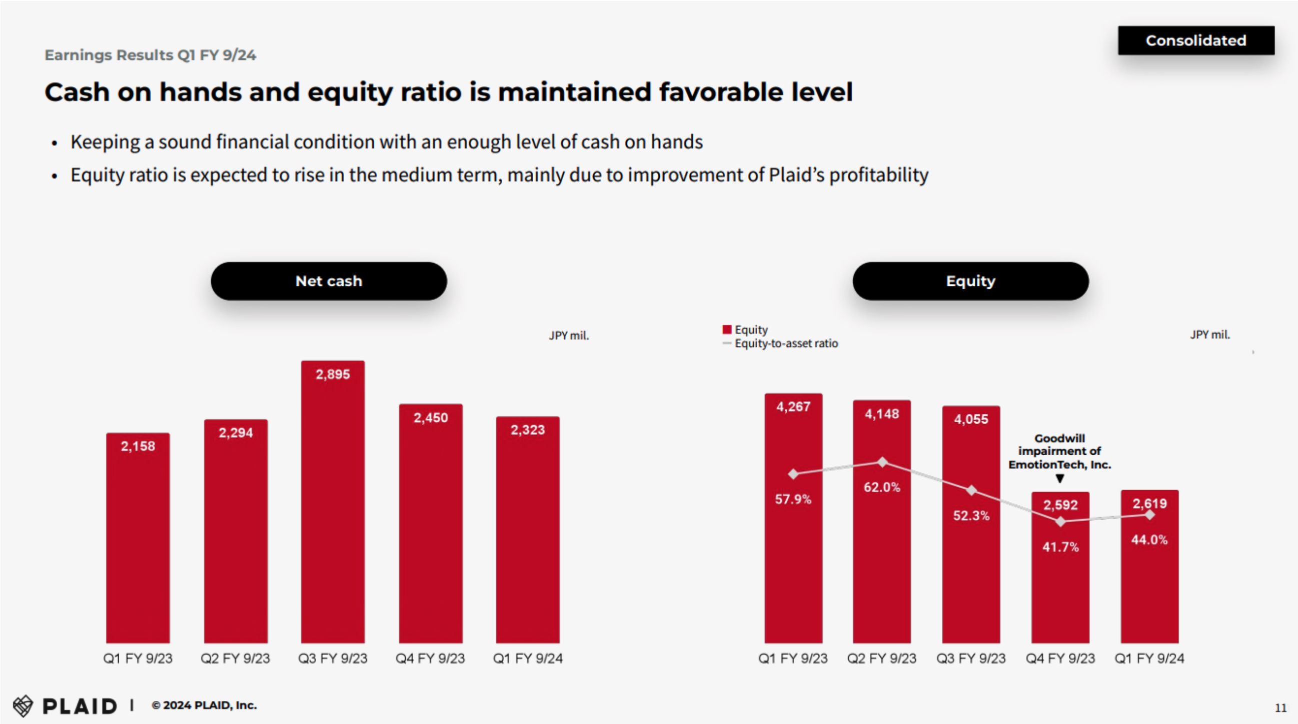
The resulting adjusted operating income is in the black.



On a consolidated basis, the company posted a surplus of JPY44 million. Actually, the plan was to post a loss in Q1 and Q2 of the current fiscal year, but a profit was to accumulate from the Q3, and consolidated adjusted operating income was to be in the black for the full year. As you can see here, there are two main reasons. One is that we have received several large orders from the STUDIO ZERO and CX-related consulting business, which were not included in the plan, so there is an upward swing. The other reason is that some SG&A expenses, such as advertising expenses, which we had planned to use in Q1, were shifted to Q2, so the positive result in Q1 was larger than expected.

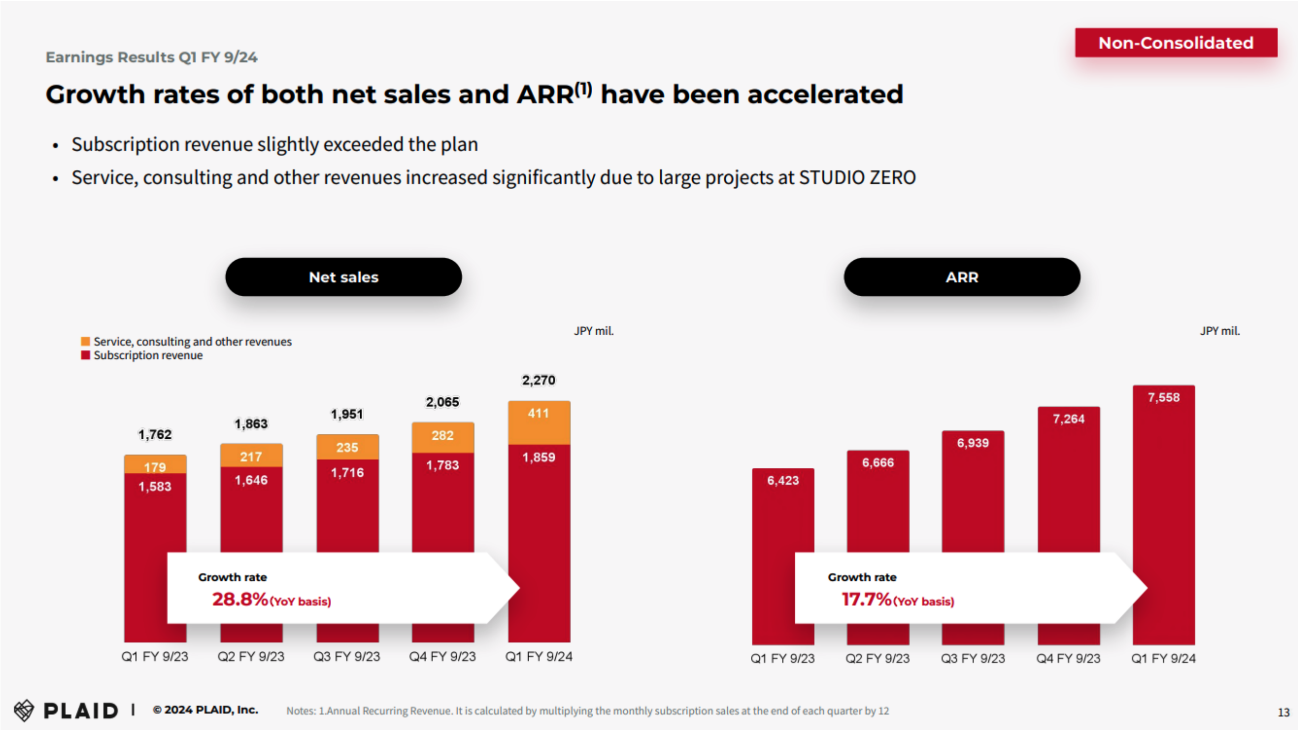
I think that trend is in the direction of going down in the Q2, but the important thing is that the bottom line is that we are making good progress toward full-year profitability, and we are progressing at a pace so good that it is more than steady.

