



PLAID, Inc.

Q2 FY 9/24 Financial Results Briefing

May10, 2024

Presentation

Moderator: Thank you very much for joining us today. I would now like to begin the presentation of the financial results for the second quarter of the fiscal year ending September, 2024 for PLAID, Inc. Today's presentation contains forward-looking statements. This explanation is not a guarantee of future results and involves 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.

And for the details, please read these instructions carefully. There will be a Q&A session after the presentations. We have a Q&A form that you can use to ask questions via text at any time.

Today's presentation will be given by Mr. Kurahashi, CEO, and Mr. Takahashi, VP of Finance. We will now begin. Mr. Kurahashi, please.

Kurahashi: Hello everyone. This is Kurahashi. Thank you for joining us today for this briefing on the Q2 financial results.

At the beginning of this presentation, I would like to briefly comment on Q2 results, or the first half results, and I believe that we are returning to very strong growth, and that we are achieving reproducible growth.

Of course, we are making various upfront investments, but this presentation is designed to focus on the current business performance and the foundation for growth.

Now, Mr. Takahashi will explain.

Takahashi: I will now explain the second quarter results. First, here is a summary.

Earnings Results Q2 FY 9/24

Financial results summary

(JPY mil.)		Quarter			6M ended		
		FY 9/23 Q2	FY 9/24 Q2	YoY (%)	FY 9/23	FY 9/24	YoY (%)
Net sales	Consolidated	2,147	2,733	+27.3%	4,100	5,264	+28.4%
	Non-consolidated	1,863	2,371	+27.3%	3,626	4,641	+28.0%
	Group companies	335	446	+32.9%	563	836	+48.6%
	Consolidation Adjustment	-51	-84	-	-89	-213	-
Gross profit margin⁽¹⁾	Consolidated	73.7%	69.4%	-4.3pt	73.5%	70.5%	-3.1pt
	Non-consolidated	73.2%	68.9%	-4.3pt	73.2%	70.3%	-3.0pt
	KARTE domain ⁽⁴⁾	75.8%	73.4%	-2.4pt	75.6%	74.5%	-1.2pt
Adjusted operating income⁽²⁾	Consolidated	44	174	+295.5%	-43	218	-
	Non-consolidated	88	231	+162.5%	82	403	+391.5%
	Group companies	-48	-74	-	-136	-211	-
	Consolidation Adjustment	4	17	-	11	26	+136.4%
ARR⁽³⁾	Consolidated	7,293	8,887	+21.9%	-	-	-
	Non-consolidated	6,666	7,950	+19.3%	-	-	-



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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

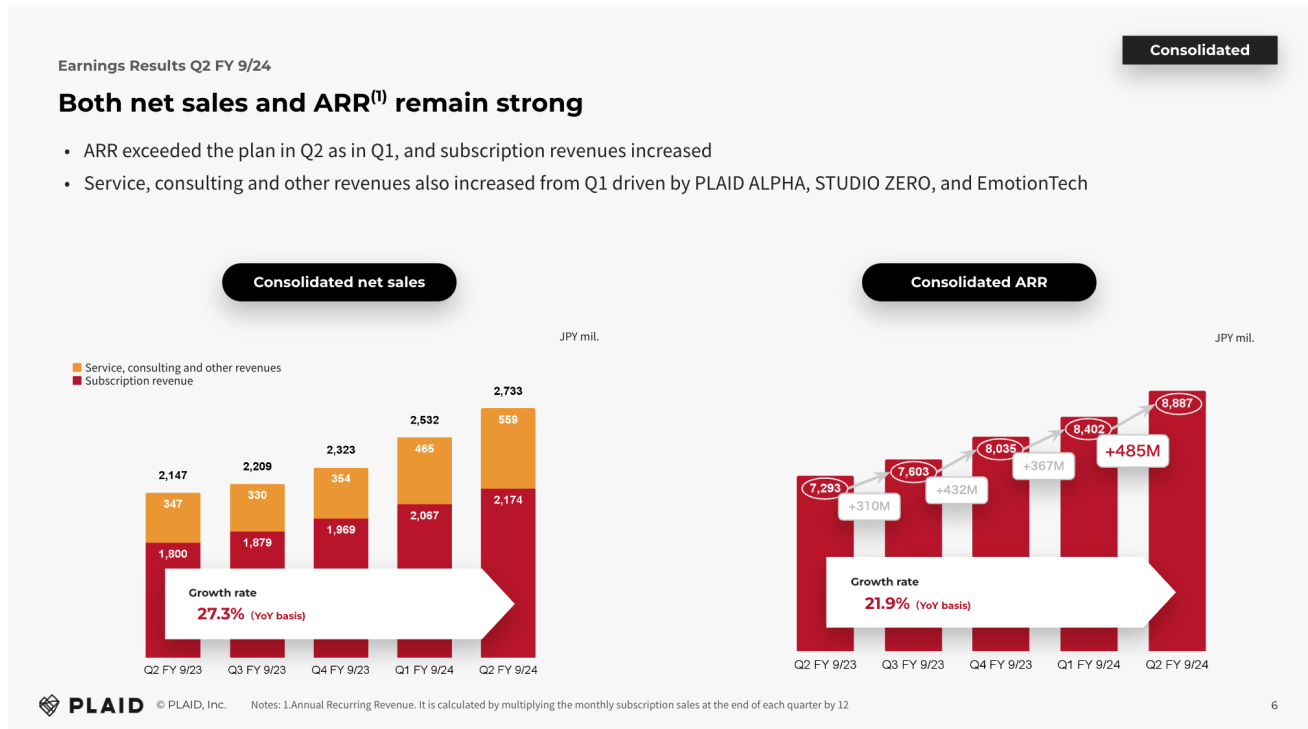
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We believe that the financial results were very favorable. Consolidated sales in Q2 grew 27.3% YoY to JPY2,733 million. Since Q1 was also strong, the cumulative total through Q2 is 28.4% growth YoY, which is close to the 30% level.

Adjusted operating income was JPY174 million on a consolidated basis, up from the same period last year. Both sales and adjusted operating income are driven largely by PLAID on a stand-alone basis, and we believe that we are now in a position to achieve both sales growth and profit growth.

The gross profit margin was 69.4% on a consolidated basis, down 4.3 percentage points YoY, and we will explain this later in the consolidation part.