Last but not least in consolidation, the balance sheet remains healthy.



Net cash is JPY2,323 million, down slightly from the previous quarter, but not significantly so. Since we are naturally profitable, we do not require much investment on a cash flow basis, at least in terms of organic growth. We are in such a cash situation, and as for the capital adequacy ratio, it was partially reduced in the previous quarter due to the impairment loss of Emotion Tech. Inc., but the capital adequacy ratio is 44%, which is a healthy level, in the form of profits that build up from it, and we do not expect to incur a large deficit in the future, so in that sense, we believe we have a sufficiently healthy balance sheet.

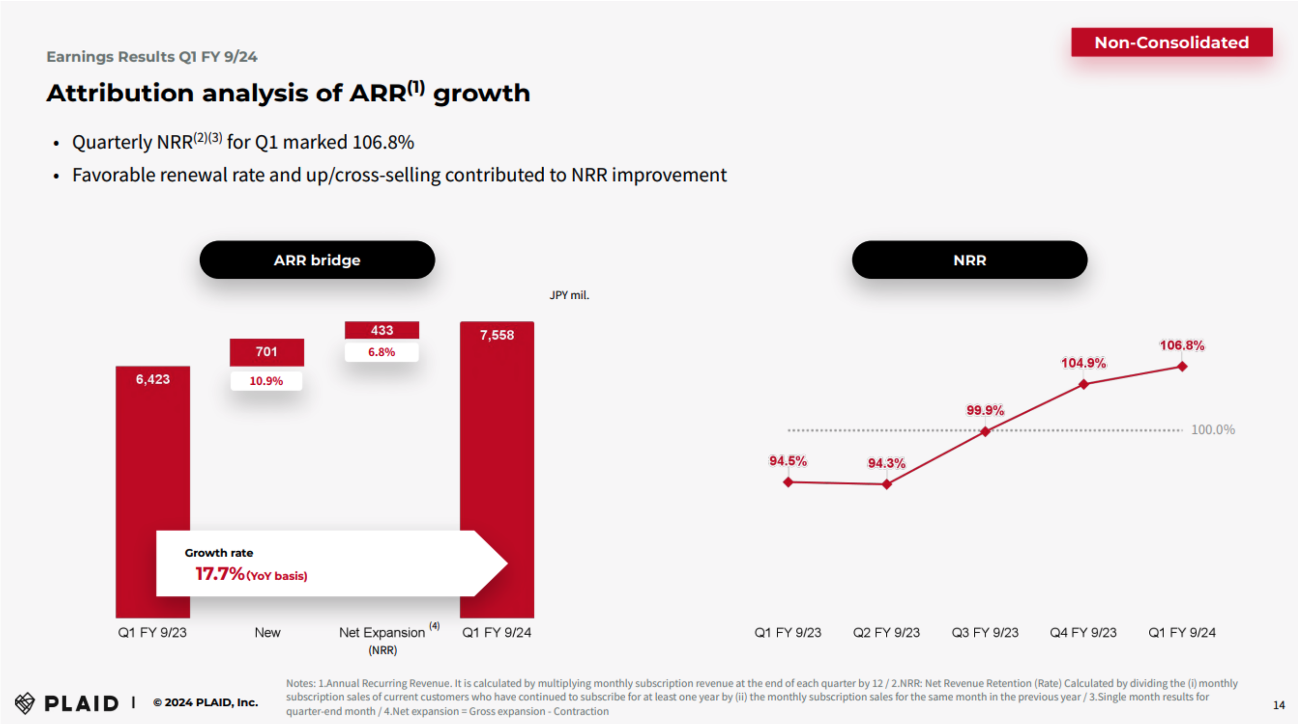
From here, we will look at PLAID's non-consolidated and group company statuses.



Non-consolidated sales totaled JPY2.27 billion, a growth of 28.8% YoY here, of which subscription sales totaled JPY1.859 billion, a growth of 12.1% YoY. On the other hand, ARR, a leading indicator of subscription sales, has grown 17.7% on a non-consolidated basis, so from that, you can imagine that subscription sales growth will be higher in the future.

And services and consulting sales were JPY411 million, an increase of 229%.

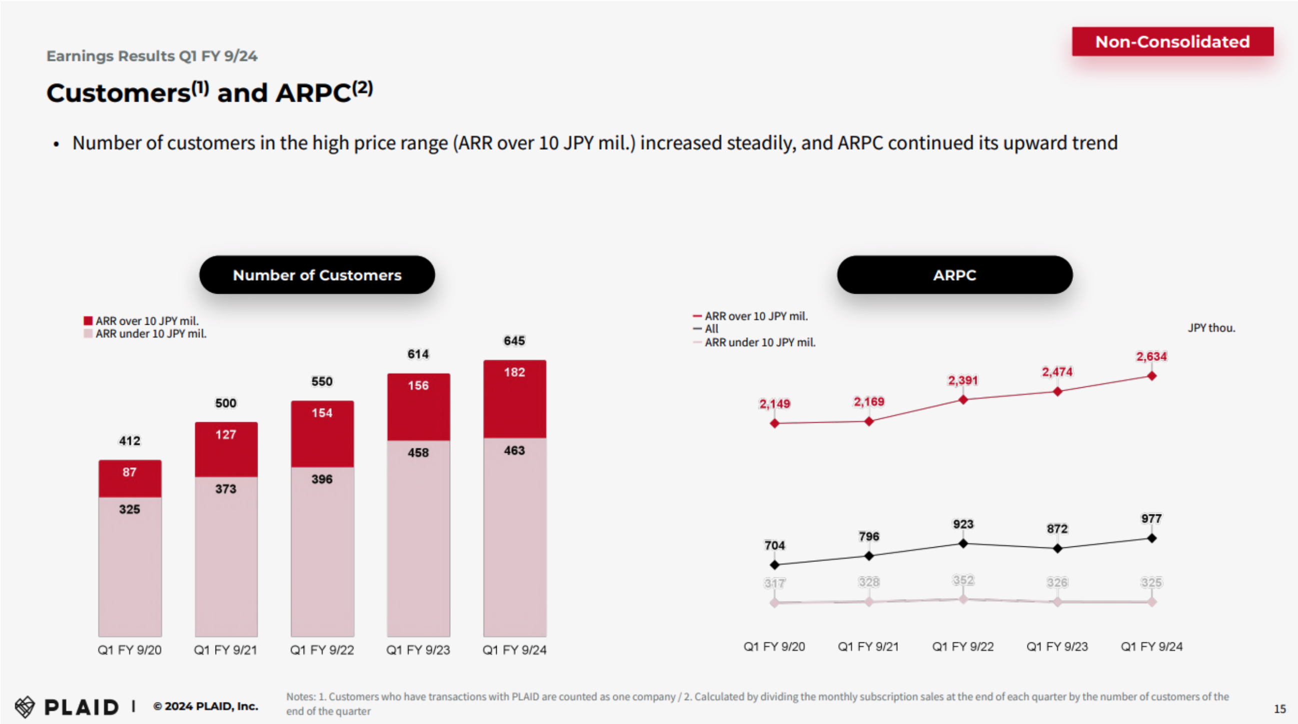
This page shows where this 17.7% ARR growth comes from.



Of the 17.7%, 10.9%, or roughly 11%, is new, and 6.8% is growth from existing customers, so the NRR on a quarterly basis is 106.8%.

As for the new part, the contribution is roughly averaging about 10%, and the ARR growth rate is still not high enough, but one of the effects that is returning in its own way is this NRR, the continued expansion of existing customers. This can be attributed to our customer success efforts and enterprise-focused strategy.

We are showing you a little more detail there.