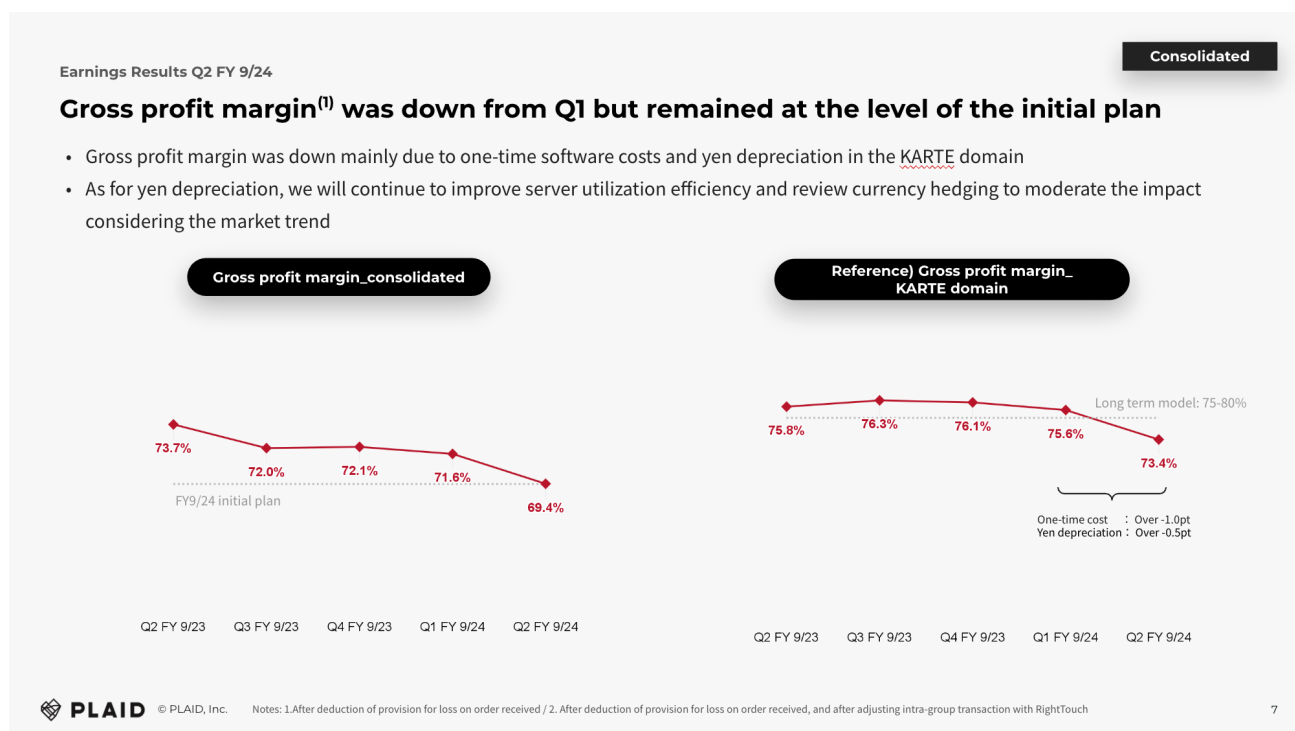
Now we come to the consolidation part.



The first is the top line. As you can see on the right, ARR growth is accelerating. The net QoQ increase was JPY485 million. This represents a growth of 21.9% YoY. ARR has been significantly above the initial plan in Q2 as well as in Q1, and as a result, subscription revenue have also increased.

Service and consulting revenues also increased QoQ. At the time of the Q1 results in February, we said that there was a possibility of a decline in sales QoQ because the large spot project at STUDIO ZERO recorded in Q1 would not be available in Q2, but since then we have won a project at STUDIO ZERO and PLAID ALPHA has been performing well. As a result, sales increased. Therefore, we believe that both subscription and service/consulting results were very favorable.

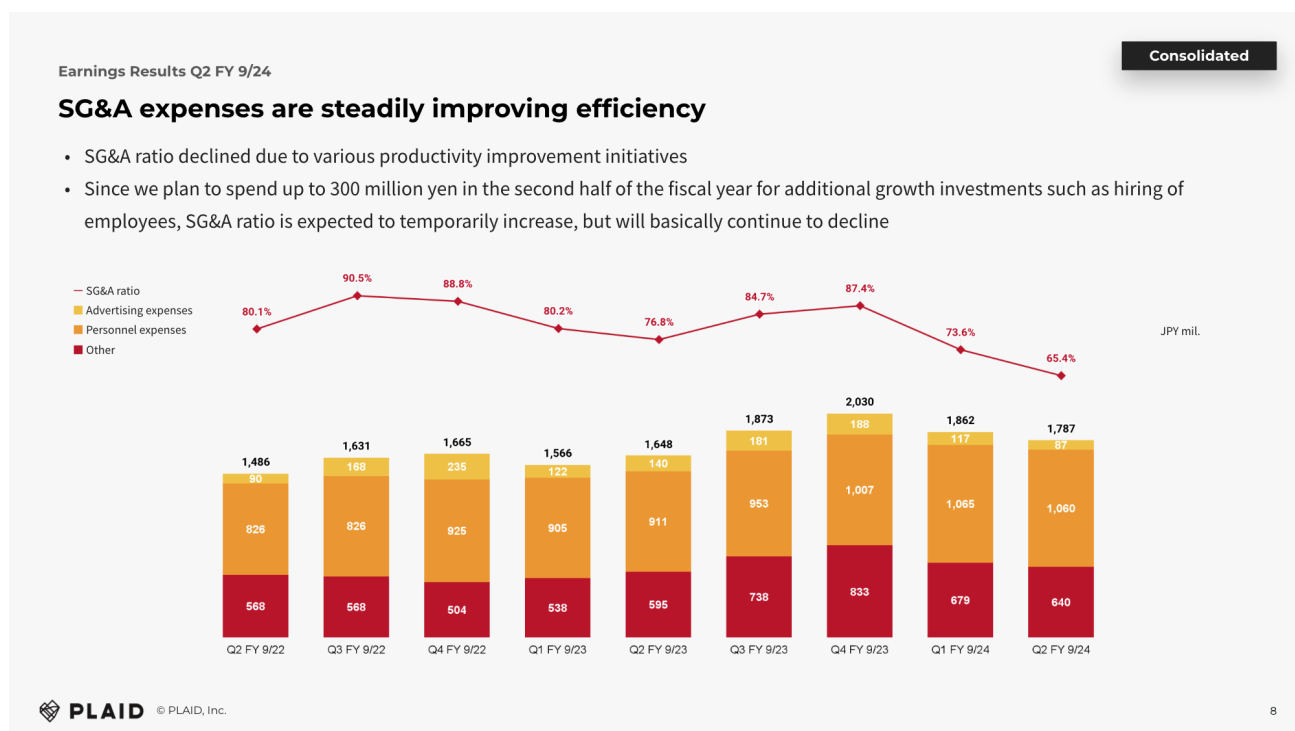
Gross profit.



As mentioned earlier in the summary, the gross profit margin declined by 4 percentage points YoY and by approximately 2 percentage points QoQ. About 2 of the 4 points YoY decrease are attributable to the change in the sales mix, since it is basically due to the increase in service and consulting sales.

The remaining two points, or QoQ decrease, were due to one-time expenses in the KARTE area, as shown in the graph on the right. This is slightly more than 1 point, and the impact of the yen's depreciation is slightly more than 0.5 point, for a total decline of about 2 points. One point of one-time expenses will be eliminated in Q3, but we believe that the impact of the yen's depreciation will continue for the time being, depending on future market trends. We will continue to promote efficiency in server utilization and strengthen the business through various measures, such as reviewing foreign exchange hedging.

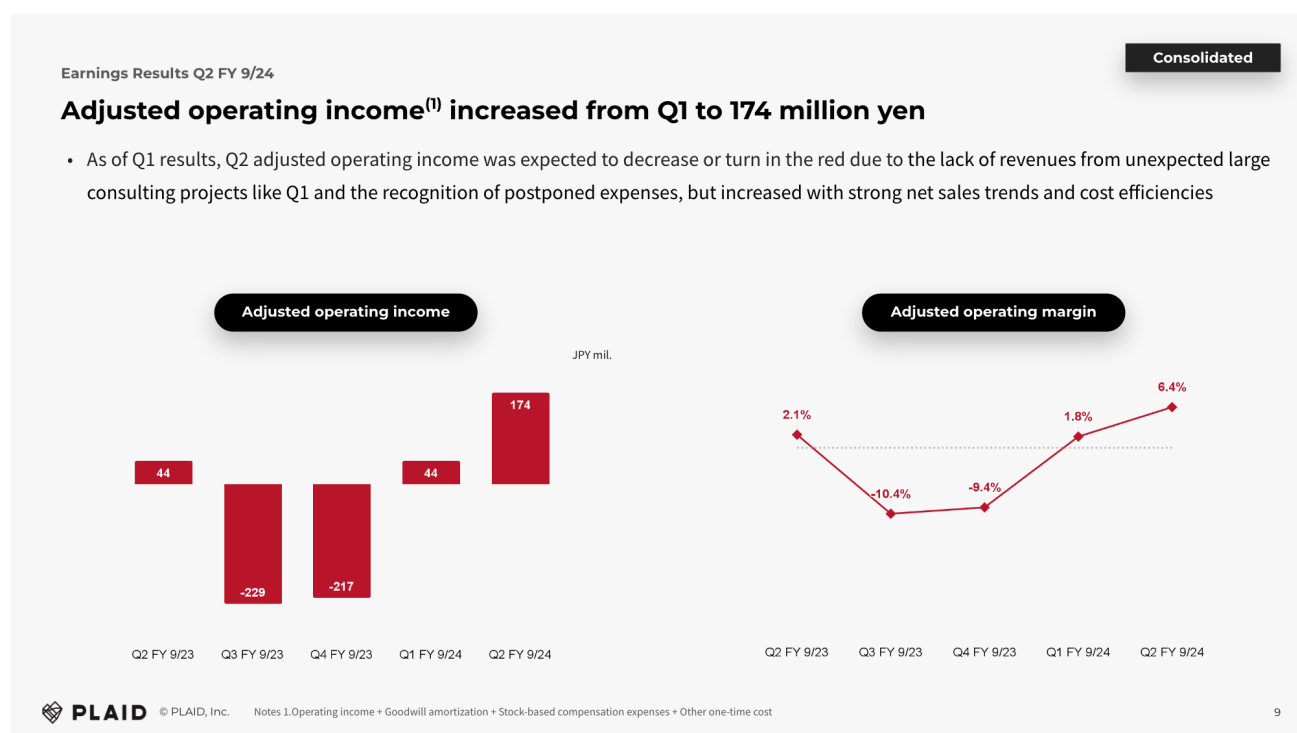
It is SG&A.



Steady progress has been made in streamlining SG&A expenses. The SG&A-to-sales ratio, which was previously close to 80%, has now declined to 65.4%. This is the result of all the measures we have implemented at the company-wide level, including, for example, cost-effective use of advertising and promotional expenses, and review of our human resource recruitment process and internal systems. In other words, we believe that sustainable efficiency is being achieved.

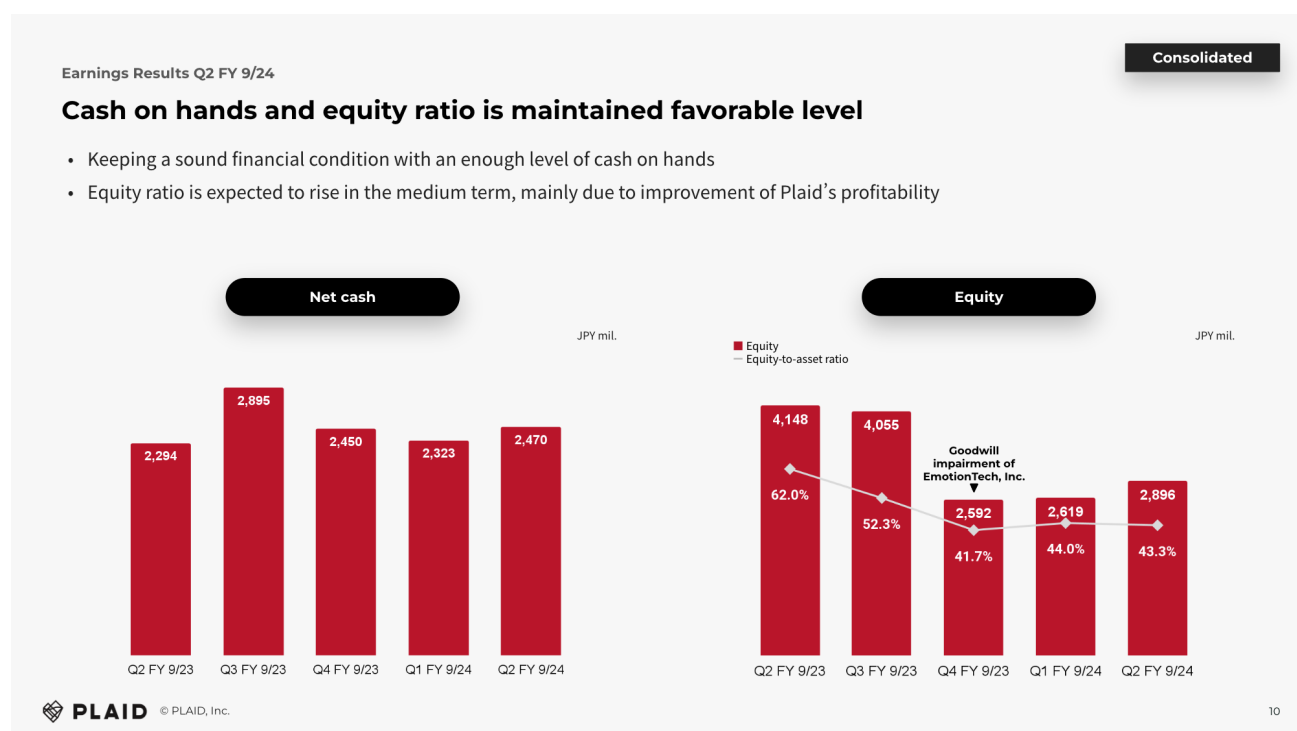
In addition, as we will discuss later in the earnings forecast section, strong sales trends and cost efficiencies have resulted in a considerable increase in profits compared to our initial plan. In light of this, we plan to make an additional investment of about JPY300 million for growth in the second half of the year, including accelerated recruitment of human resources, etc. Therefore, we expect the SG&A-to-sales ratio in Q3 and Q4 to temporarily increase, but after that, we expect the downward trend to continue.

This chart illustrates the adjusted operating income.



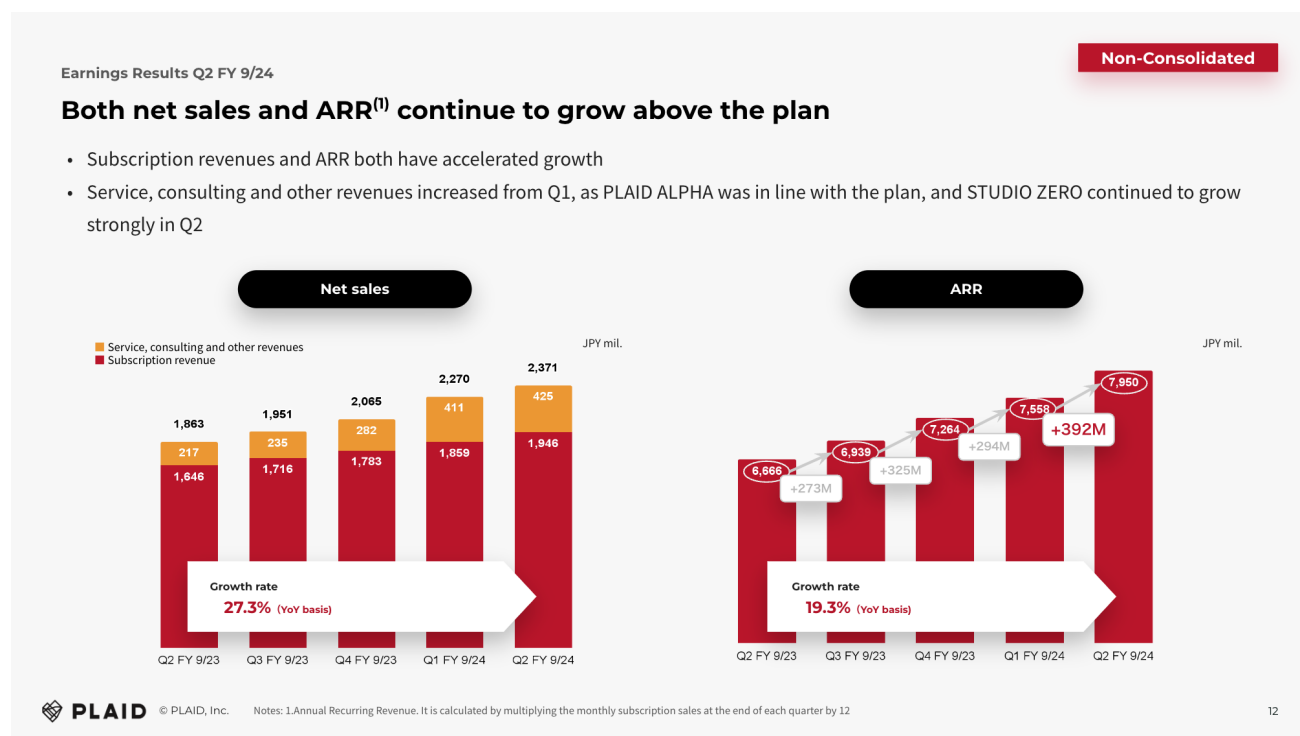
As a result of the explanations I have given so far, adjusted operating income increased QoQ and landed at JPY174 million. The adjusted operating margin was 6.4%.