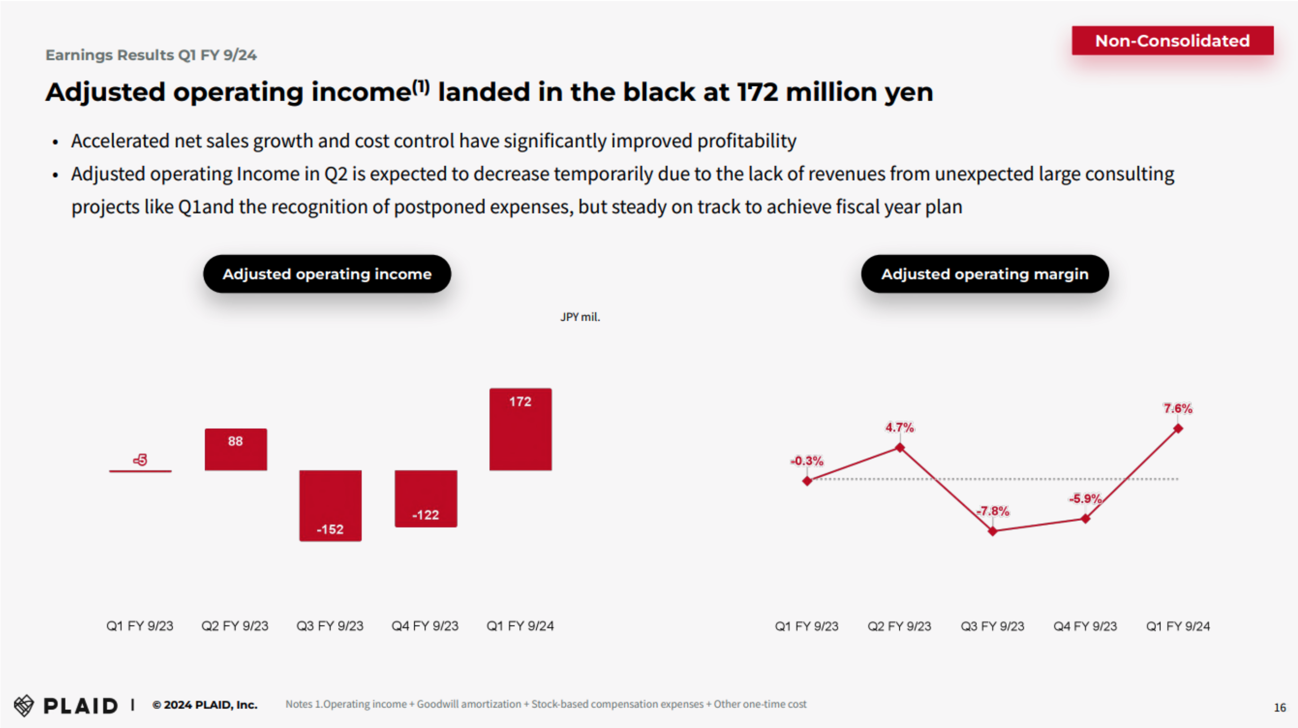
We disclose the number of companies and unit prices by dividing them into two groups: clients with an ARR of JPY10 million or more, or roughly JPY800,000 in MRR, and other clients.

As you can see, the number of customers with an ARR of JPY10 million or more is steadily increasing. There are 182 companies compared to 156 at the end of the previous quarter. Some of these customers are new, and some are suddenly entering this segment, while others are moving up through up-selling/cross-selling from the lower tier, but the number of focused enterprise customers is increasing.

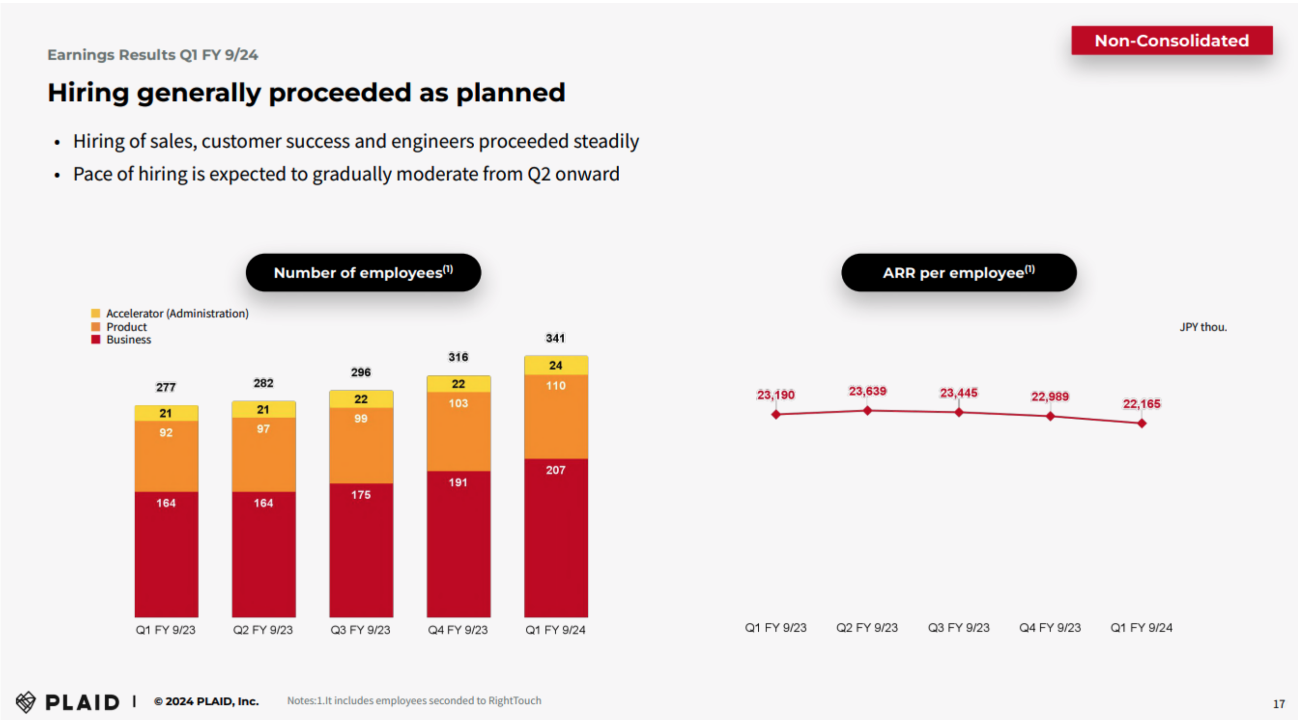
Not only that, but the ARR of higher-priced customers is growing even more. On average, it was JPY2.4 million at the end of the previous quarter, but from there it has risen to JPY2.634 million. I think we can see a good cycle of increasing the number of enterprise customers and further increasing the number of customers, as well as increasing the unit price, or utilization, resulting in a higher unit price.