The balance sheet also remains at a favorable level.



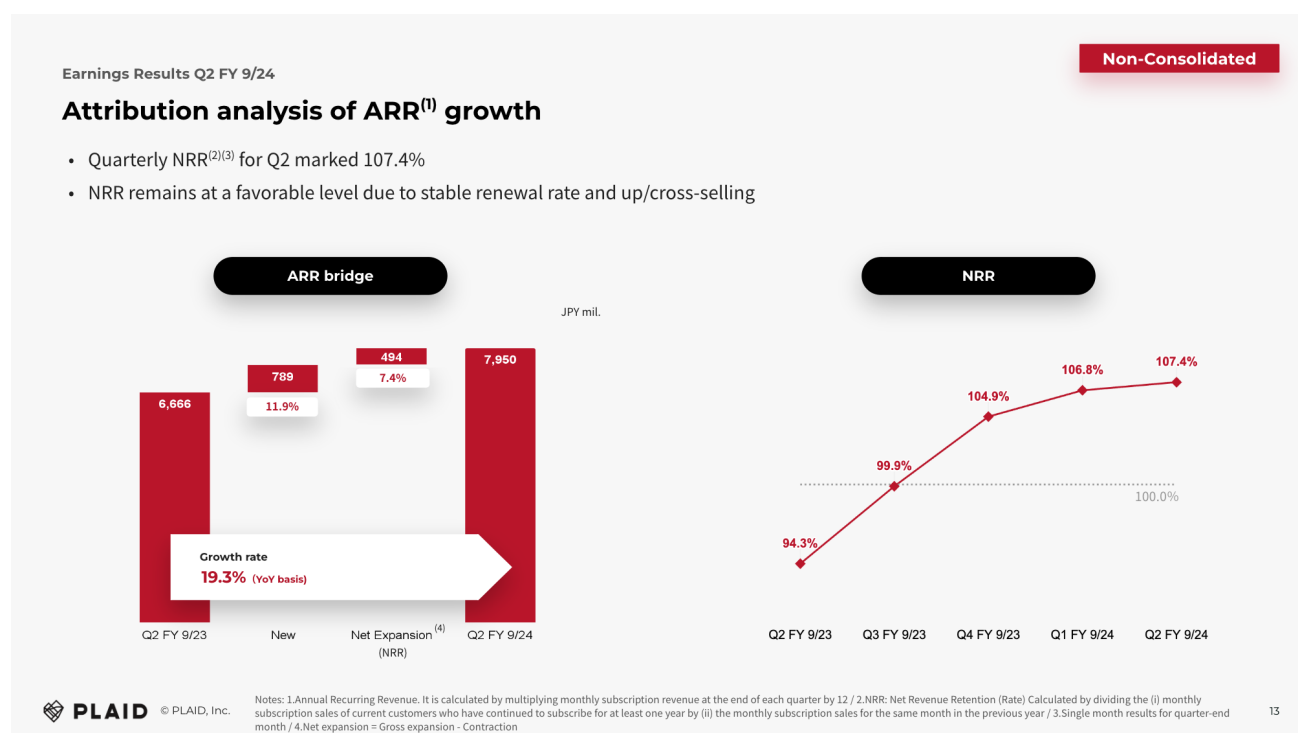
In addition, we believe that we will enter a phase in which we will return to profitability on a consolidated basis and increase our profit margin, which will further improve the state of our balance sheet.

I will now explain the situation of PLAID on a stand-alone basis and of PLAID Group companies.



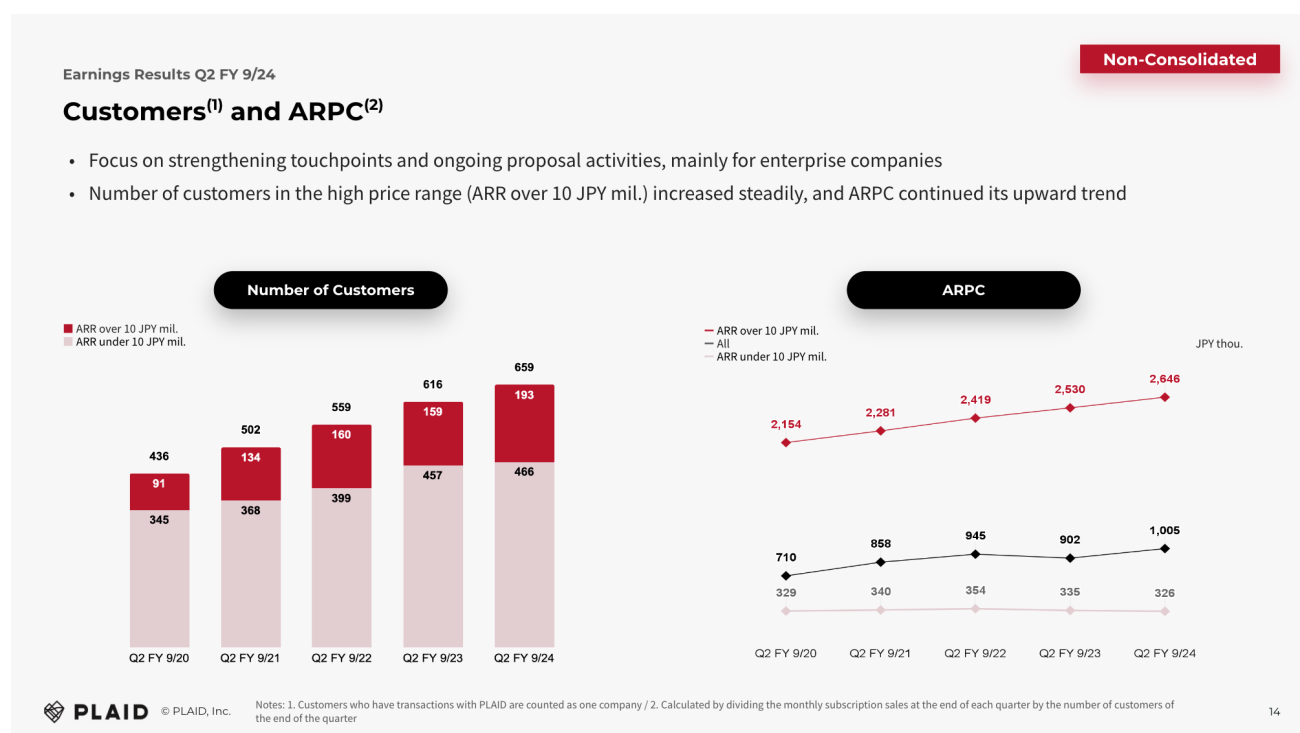
The top line for PLAID on a non-consolidated basis overlaps with what I have said on a consolidated basis, so I will not go into details, but both sales and ARR have been strong.

NRR, the increase here continued, landing at 107.4%.



As Kurahashi will explain later in the Business Update section, the customer retention rate, or churn rate, has remained very good, and the NRR has improved as a result of steady progress in up-selling and cross-selling.

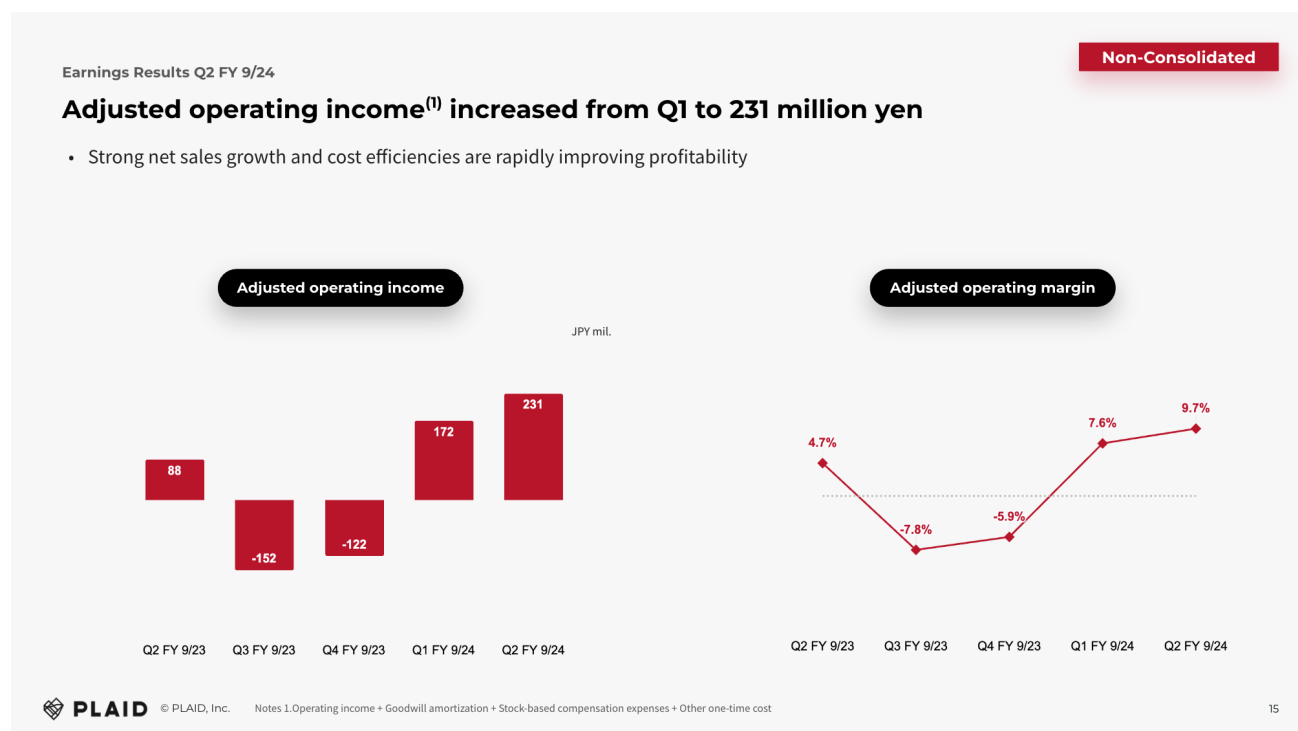
The next section is a decomposition of the number of companies and unit costs.



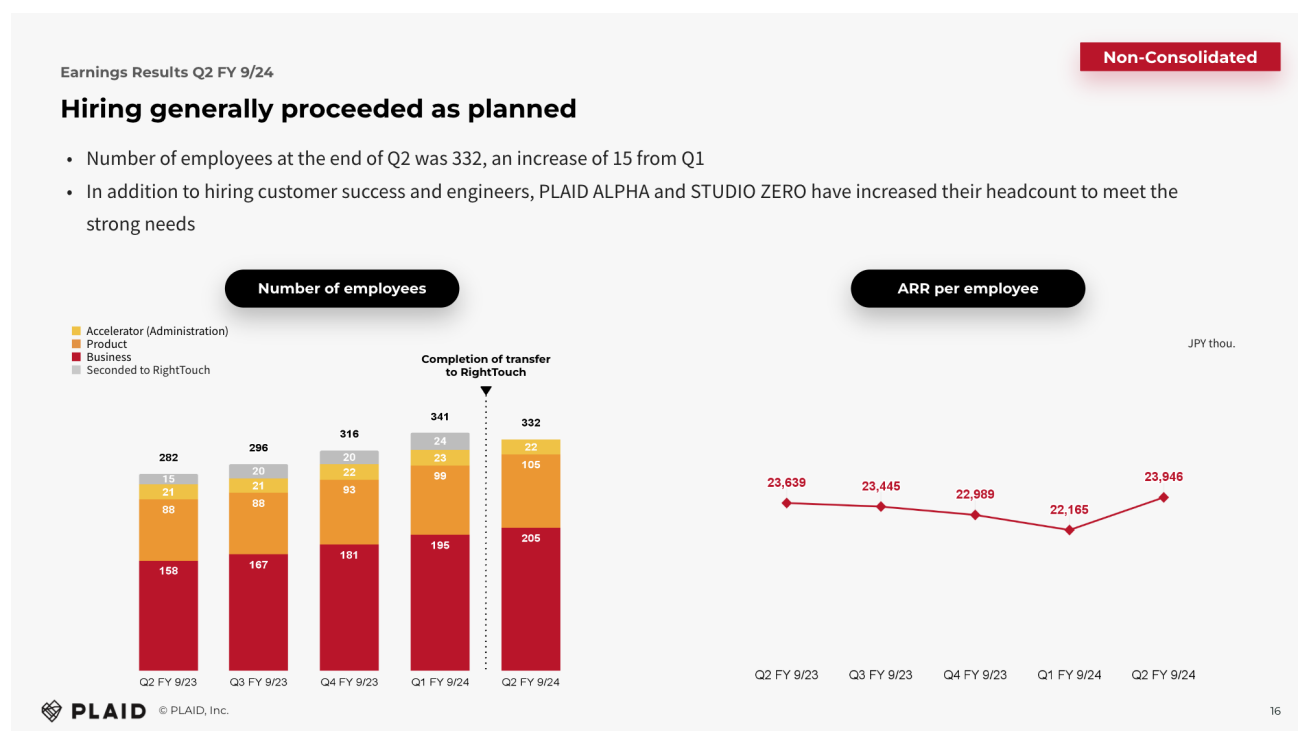
We continue to focus on our approach to enterprise companies, and the strength of this approach has been successful, with steady growth in both the number of companies and unit price. This is the dark red area.

By product, KARTE for App, Blocks, Datahub, Message, and Signals are all selling evenly well, which is proof that our multi-product strategy is working effectively.

As you can see, PLAID's non-consolidated profitability has been improving rapidly, and this is driving consolidated results.