On the other hand, if you look at customers with an ARR of JPY10 million or less, the number has not increased that much, nor has it grown as a unit price. This is an issue, but it is a difference in our strategic focus. In the future, we would like to provide more value to small and midsize customers as well, but at least the results are in line with our strategy.

As reported at the beginning, adjusted operating income is at the level of JPY172 million.

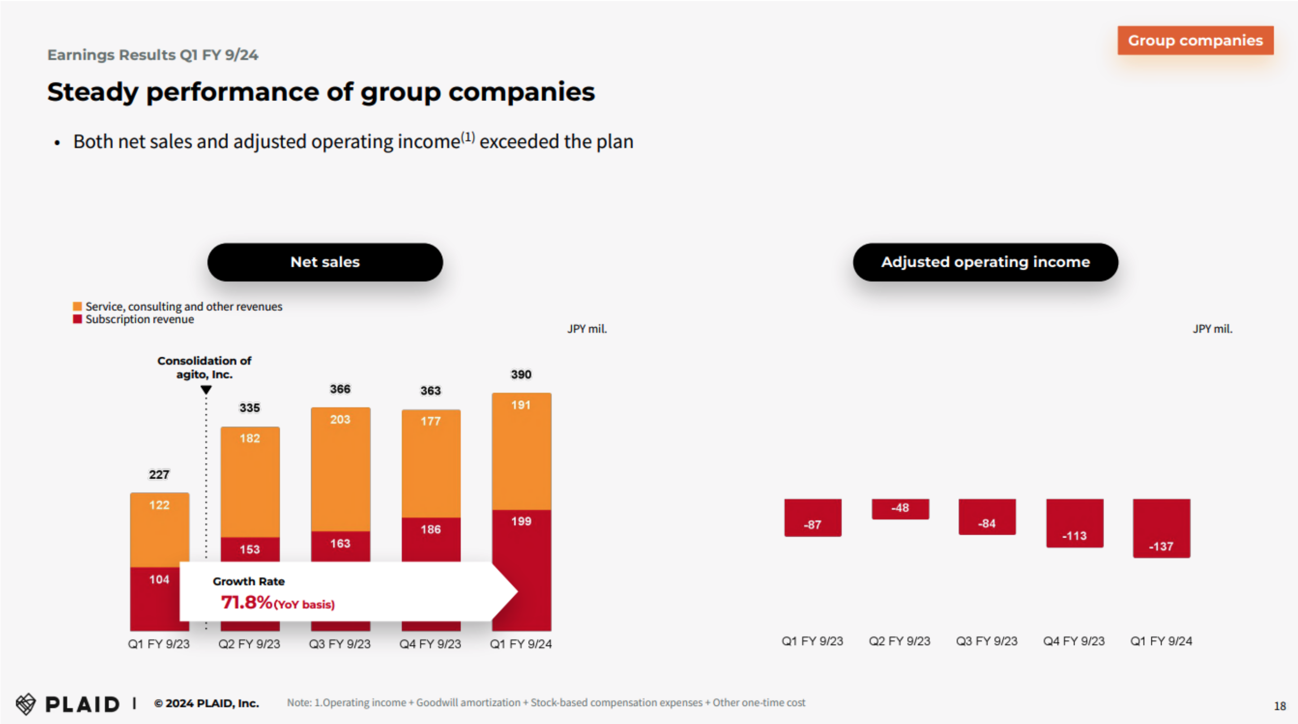


As I have already explained, there is a slight upward swing, so please discount that, but in total, the results for the current fiscal year have been quite good. It may sink a bit from Q1 to Q2, but if you look at the total fiscal year, we believe the results are positive in terms of impact on the fiscal year.