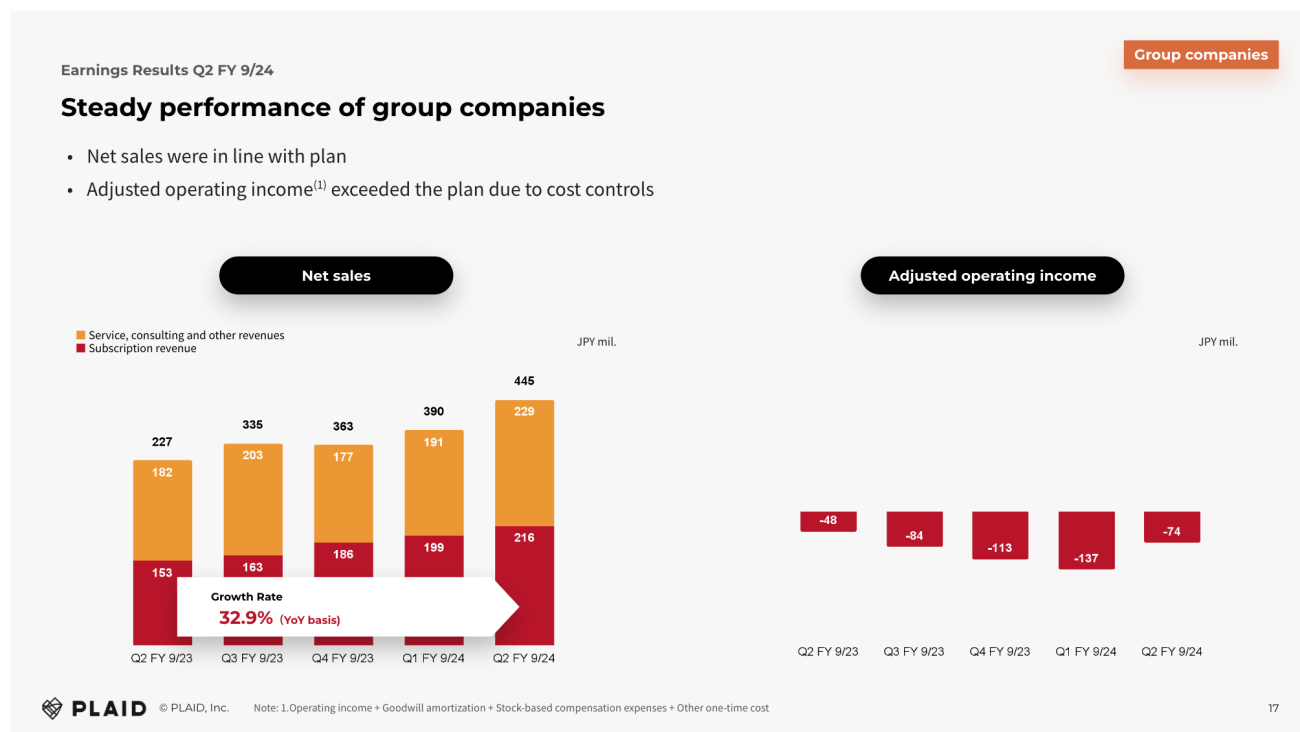
Finally, we have the status of the hiring situation of PLAID alone.



While profits are growing, recruitment is progressing as planned. In addition to hiring customer success and engineers, we are steadily hiring for PLAID ALPHA and STUDIO ZERO, which are in strong demand from our customers. Therefore, we are in a position

to secure human resources and achieve profitable growth at the same time, and we believe that the trend is quite favorable.

Group companies are also doing well.



Both sales and adjusted operating income are also in line with or exceeded the plan.

As the last part of my explanation, I would like to explain the revision of the earnings guidance.

Earnings Guidance for FY 9/24

Earnings Guidance for FY 9/24

- Revised full-year guidance upward with favorable performance
- Net sales are expected to be slightly higher than the previous guidance, at approximately 10.8 billion yen
- Although we plan to make an additional growth investment up to 300 million yen in the second half of the fiscal year, such as hiring, adjusted operating income⁽¹⁾ is expected to be 275 million yen, even after considering these costs

(JPY mil.)		FY 9/24					
		Previous guidance	Updated guidance	Difference	Change (%)	1H	2H
Net sales	Consolidated	10,666	10,809	143	1.3%	5,264	5,545
	YoY	23.5%	25.2%	-	-	28.4%	22.3%
	PLAID (non-consolidated)	9,126	9,588	461	5.1%	4,641	4,947
	YoY	19.4%	25.4%	-	-	28.0%	23.1%
Adjusted operating income							
	Consolidated	14	275	260	1765.3%	218	57
	PLAID (non-consolidated)	379	659	279	73.8%	403	256

 **PLAID** © PLAID, Inc. Note: 1. Operating income + Goodwill amortization + Stock-based compensation expenses + Other one-time cost

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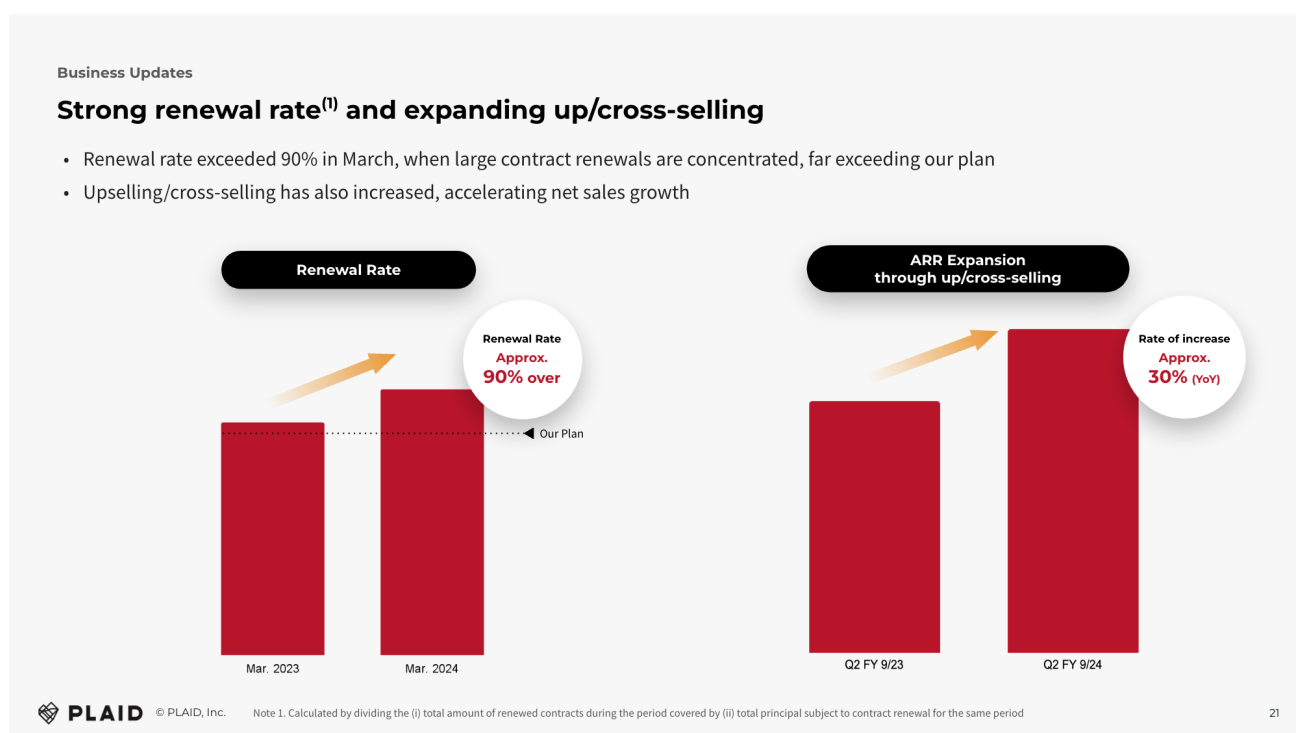
The upward revision reflects the good performance to date. Sales are expected to increase 1.3% from the initial plan to JPY10.8 billion. Adjusted operating income is expected to be JPY270 million for the full year, a significant increase from the initial plan of JPY14 million.

The JPY270 million figure is the figure after deducting up to JPY300 million of additional growth investment planned for the second half of the fiscal year. Therefore, the real figure for the adjusted operating income would be JPY570 million, adding the deducted JPY300 million.

As Kurahashi will explain in the next part, the outlook for Q3 and beyond is bright, and we will continue our efforts to achieve both sales and profit growth.

That concludes my explanation, and I will now hand over to Mr. Kurahashi.

Kurahashi: I will proceed to talk about the business update.



As you can see, we have topics on customer retention and up-selling/cross-selling.

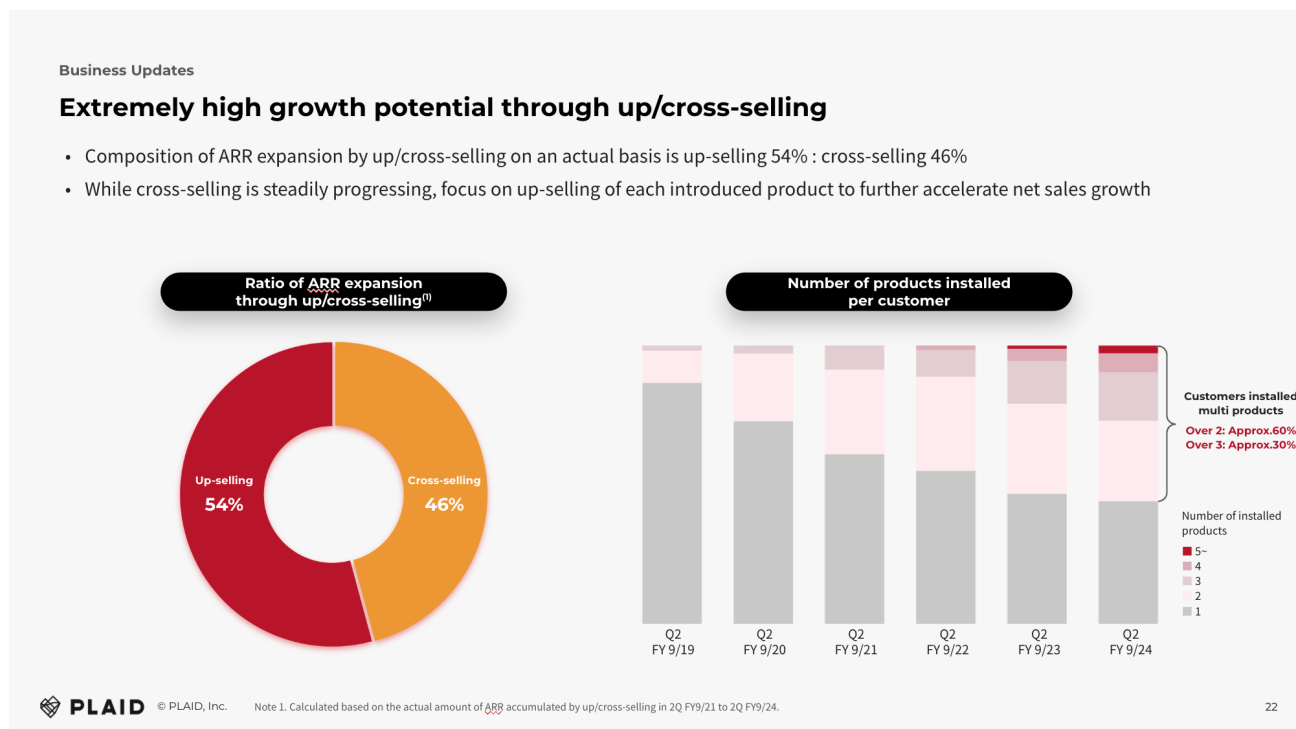
PLAID's business model is to renew contracts every year in March, which is a very large portion of the annual contract renewal. I have brought this March contract renewal in the hope that I can give you a spotlight on the status of the renewal ahead of time.

As a conclusion, the contract renewal rate exceeded 90%, far exceeding the plan. We have been able to maintain a very high contract renewal rate through the first half of this fiscal year. Communication and relationship building with customers, including internal customer success, which is a very important point, continues to make good progress.

In other words, the contract renewals here this quarter are at a very good level, and we have been able to promote our business while leaving room for further improvement. We believe that this part of our business will be a major tailwind for Q3 and Q4, in other words, for our full-year performance.

On the right side, up-selling/cross-selling, the growth rate is also accelerating steadily. The amount of ARR accumulated through up-selling/cross-selling has increased by about 30% compared to last year. We are seeing very strong productivity improvements here as well.

Next, I would like to talk about the past results of up-selling and cross-selling, which I mentioned earlier. We have achieved accumulation of ARR with 54% in up-selling and 46% in cross-selling.



In the situation where cross-selling is making particularly steady progress, up-selling of each product, i.e., each cross-sold product is used at an accelerated pace, and the amount of contracts for each product will increase as the client company experiences success. This is referred to as up-selling by product, and since we have been able to mutually contribute to sales growth through cross-selling and up-selling in this way, we intend to further strengthen this area.

As shown on the right side of the figure below, the number of products used per company is increasing each year. We believe that this is the result of the successful development of multi-products and the provision of these products to enterprise companies.

In the future, we will strengthen the development of professional services such as PLAID ALPHA and STUDIO ZERO, which were mentioned in the earnings announcement, and we believe that this will further accelerate the use of multi-products. We will continue to promote this kind of strategy to make our contracts more extensive, larger, and stronger.

Now, please move on. Lastly, Key Takeaways.

Key Takeaways

Key Takeaways

1

“Multi-product x professional services” strategy works effectively

- Expansion with enterprise companies has driven growth
- By developing our own products to meet the various needs of companies and providing a full range of professional services, we are shifting beyond the product vendor role and establishing a unique position as “a partner that can provide highly viable support for business transformation”
- Cross-selling, up-selling each product, increasing presence by making relationships with major companies in each industry, acquiring new customers, cross-selling...it has become a virtuous cycle

2

Strong net sales growth and cost efficiencies are rapidly improving profitability

- Q2 consolidated adjusted operating income was +174 million yen, and the profit margin was 6.4%
- Net sales have increased steadily, and SG&A ratio has declined due to various efforts to improve productivity
- We will further improve profitability by strengthening our “Multi-product x professional services” strategy

As I have just mentioned, I believe that our strategy of combining multi-products, professional services, and enterprise is working very well, and I am happy to report our financial results this time.

Most importantly, we see this as extremely important news, as PLAID is now fostering expectations among its clients that go beyond being a mere SaaS vendor.

In the future, we will promote the cross-use of each product and service in earnest, and since we have customers in diverse industries, we will firmly strengthen our industry-specific delivery strategies as well. We are pursuing these strategies to build even more room for growth, and we intend to create even stronger business growth while building even more room for acceleration in the future.

The second point, as stated, is the top line, which will be further accelerated. And to further improve productivity. We will achieve Profitable Growth by realizing both wheels of growth in a reproducible manner.

That's all for this earnings announcement. Thank you.

Moderator: Thank you for your attention. This concludes our presentation on PLAID, Inc.'s financial results for Q2 FY2024.

Question & Answer

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

Q1-1: The maximum amount of additional growth investment will be JPY300 million this time, and the actual value of adjusted operating income would be JPY570 million. The SG&A ratio will increase in the third and fourth quarters. This idea of investment is that I don't think this JPY300 million will decrease after next fiscal year. Will this be paid as a temporary bonus or are you planning to hire people? Can you please clarify the specifics of the investment, the contents of this JPY300 million, and whether this will disappear or continue from the next fiscal year onward? That's all from me.

Takahashi: Thank you. I will answer your questions. As you say, there is also recruitment, and we will make some payments in the form of bonuses, partly in the form of one-offs. We will add advertising, so it doesn't mean that all JPY300 million will be consumed in FY24. However, about half of the JPY300 million will be spent on recruitment, so please understand that this is a cost that will continue to be incurred in the future.

Q1-2: I understand. One more point, I would like to add that in the SG&A expenses section, there was no comment in the section on efficient handling. But the personnel cost per employee is on a downward trend, so this is a little bit different from the past in terms of the policy of those who are hired; whether it is a team approach with mid-level employees, meaning that you will change your approach of recruiting ace-level personnel? Personnel costs appear to be going down, but I would like to ask one thing about this, whether it is under some strategic policy or just by chance.

Kurahashi: Thank you for your question. As we have already reported in this document, recruitment of human resources has been proceeding very systematically. What is different from the past is that we, too, will firmly recruit team members to acquire and accelerate key human resources for each operation that is very important in the company, such as sales, customer-success and marketing. As you asked, one of the reasons for the change in the balance of remuneration is that the balance of recruitment of diverse human resources has changed slightly from the past.

Q1-3: I understand. Thank you. One last point. Since Mr. Kurahashi dared to explain short-term business results at the beginning of today's meeting, I am hoping that the timing is right for us to be able to present some mid- to long-term figures. Some people are enthusiastic about the hundreds of millions of yen profit this term, but I think the market is also cautious because of the downward revision. I wonder if you said short-term this time based on the premise that you will explain in the full-year or Q3 result briefing about what level of profit will be generated.

The briefing is compact and good, but what about the medium to long term, can we expect to hear about it? Is it such a situation that we can't see it because it is still a little further away?

Kurahashi: Thank you. There are always two types of initiatives within a company: those that are short to medium term, and those that are always medium to long term. The most important point for us to communicate now is that we have been focusing on the improvements we have made over the past two or three years, in other words, the growth

potential of our foundation, and we are placing priority on explaining this to you with solid results. In the first half of this fiscal year, or rather, the continuation of the first quarter, we would like to report that our growth has been stronger than ever before.

On the other hand, we are very confident about medium- and long-term growth. As I mentioned earlier, we have been firmly promoting multi-products and professional services as part of our strategy. We also need to brush up the value and quality of each of these services so that we are able to deliver the value of each service to our clients and the market in a more strategic manner. Perhaps this could be called synergy by value provided, but this is the kind of synergy that can be achieved in the PLAID Group All.

And, as I have mentioned in previous IR reports, our group as a whole processes an enormous amount of customer data on a daily basis, and we encourage our clients to make use of it. We are also working to verify the uniqueness and competitive use of AI based on these data assets.

We are steadily advancing our mid- to long-term confidence and preparations, but this time I would like to focus on the fundamental growth potential of our company and the reproducibility in our communication with you.

Q2: What does the JPY300 million investment in human resources in the second half of the year mean? Which will be more heavily weighted, the 3Q or the 4Q? Does it cost JPY300 million to invest in human resources?

Takahashi: I will answer this one as well. First, to answer your question as to whether the weight will be on the 3Q or the 4Q, it will be on the 4Q. One of the things we are trying to do is to hire 15 to 20 new people more than we had originally planned to hire.

Depending on the timing of the response, there are also costs associated with various agents and scouts, as well as one-off costs, which are all part of what we refer to as human resources investment.

The reason for the weighting toward the 4Q is that, in addition to the timing of the current response, we will also use some of the advertising expenses, which will be stronger in the 4Q. That is all from me.

Q3: I'm afraid this is a basic question, but can you tell me how I should understand the difference between Appier Group, F-Code, etc.?

Kurahashi: Thank you. Appier and F-Code, or maybe you are thinking of other company names, but for us, a very important point in our business is that there is actually very little competition with Appier, F-Code, both companies, or the services they provide.

So I would like to start by saying that the premise that we are not benchmarking very strongly and significantly, which is very important. I believe that the business scopes of both companies include customer data, DX, CX, and this is the area we have in common. I also think that the commonality between us and those two companies is that they are developing not only single products but also multiple products.

For example, the main difference between Appier and PLAID is that the Appier Group is focused on advertising and ad-tech, and that's CX in a broad sense, and that's the main story. In fact, we have begun to develop our business in the advertising area, but there is still very little competition.

On the other hand, F-Code Company, we believe that they are also developing a variety of products. On the other hand, their mainstay businesses are customer service on websites and chatbots, which I believe are much more focused than our focus on supporting the use of customer data.

However, the reality is that there are not many competing scenes even with the domain that they are developing. Strictly speaking, we believe that the overlap between the two companies is not zero, but this is the situation in the actual business. I hope I have answered your question.

Q4: What is the bonus you just mentioned linked to?

Takahashi: Bonuses are not automatically distributed in conjunction with any other factors, but are distributed as appropriate based on a comprehensive assessment of sales, operating income, and other such factors. This would be my answer to the question.

Q5: This is a daring question, assuming you can't answer it. Mr. Takahashi replaced Mr. Muto as the position of CFO. What thought is there in mind as presidents and what do you expect from them in the future. Mr. Muto joined the company before the IPO and IPO has been successfully completed. In general, the press release does not explain the detail, but is there any strategic reason to appoint Mr. Takahashi? What sort of change would you expect, if any? If you cannot answer, that is fine. If you have any, please.

Kurahashi: Thank you. It is a difficult question to decide how much to tell you, so I would like to talk about it while thinking about it for a moment. First, this is the sixth year that Mr. Muto has been with us since 2018, and he has played a very important role for the PLAID Group.

Just two years after he joined PLAID, the company experienced IPO, and he has made a great effort to bring PLAID to its current state by bringing the entire company together, despite some difficulties after the company went public. I believe that he went above and beyond his role as CFO in his effort.

On the other hand, we have also started to supply a very wide range of value, both in terms of products and services, and have begun group management, aiming for stronger management of the group as a whole. On the other hand, we will also aim for the independent growth of each service or product. We are now entering a phase in which we need to face a slightly different management style and management issues than in the past.

In those discussions, the baton was passed from Muto, who has contributed for the past six years, to Takahashi, who will take on the next challenge. PLAID sees itself as a company with very well-established employees and associates. On the other hand, I wonder if there were parts where it was difficult to generate a succession from so-called leaders or people with important responsibilities.

I believe that this time, at a time when this company's foundation has been firmly established, Mr. Muto, as a person who are responsible for the company's management, should be proactive in conducting a succession, and by doing so, has encouraged PLAID to shed its skin for the next stage of its development. After he stepped down from his role as CFO, Takahashi and the rest of the finance and corporate team are extremely strong and talented, so we are not worried at all and will become even stronger. I want to convey

this sentiment as much as possible, and that is why I am sending out this message, including the fact that Takahashi will succeed him as a successor.

Moderator: Thank you for your question. Are there any other questions?

Thank you. With the conclusion of questions, we will now close the presentation of PLAID Inc.'s financial results for the second quarter of the fiscal year ending September 30, 2024. Thank you for taking time out of your busy schedule to join us today.

[END]

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