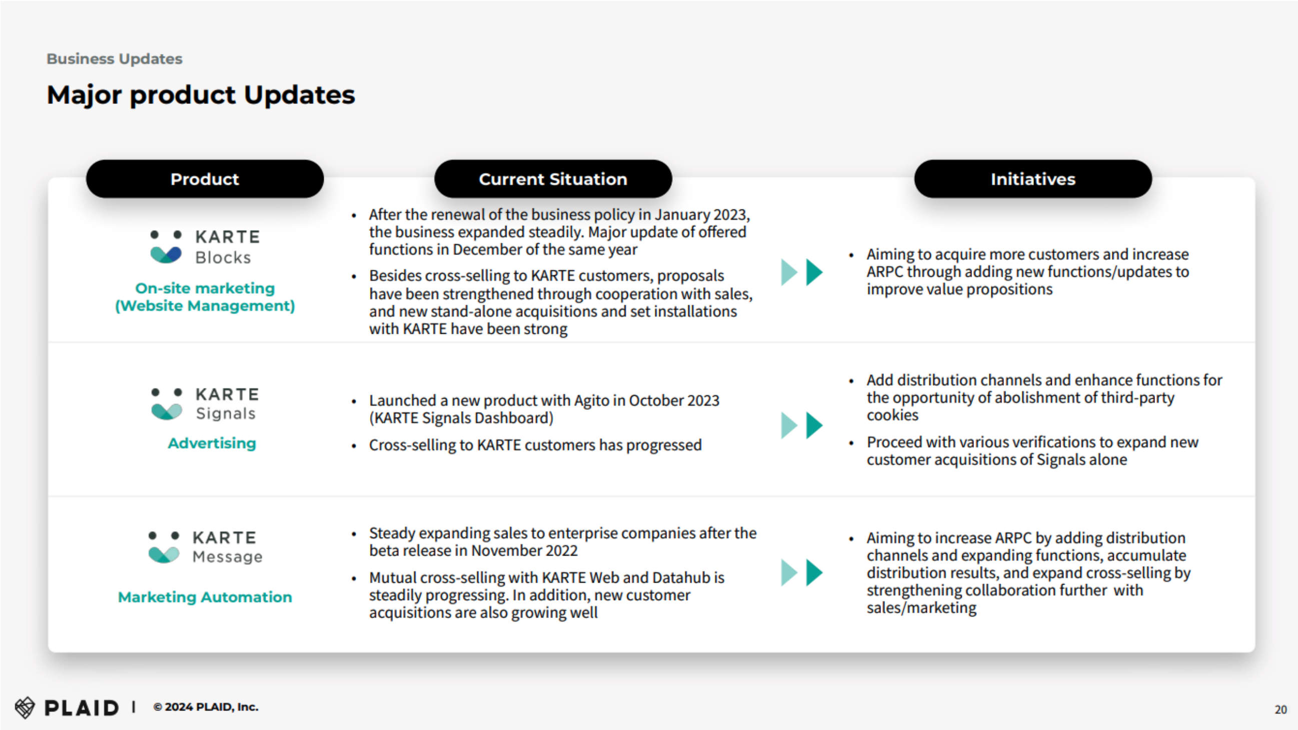
As I mentioned in the section on SG&A expenses, the point we want to emphasize is that we are making steady investments to return to profitability. I honestly believe that if we stop hiring, cut advertising, and cut costs, we can make a profit, but we are continuing to recruit human resources to sustain medium- to long-term growth, as well as customer success and sales engineers, areas in which we are currently focusing our efforts. So, we will increase profitability while investing there. We are in a situation where we are able to achieve both, which is essentially a trade-off.

Finally, here is the status of the Group companies.



As I mentioned at the beginning of this presentation, sales growth was 71.8%. This is due in part, of course, to the consolidation effect of agito Inc., but the organic growth of each company has also contributed significantly. We are in a constant investment stage as we grow, so although adjusted operating income is negative, we believe that we have been able to achieve a sufficient growth rate in relation to this. These have been the earning results.

Finally, I hope to briefly discuss the business updates.

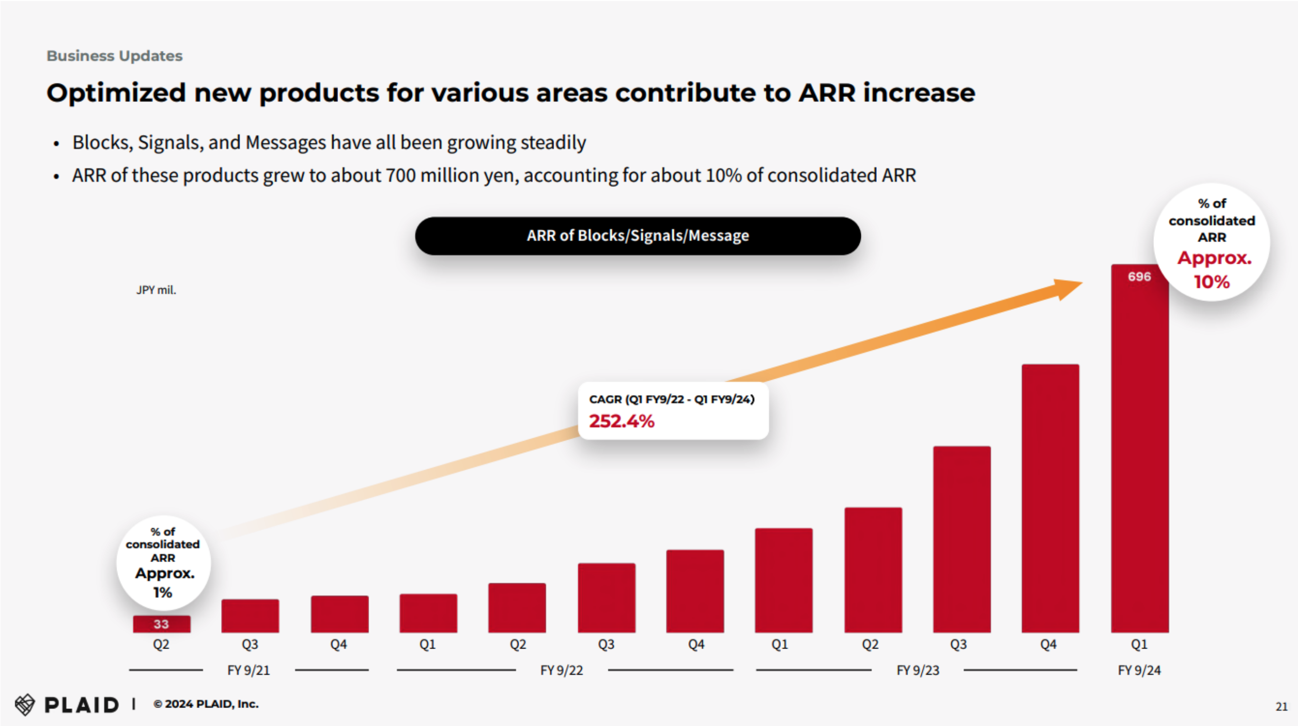


These are relatively new products in the KARTE domain. Originally, we started with KARTE for Web, or KARTE of websites, and then KARTE for App, a mobile app, came out, and KARTE Datahub, a customer data platform for data, was the core tool for processing data, and so on.

For KARTE Blocks, on the other hand, we said originally we would go with PLG, but then shifted to SLG, in essence, a form of sales. Also, KARTE Signals, a product for advertising, and KARTE Message, a so-called marketing automation product, have large markets of sorts, but also competitors, such as Adobe and Salesforce. We will enter these markets from a real-time point of view, though, the current status of these three products is as shown here. As for KARTE Blocks, they are being significantly updated or cross-sold with medical records. KARTE Signals has an advertising collaboration with Datahub, and agito, which has joined our group, for Signals Dashboard, and cross-selling to KARTE customers is progressing.

In terms of marketing automation, this is a product that our customers have been asking PLAID and KARTE to do for some time, and the synergistic effect with KARTE has been very significant. For the enterprise, we want to create a multi-channel user setting, not just serve customers on the web in real time. We have received a lot of positive feedback from our customers, including emails and messages.

The future issues are here, but if you go to the next page, you will see how much the new products are growing.



Right now, it still accounts for only 10% of the total. The ARR here is now around JPY700 million. The CAGR is 250%, so the company has grown 2 to 3 times on an annual basis. This is not surprising since we are still small, but if we continue to grow new products at this pace, we believe that this part of our business alone will be of considerable value, or rather, the part of our business value that you will appreciate.

At the beginning, I mentioned that there are group companies outside of KARTE as growth areas, and KARTE has moderate growth, but there are colors among them, and I wonder if this rapid growth of products in the KARTE domain is a result of the implementation of the product strategy, which I think is a very desirable product strategy.

Finally, a summary.

Key Takeaways

Key Takeaways

1 Net sales growth has accelerated

- Subscription revenue increased due to strong NRR and new customer acquisitions
- Block/signal/message is growing steadily. And these products are accelerating up/cross-selling that meets customer needs
- With customer needs for digital strategy planning/operation, Service, consulting revenues are expected to increase sustainably
- Our hybrid strategy of providing “multi-product x professional services” to enterprise companies is working successfully

2 Adjusted operating income is on track to turn in the black for fiscal year

- Profitability has improved through sales growth and appropriate cost control
- Consolidated adjusted operating income in Q1 was +44 million yen and that of Plaid was +172 million yen
- Our bottom-line guidance is on track to turn in the black for fiscal year although adjusted operating Income in Q2 is expected to decrease or turn in red due to the lack of revenues from unexpected large consulting projects like Q1 and the recognition of postponed expenses

PLAID | 23

In terms of the financial results, I have mentioned the acceleration of sales growth and progress in adjusted operating income. The main reason for this is that we believe that the strategy we have drawn up fits well with the business performance situation. From a business perspective, we will focus thoroughly on customer success and the utilization of existing customers, with a particular emphasis on enterprise customers. As a result, I believe that sales growth is further accelerating, which is a significant factor.

From a financial point of view, it has been one year and one quarter, so we have made progress in achieving the profitable growth in the KARTE domain that we promised about 15 months ago, or rather, that we were aiming for, so I believe that Q1 was a time when we were able to demonstrate that we are making steady progress in the direction we have been aiming for, both in terms of business and financial performance.

That is all I have to say, but I would like to make one final announcement. Since our listing, we have had some twists and turns in terms of the figures we disclose, some of which are shown here and some of which are not. We have compiled a fact sheet of the figures that we want investors to see properly and that we will continue to disclose.

株式会社プレイド
証券コード：4165

最終更新日：2024/2/13
Last updated：13th February, 2024

PLAID

財務ファクトシート

Financial Fact Sheets

免責事項 / 留意事項

本資料の作成に当たり、当社は当社が入手可能な情報の正確性や完全性に依拠し、前提としていますが、その正確性あるいは完全性について、当社は何ら表明及び保証するものではありません。
また、本資料に含まれる数値、指標は、当社グループの経営成績及び財政状態に関して、適切な理解を促進することを目的として開示しており、
全ての数値、指標が監査法人による監査又はレビューの対象ではない点にご留意ください。
また、表示単位の関係上、開示済みの有価証券報告書等に記載している数値と誤差が生じる可能性があります。

Disclaimer / Precautions

In preparing this document, we have relied upon and assumed the accuracy and completeness of the information available to us, but we make no representations or warranties as to its accuracy or completeness.
Please note that the figures and indicators included in this document are disclosed for the purpose of promoting an appropriate understanding of the Group's operating results and financial position,
and that not all figures and indicators are subject to audit or review by an auditing firm.
Due to the unit of presentation, there is a possibility that there may be an error in the figures shown in the disclosed securities reports, etc.

経営指標　　**Management Index（Yearly）**

区分 (Segment)	KPI	Key Performance Indicators	2021年9月期 FY21/9	2022年9月期 FY22/9	2023年9月期 FY23/9
連結 (Consolidated)	ARR(1)（千円）	Annual Recurring Revenue(1)（Thousands of yen）	-	6,638,342	8,035,156
	従業員数(2)	# of Employees(2)	-	340	389
単体 (Non-consolidated)	顧客社数(3)	# of Customers(3)	538	585	638
	ARR 1,000万円以上	ARR：1,000M or over	145	155	180
	ARR 1,000万円未満	ARR：less than 1,000M	393	430	458
	顧客単価(4)（千円）	Average Revenue Per Company(4)（Thousands of yen）	900	890	949
	ARR 1,000万円以上（千円）	ARR：1,000M or over（Thousands of yen）	2,381	2,430	2,533
	ARR 1,000万円未満（千円）	ARR：less than 1,000M（Thousands of yen）	353	335	326
	ARR（千円）	Annual Recurring Revenue（Thousands of yen）	5,807,401	6,247,183	7,264,699
	従業員数	# of Employees	218	278	316
	ビジネス	Business	133	162	191
	プロダクト	Product	70	96	103
	アクセラレーター	Accelerator (Administration)	15	20	22
	従業員一人あたりARR（千円）	ARR per employee（Thousands of yen）	26,639	22,472	22,990
	NRR(5)(6)	Net Revenue Retention (Rate)(5)(6)	111.7%	93.8%	104.9%
KARTE領域 (KARTE domain)	売上総利益率(7)	Gross profit margin(7)	73.3%	74.8%	75.9%
	S&M(8)(11)比率	S&M(8)(11) ratio	41.6%	49.0%	44.2%
	R&D(9)(11)比率	R&D(9)(11) ratio	18.7%	22.2%	19.7%
	G&A(10)(11)比率	G&A(10)(11) ratio	9.8%	10.3%	11.6%

We would like to continue to provide this sheet in the future and hope that you will find it useful in looking at this from a more quantitative perspective.

Also, since this is the first time we are presenting this information, if you have any suggestions on how to include such items in the fact sheet to make it easier to consider, we would appreciate such advice. This is the end of my explanation.

Moderator: Thank you, Muto. This concludes our presentation session on PLAID's financial results for the first quarter of the fiscal year ending September 30, 2024. Thank you very much for your attention.

Question & Answer

Moderator: We will now begin the Q&A session.

Q1-1: The sales of services and consulting is JPY465 million, and the breakdown of that is 411 million for PLAID on a non-consolidated basis, but is there any disclosure of the breakdown of new areas in the PLAID ALPHA business and STUDIO ZERO as well? I recall that you emphasized these points in your previous explanatory materials. Muto, could you please answer this?

Muto: We have not disclosed this information, but ALPHA is in the mid JPY100 million range, and ZERO is in the latter half of JPY100 million.

Q1-2: Continuing on to my second question. What is your plan for the number of non-consolidated employees at the end of the fiscal year ending September 30, 2024?

Muto: We plan to increase the number of employees by about 10% to 20% while watching the growth rate. If it is about 10%, it is 320, so yes, about 30 people, and if it is 20%, about 60 people, and I think it will fall somewhere in between.

Q1-3: Thank you. This will be my last question. Regarding the contract renewals at the end of the fiscal year in March, do you have an estimate at this time?

Muto: I think your question is based on the knowledge that, as you know, there are a great many contracts that are renewed at the end of March and start in April. The situation that we think is a problem in some way is that it is not happening in particular means that it is not being recognized or acknowledged. It is difficult to give you a sense of the level of the market, but I can tell you that we are not aware of any major negative risks.

Q2: Please comment on the range of NRR buildup, both in terms of actual performance and future outlook.

Muto: As for the NRR, it has been improving and is now at 106.8%. If you ask me if this in itself is a sufficient level, I think it is not yet. We have achieved a level of over 110% in the past, and we think we will be able to achieve that sense of level. As a breakdown, naturally, it's a matter of reducing the loss of existing customers, so we are trying to limit churn and reduce cancellations, and upselling/cross-selling. I think there are two positive sides to this, and we are trying to do both here as well.

We are working on a target renewal rate, or contract renewal rate, within the company, we have had the Success team work to achieve a higher target than last year's performance, and we have been working toward a higher renewal rate, and we are seeing that this is becoming a reality. It's only Q1, so I don't know what the future holds, but if that happens, it will be easier to move up because the negative numbers will decrease more. We will continue our enterprise focus, and new products are being launched all the time, but the most obvious one is Message, for example. If we sell more and more, generally existing customers have great potential, so by selling Message and other items as well, cross-selling can be a big plus, so I believe that we can still raise the NRR.

The other area that I think you have noticed growing in terms of sales is professional services. ALPHA in particular is a good business because it can earn a gross profit margin on its own, but we know from data that when ALPHA enters the market, the unit price is likely to increase if paid operational support services are included. Since only about 10% of all customers still use ALPHA, if we can add such professional services to a larger number of customers, not only will those sales increase, but it will also be easier to up-sell/cross-sell through professional services. This will have a positive impact on the product business, and I believe it will also help improve the NRR in the future.

Moderator: Thank you. Since there seem to be no other questions, I would like to conclude the Q&A session here. Thank you for joining us today.

This concludes the presentation of the financial results for the first quarter of the fiscal year ending September 30, 2024 of PLAID. Thank you.

Muto: Thank you.

[END]

Disclaimer

This transcript includes forward-looking statements. These forward-looking statements do not guarantee our future financial results, but involve risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements.