



**PLAID, Inc.**

**Q3 FY 9/24 Financial Results Briefing**

**Aug13, 2024**

# Presentation

**Moderator:** Thank you very much for joining us. PLAID, Inc. will now present its financial results for the third 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 Mr. Takahashi, VP of Finance. We will now begin. Mr. Takahashi, please begin.

**Takahashi:** Hello. I will now explain the third quarter results.

This is a financial results summary.

Earnings Results Q3 FY 9/24

### Financial results summary

(JPY mil.)		Quarter			9M ended		
		FY 9/23 Q3	FY 9/24 Q3	YoY (%)	FY 9/23	FY 9/24	YoY (%)
<b>Net sales</b>	<b>Consolidated</b>	<b>2,210</b>	<b>2,797</b>	<b>+26.6%</b>	<b>6,310</b>	<b>8,062</b>	<b>+27.8%</b>
	Non-consolidated	1,952	2,543	+30.3%	5,578	7,185	+28.8%
	Group companies	366	380	+3.8%	929	1,217	+31.0%
	Consolidation Adjustment	-108	-126	-	-197	-340	-
<b>Gross profit margin<sup>(1)</sup></b>	<b>Consolidated</b>	<b>72.0%</b>	<b>72.9%</b>	<b>+0.9pt</b>	<b>73.0%</b>	<b>71.3%</b>	<b>-1.7pt</b>
	Non-consolidated	73.4%	68.9%	-4.5pt	73.3%	69.8%	-3.5pt
	KARTE domain <sup>(4)</sup>	76.3%	75.1%	-1.1pt	75.9%	74.7%	-1.2pt
<b>Adjusted operating income<sup>(2)</sup></b>	<b>Consolidated</b>	<b>-229</b>	<b>145</b>	<b>-</b>	<b>-272</b>	<b>363</b>	<b>-</b>
	Non-consolidated	-152	313	-	-69	716	-
	Group companies	-84	-189	-	-220	-400	-
	Consolidation Adjustment	7	21	-	17	47	+176.5%
<b>ARR<sup>(3)</sup></b>	<b>Consolidated</b>	<b>7,603</b>	<b>9,508</b>	<b>+25.1%</b>	-	-	-
	Non-consolidated	6,939	8,444	+21.7%	-	-	-

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

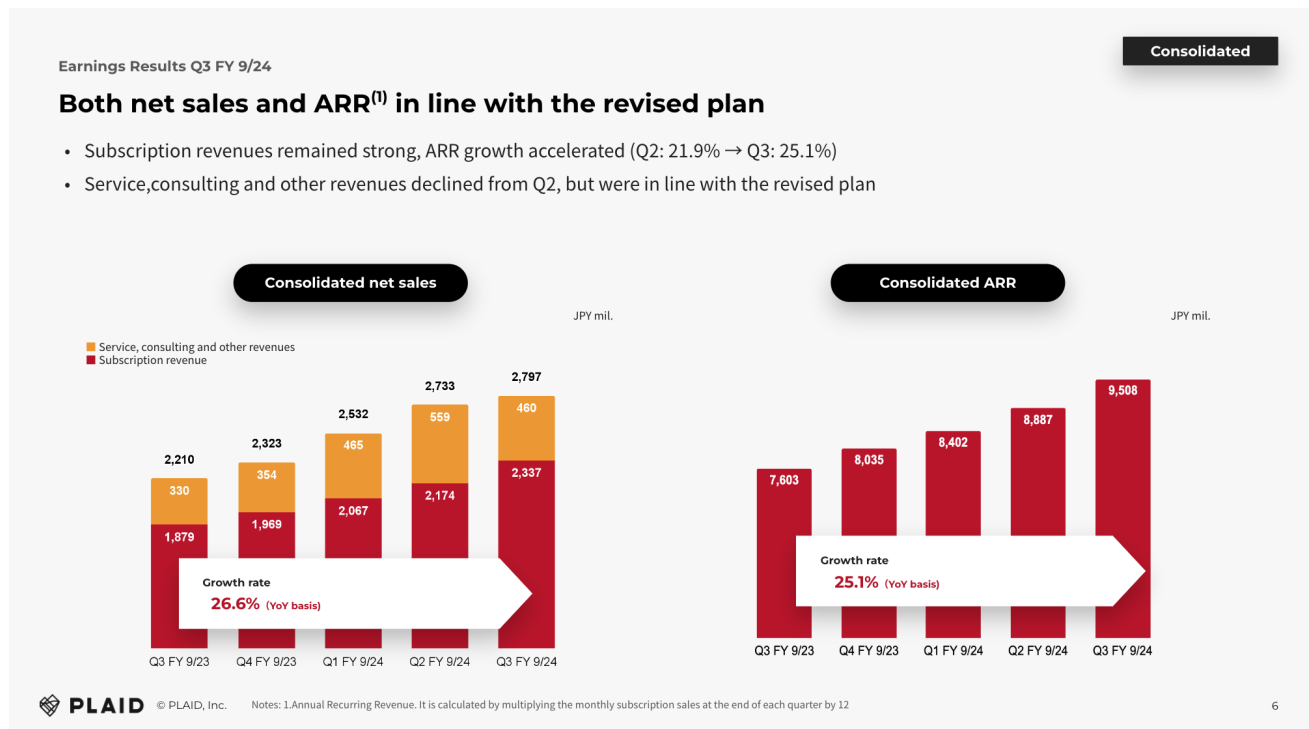
PLAID © PLAID, Inc. 4

Overall, the third quarter results were also favorable. Consolidated net sales grew 26.6% YoY to JPY2,797 million. Consolidated adjusted operating income landed at JPY145 million, remaining in the black.

PLAID's non-consolidated sales grew 30.3% YoY to JPY2,543 million, and are now back to 30% growth, driven largely by PLAID's non-consolidated sales and adjusted operating income. Adjusted operating income was JPY313 million, a significant increase over the same period last year. PLAID on a stand-alone basis continues to accelerate growth and improve profitability, and we believe we are in a very good business position.

On the other hand, sales of group companies grew by 3.8% YoY, a slightly lower growth rate than in the same period last year. The results of the group companies consist mainly of Emotion Tech, Inc., RightTouch, Inc., and agito, Inc. Emotion Tech is the main contributor to Q3 results, and we will provide more details later in a separate part. However, when viewed on a consolidated basis, PLAID as a stand-alone company accounts for a large percentage of total sales and profits, resulting in a smooth landing for the company as a whole.

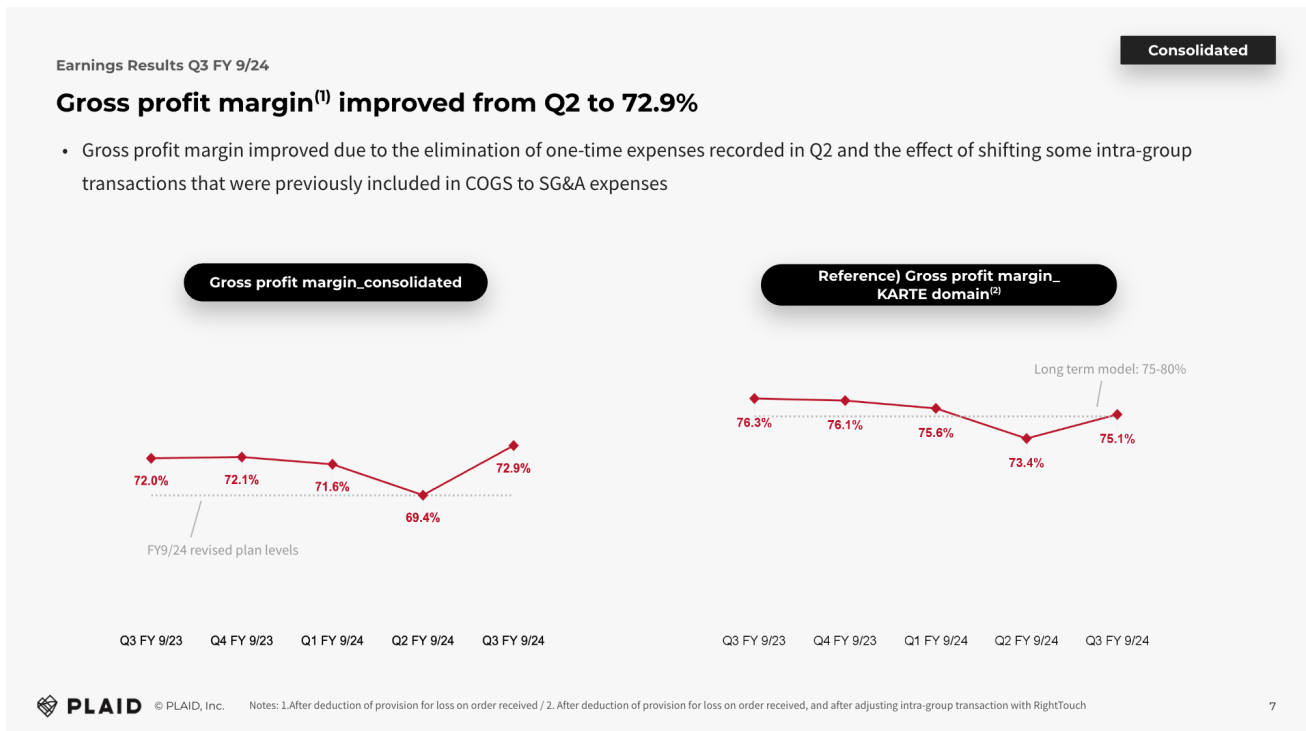
Let me now move on to the consolidation part. The first is the top line.



Both subscription revenues and ARR are increasing steadily. In particular, ARR growth improved from 21.9% YoY growth in Q2 to 25.1% YoY growth in Q3. Service and consulting revenues declined QoQ, but this was due to the loss of a large one-off project at Emotion Tech.

PLAID's non-consolidated services/consulting, PLAID ALPHA and STUDIO ZERO, both exceeded the revised plan in Q3, and PLAID's non-consolidated and Emotion Tech offset each other, resulting in consolidated service/consulting sales in line with the plan.

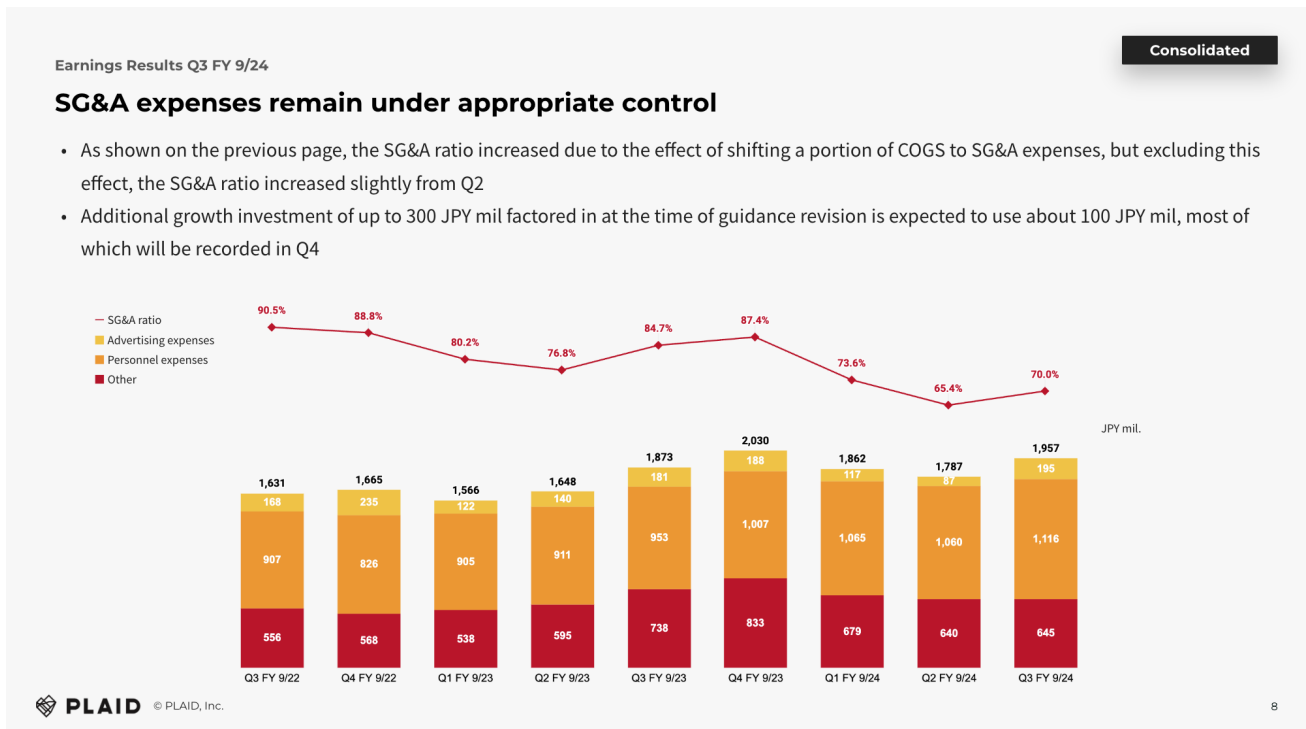
Next is the gross profit margin.



Consolidated gross profit margin was 72.9%. Although gross profit margin has improved QoQ, this is due to the elimination of one-time expenses recorded in Q2, as well as the reclassification of some intra-group transactions that were previously included in COGS to SG&A expenses, although this is an accounting technicality.

The treatment is that COGS decreases, SG&A expenses increase, and operating income remains the same. Since the impact of the elimination of one-time charges is just over 1 percentage point, we consider it to be about 71% of actual gross profit when compared on a QoQ basis.

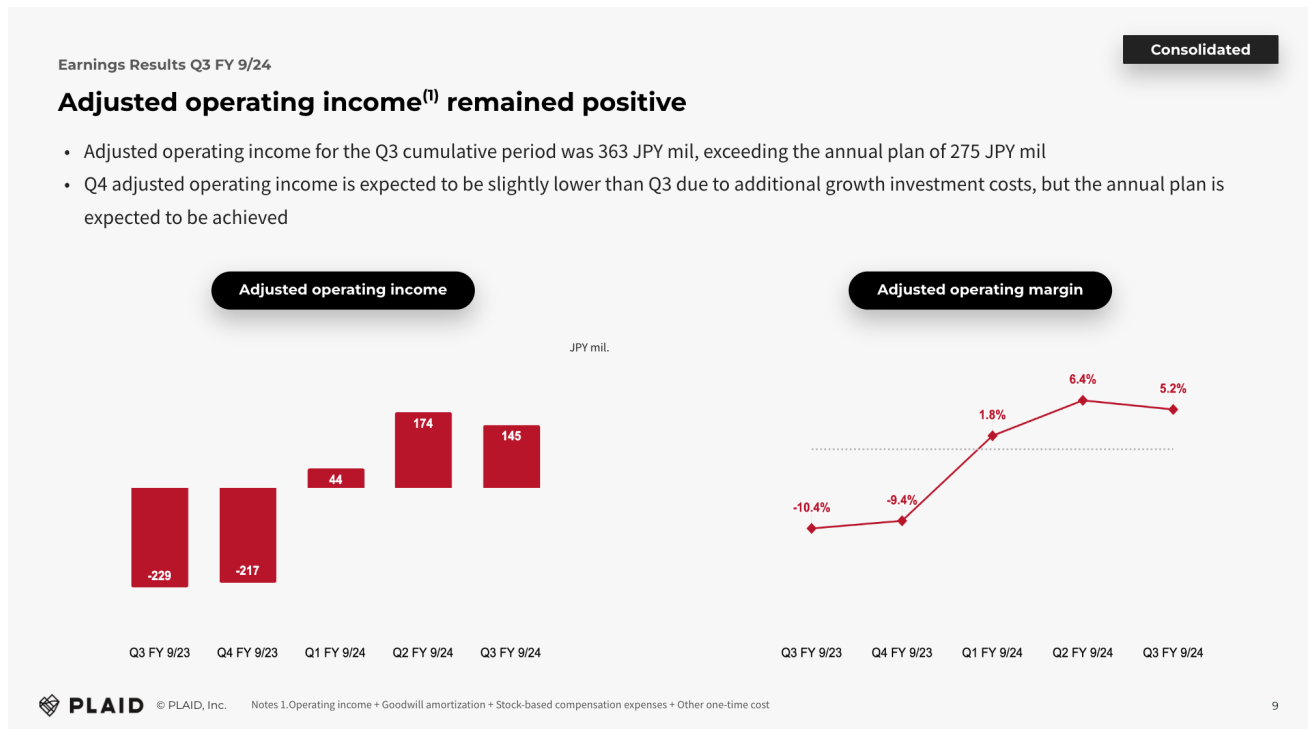
Next, SG&A expenses.



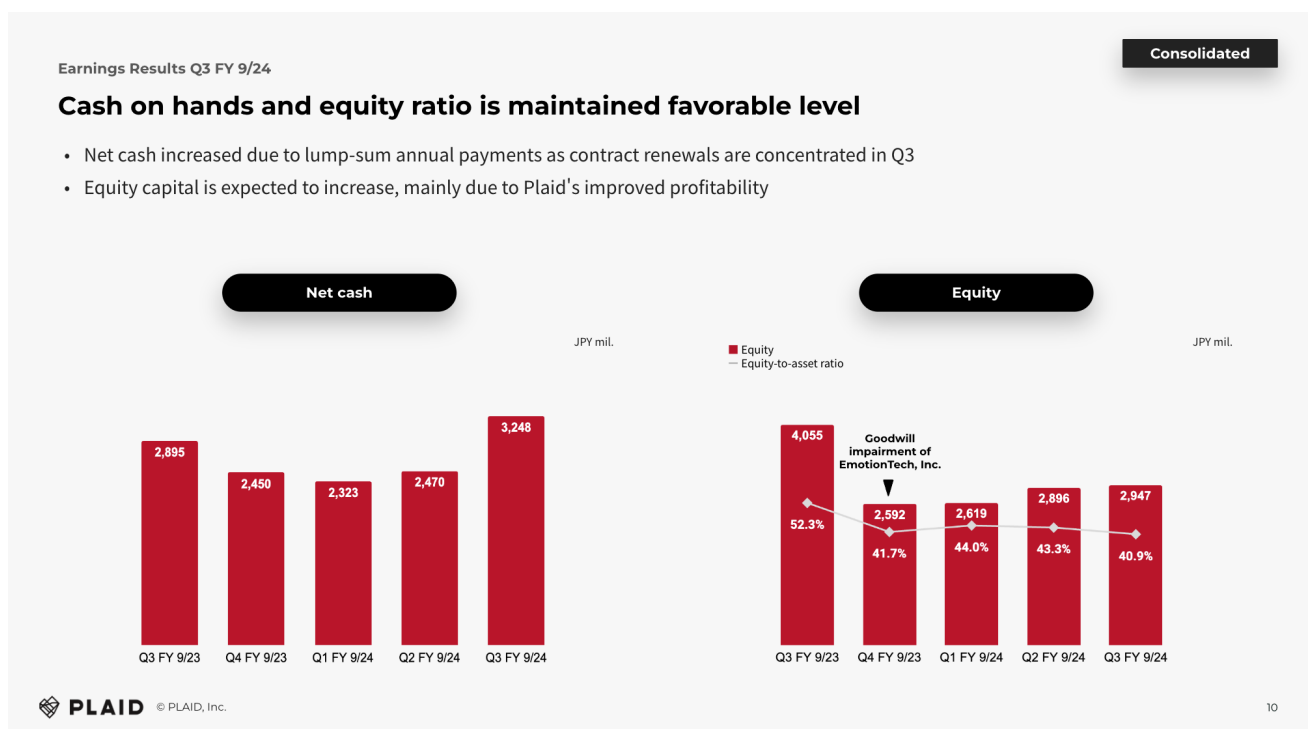
SG&A expenses continue to be appropriately controlled. The increase in the SG&A ratio QoQ includes the impact of the transfer from COGS to SG&A expenses, as I mentioned earlier. Specifically, advertising expenses increased approximately JPY100 million from JPY87 million in Q2 to JPY195 million in Q3, of which approximately half was due to the transfer.

In addition, when we revised our earnings forecast in the Q2 results, we said that we had factored in up to JPY300 million in additional investments as second half expenses, but we expect to actually use only about JPY100 million in the final amount, most of which will be recorded in Q4. The first half of several tens of millions of yen will be posted in Q3, and the rest will be posted in Q4.

## Adjusted operating income.

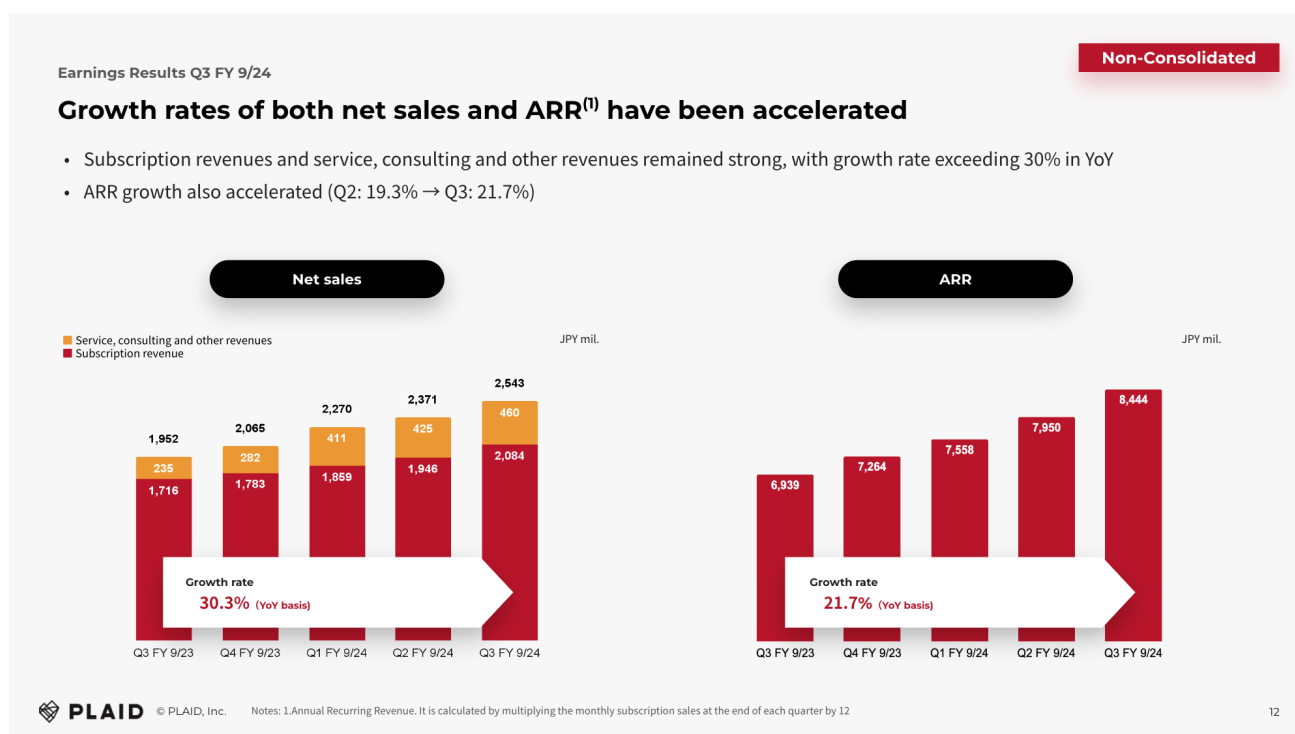


Adjusted operating income for Q3 landed at JPY145 million. Adjusted operating income for the Q3 cumulative period totaled JPY363 million, already exceeding the annual plan of JPY275 million. As I mentioned on the previous slide, we expect to record expenses associated with additional growth investments in Q4, which will result in a slight decrease in profit compared to Q3, but we believe there is a strong possibility that we will exceed our annual plan of JPY275 million.



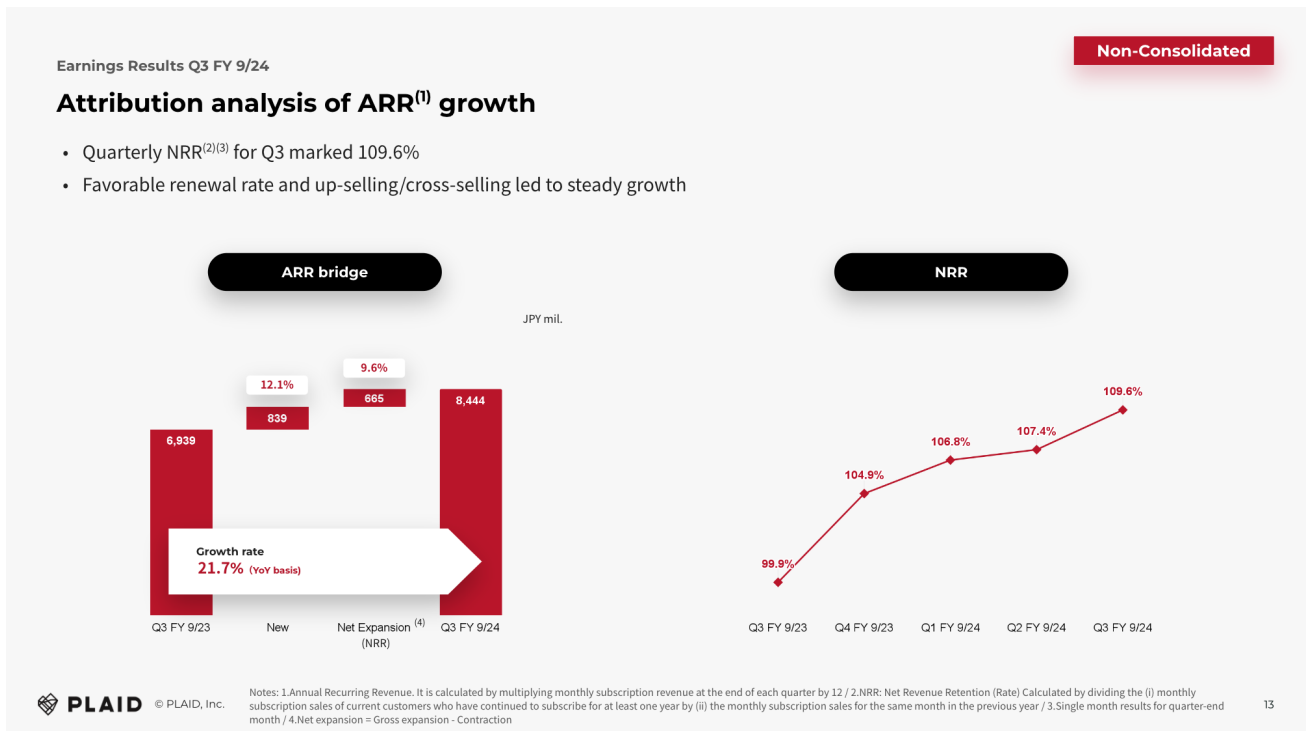
This is the balance sheet, and the balance sheet continues to be at a good level. We believe that the balance sheet will improve more in the future as profitability improves.

The next section is for PLAID alone and its group companies.



PLAID alone returned to a sales growth rate of 30%, with both subscription revenues, and service and consulting revenues remaining strong. The ARR growth rate also accelerated compared to Q2. Both PLAID ALPHA and STUDIO ZERO, which comprise service and consulting revenues, are performing well, and PLAID's non-consolidated sales are progressing well overall.

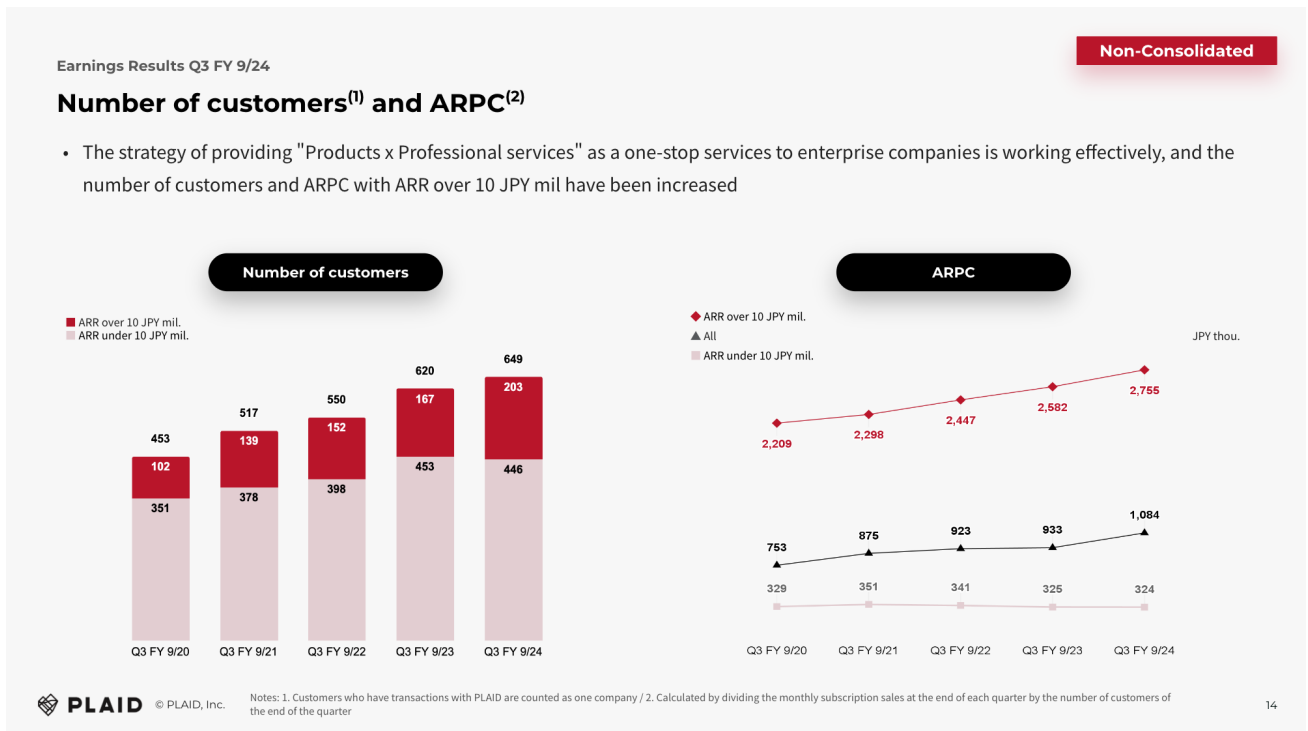
Here is a breakdown of ARR growth.



The acquisition of new customers and the expansion of transactions with existing customers contribute to ARR growth in a well-balanced manner. In particular, NRR further improved to 109.6% at the end of Q3. In addition to the fact that the Company's contract renewals are concentrated at the end of March, and that those contract renewals went very well, NRR has improved because up-selling/cross-selling was also extremely strong at the time of contract renewal.



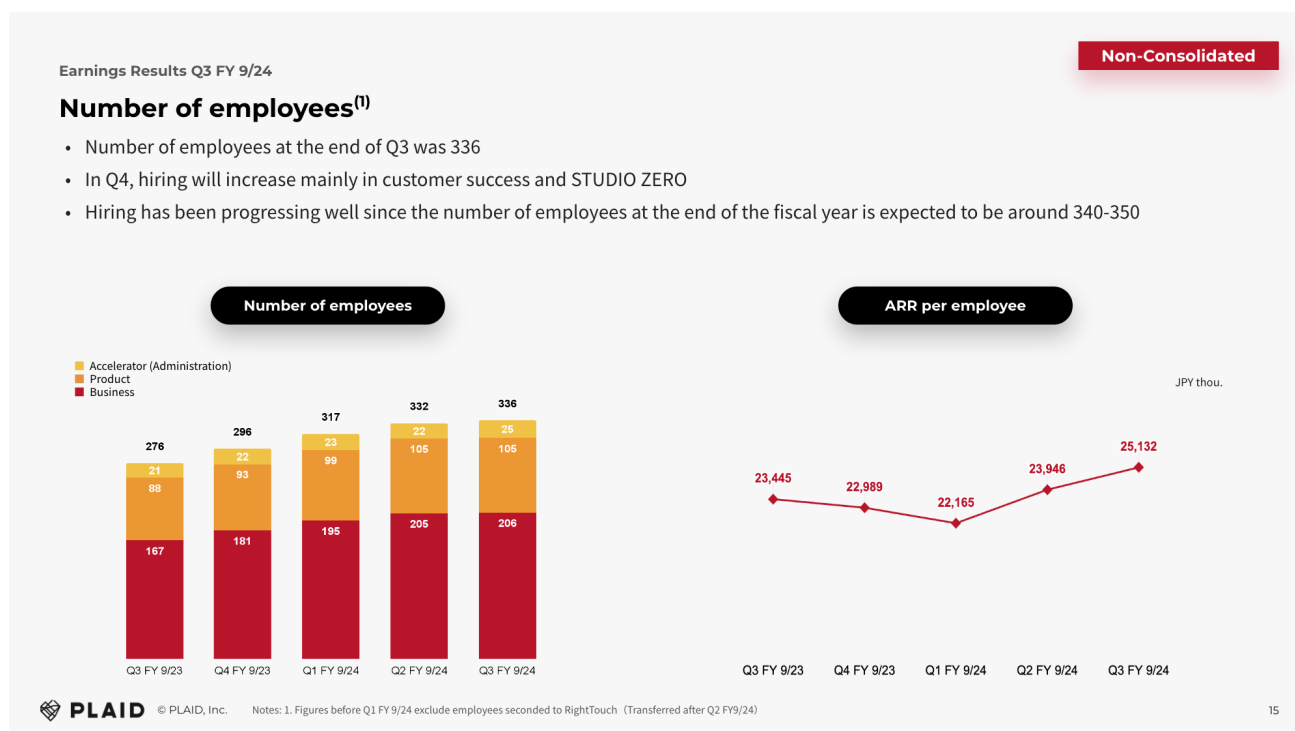
Here is a breakdown of the number of clients and ARPC.



Our strategy to focus on enterprise companies continues to be successful, and we believe that we are seeing steady growth in both the number of clients with an ARR of JPY10 million or more and ARPC.

By product, KARTE for App, Blocks, Datahub, Message, and Signals are selling well, and our multi-product strategy continues to work effectively.

This is the trend for the number of employees.

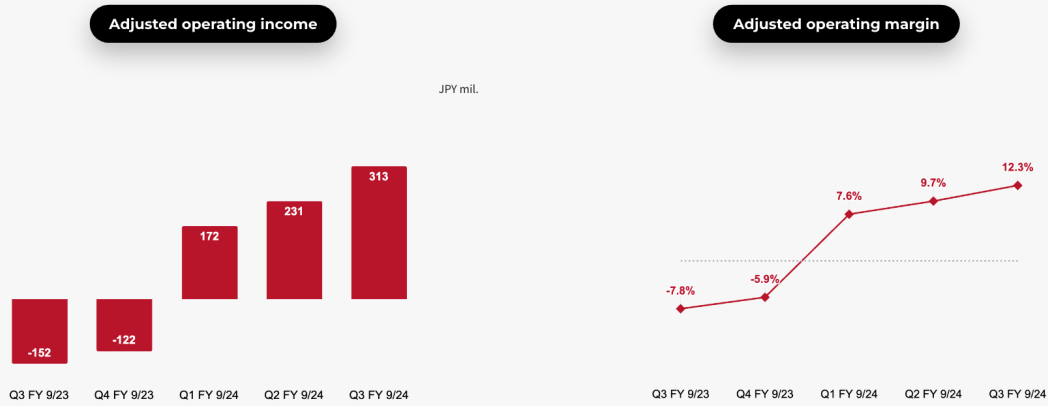


The number of PLAID's non-consolidated employees at the end of Q3 totaled 336, mainly due to progress in hiring administrative personnel. In Q4, we are making progress in hiring business-related personnel in areas such as customer success and STUDIO ZERO, and we expect PLAID's non-consolidated headcount at the end of the fiscal year to range from 340 to 350 employees.

At the beginning of the fiscal year, we originally stated that we wanted to increase our workforce by about 40 employees this fiscal year compared to the end of the previous fiscal year, so including additional growth investments, we estimate that we will have 340 to 350 employees at the end of the fiscal year, which is more than we expected at the beginning of the fiscal year. We are aware that our recruitment plan is progressing well.

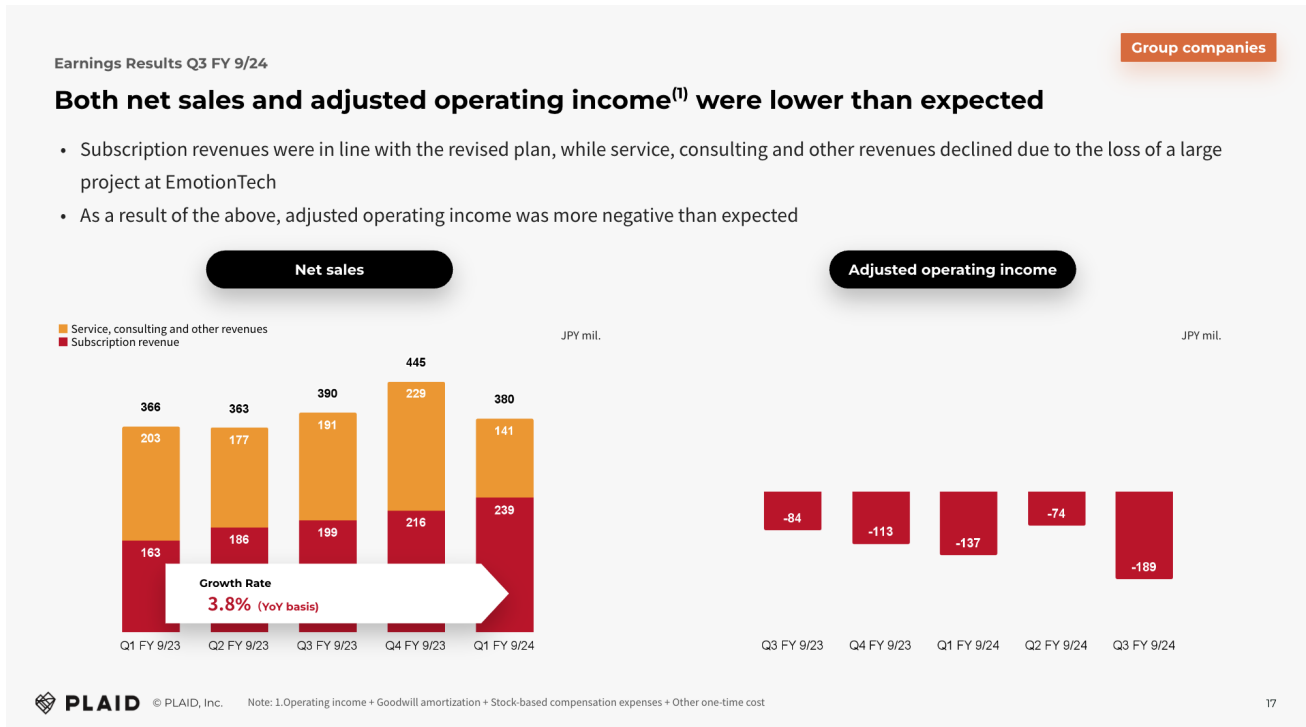
**Adjusted operating income<sup>(1)</sup> increased from Q2 to 313 JPY mil**

- Adjusted operating margin has been improving steadily due to steady sales growth and appropriate cost control
- Continue to operate with the balance between sales growth and profitability



Adjusted operating income for PLAID on a non-consolidated basis for Q3 landed at JPY313 million, with a steady increase in profit. We intend to continue to operate our business in a way that allows us to balance sales growth and profitability with appropriate growth investments.

Group companies.



Group companies fell short of the revised plan in both sales and adjusted operating income. The factor is Emotion Tech, while RightTouch and agito are both performing as planned.

I would like to touch a little on the current status of Emotion Tech and the measures we are taking.

Earnings Results Q3 FY 9/24 Group companies

### Business situation and measures for Emotion Tech

- Business growth was expected through the following initiatives, but growth has been sluggish due to delays in product updates and operational issues in sales activities
- Improving business through restructuring, including accelerated product development, improved business operations, and cost reductions

<b>Major product updates</b>	<ul style="list-style-type: none"> <li>Currently revamping products with a focus on expanding the data analysis platform centered on "VoC (Voice of Customers<sup>(1)</sup>)" and strengthening functions for linking with various types of data</li> <li>Driving subscription revenues growth through this update</li> </ul>	
<b>Expanding business with enterprise companies</b>	<ul style="list-style-type: none"> <li>Enhanced its customer value proposition by providing data integration and operation solutions and services in addition to CX management design</li> </ul>	
<b>Promotion of AI-based solutions</b>	<ul style="list-style-type: none"> <li>Provides text AI analysis services using GPT-4 and ChatGPT</li> <li>Combining their knowledge of VoC with AI significantly reduces the cost of reading and interpreting text data, which has been an issue in traditional text analysis</li> </ul>	

PLAID © PLAID, Inc. Note: 1. End-user feedback gathered through various channels, such as inquiry data and research data 18

Emotion Tech has developed a service that primarily deals with NPS, a measure of end-user loyalty. Specifically, it provides SaaS products for managing user surveys, such as NPS and qualitative comments from users, and consulting services that take advantage of these products.

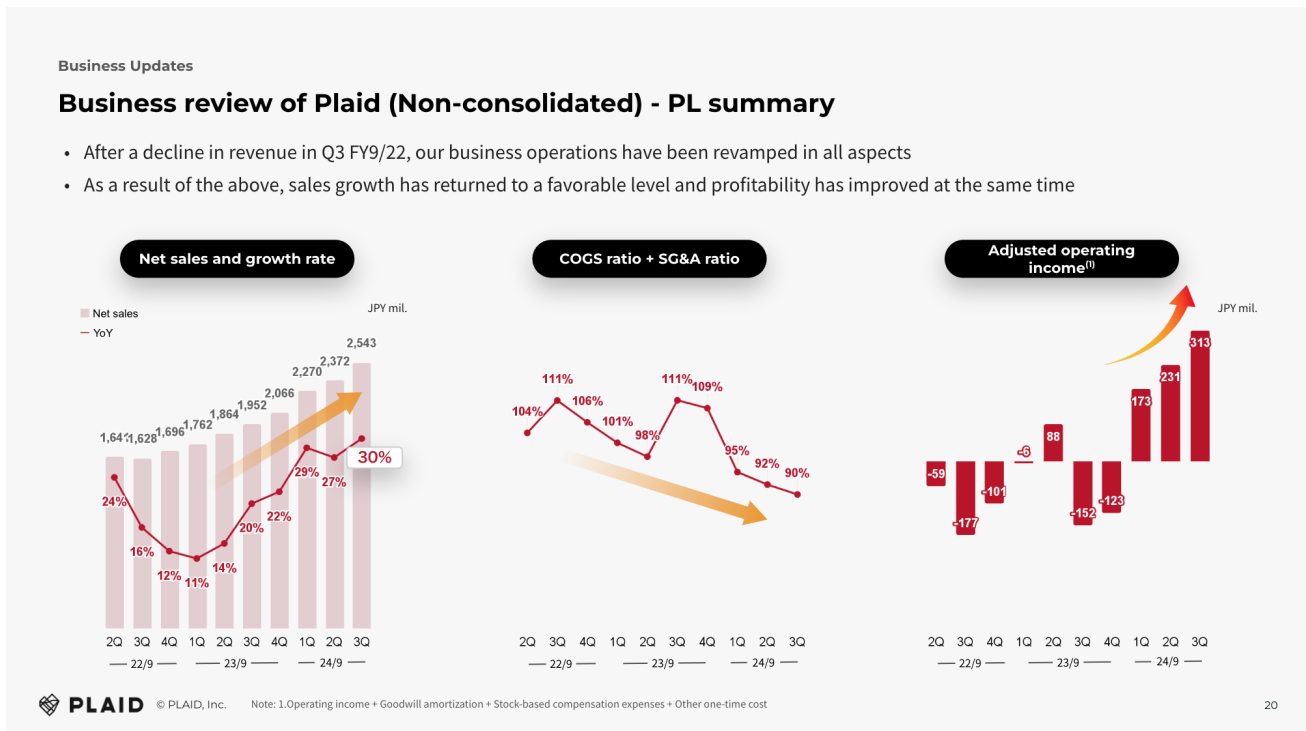
As shown on this slide, Emotion Tech had originally been working to expand business with enterprise companies by making major product updates and using its products as a weapon, but due to delays in product development and issues in sales activities, the business has been sluggish.

PLAID and Emotion Tech are already implementing reforms through product, business, and cost management in each division, and we are committed to drastically improving our P&L by quickly restoring sales growth and minimizing losses.

As we have said so far in the overall Q3 results, the condition of the PLAID stand-alone business is improving very much. This is the reason why the consolidated results have been favorable, so we will continue to strengthen our group management and aim for further growth on a consolidated basis.

These are the results for the third quarter, and I will now begin the business updates. The content is a review of PLAID alone. In the last two years, PLAID's stand-alone business has been recovering, and why is that? Since this is a story that will lead into the next fiscal year, I would like to reiterate the background.

First of all, I would like to take a look back at P&L.



In the fiscal year ended September 30, 2022, we experienced a decline in sales QoQ and a downward revision to our financial results, and our sales growth rate declined significantly from there. However, the Company bottomed out in Q1 of the fiscal year ended September 30, 2023 and is now recovering to a sales growth rate of 30%. At the same time, we have continuously lowered the COGS ratio and SG&A ratio, which has led to a dramatic improvement in profitability.

In other words, we have made solid investments in growth, which have led to actual sales growth and improved profitability at the same time. I would like to talk a little more in depth about what actually went on behind the scenes within the Company.

This is the background of accelerated sales growth.

Business Updates

### Business review of Plaid (Non-consolidated) - Net sales

- Clarification of strategies**
  - Providing "Products × Professional service" hybrid model to enterprise companies
- Increased value proposition**
  - The growth of multiple products released around 2022 has accelerated our product strategy that can meet various customer's needs
  - Professional services that support from customer strategy planning to product implementation and operation have been growth rapidly
  - Established a unique position as a "partner that can effectively support BX," different from product vendors and consulting firms, with an increasing number of comprehensive transactions with enterprise companies
- Organization and system redesign**
  - Reorganization of industry cut across sales/customer success departments to strengthen proposal capabilities
  - Renewal of the assessment system to make the organization function effectively and advancement of enablement for individual capability development has also been enhanced
- Operation revamp**
  - Steady new customer acquisition and up-selling / cross-selling through account plannings based on industry and customer focus segments
  - Quantify the usage status of installed products, and take thorough actions to encourage utilization and minimize churn based on the monitoring of these scores

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It is not that there were any special factors, but that all of the factors listed here meshed well together.

First of all, the red area is "Clarification of strategies". The most important feature of our products is that they are highly functional and scalable, but how and to whom do we provide them? In 2022 and earlier, we were engaged in a kind of all-round activity, but after that, we clarified that we will first target the enterprise group of companies as our core target. In addition, we are steering our strategy to provide not only products but also professional services.

I believe that the fact that we recognized the great demand for professional services in the course of providing our products was a major factor in our ability to swing so far. In retrospect, we believe that there were three points at which this strategy worked effectively, and those three points are, as noted here, "Increased value proposition", "Organization and system redesign", and "Operation revamp".

The first is "Increased value proposition". Around the year 2022, we released a series of new products such as KARTE Blocks, Message, and Signals. At the same time, we have been promoting the full-scale development of professional services such as STUDIO ZERO and PLAID ALPHA.

What has changed as a result of this is that STUDIO ZERO now organizes the upstream issues of a company from the standpoint of strategic consulting, and our multi-product group functions as a means of implementing solutions to those issues. In the past two years, I believe that we have established a one-stop service model from upstream to downstream, in which PLAID ALPHA plays the role of supporting and accompanying the implementation of the product and promoting its benefits.

The issues and needs of enterprise companies are extremely wide-ranging and complex, and I think it was significant that we were able to establish a one-stop system to address these issues. We believe that it is difficult to respond to a wide range of needs by providing only one product, and if a client company were to use PLAID's product lineup to transform its business, we, as the developer, would have the advantage in effectiveness, which we believe is our differentiating factor or competitive advantage.

In fact, as we have announced in several press releases, we have recently seen an increase in comprehensive transactions in which enterprise companies have adopted several of our products in the course of their business transformation, and PLAID ALPHA has been accompanying and supporting them.

The second is as stated here, "Organization and system redesign". In order to promote business with enterprise companies, it is essential to have a depth of knowledge of the industry and to strengthen the ability to make proposals. To strengthen this, we have reorganized by an industry-cut system across sales and customer success departments. As a result, the accumulation of knowledge and the horizontal development of proposals are gradually taking place.

At the same time, we also leveraged the capacity building of individuals who form the organization. Specifically, we are revamping our goal/evaluation system with the aim of encouraging individuals to change their behavior and increase their motivation. In addition to that, we are in the process of reviewing our onboarding program and focusing on upgrading enablement, such as training for development.

The last one is "Operation Revamp," and from the viewpoint of P&L improvement, I believe that the effect here has been quite significant. In other words, among the enterprise group of companies, we have classified which companies in which industries we are currently attacking, and we are thoroughly conducting sales activities and allocating resources based on these classifications.

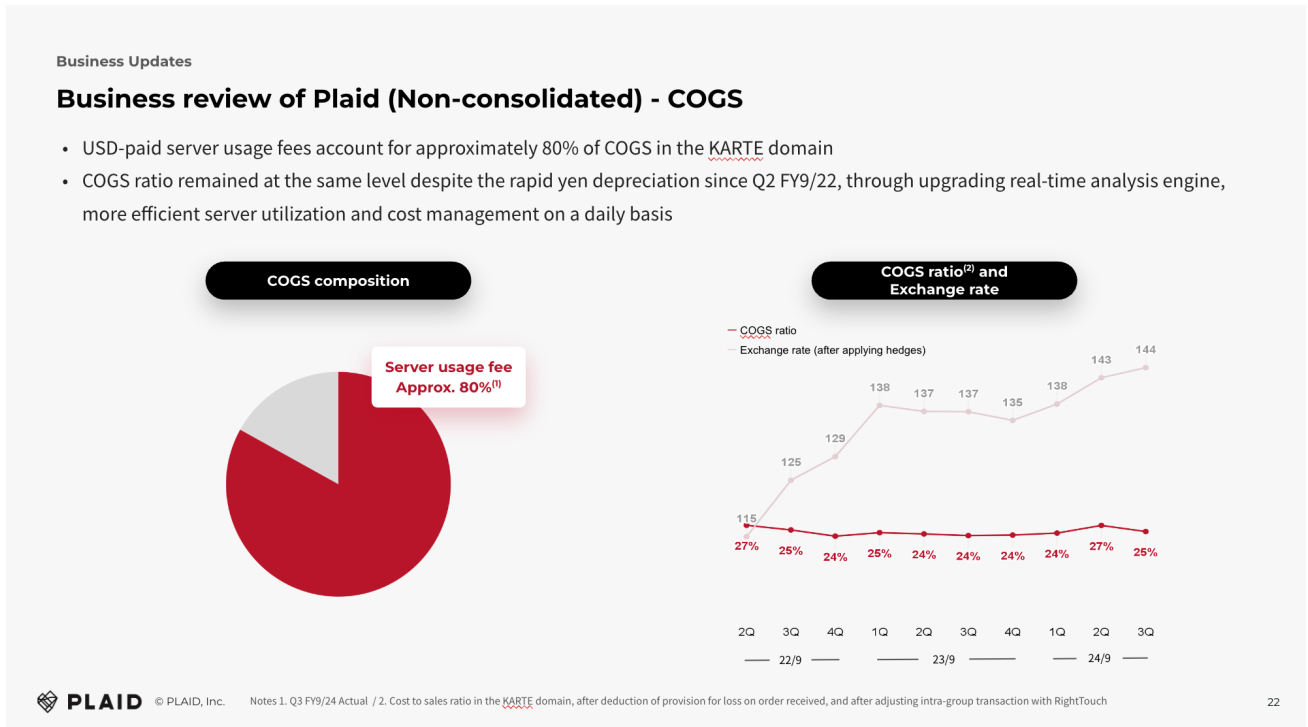
This has not only made our overall sales activities more efficient, but it has also enabled us to forecast sales more precisely than before, making it easier for the company to take timely action than in the past.

The second is to visualize and quantify product usage. Which conditions increase the risk of churn and which, conversely, are more likely to lead to up-selling/cross-selling? We are conducting sales activities while monitoring this. We believe that this has made it possible to conduct highly reproducible sales activities without relying solely on some kind of intuition of the manager or person in charge relative to the client company.

This has been a long discussion, but generally, we believe that the reason for the recovery in sales is that we have clarified our strategy, and now have the organization, human resources, and operations in place to make that strategy work.



This is followed by COGS.

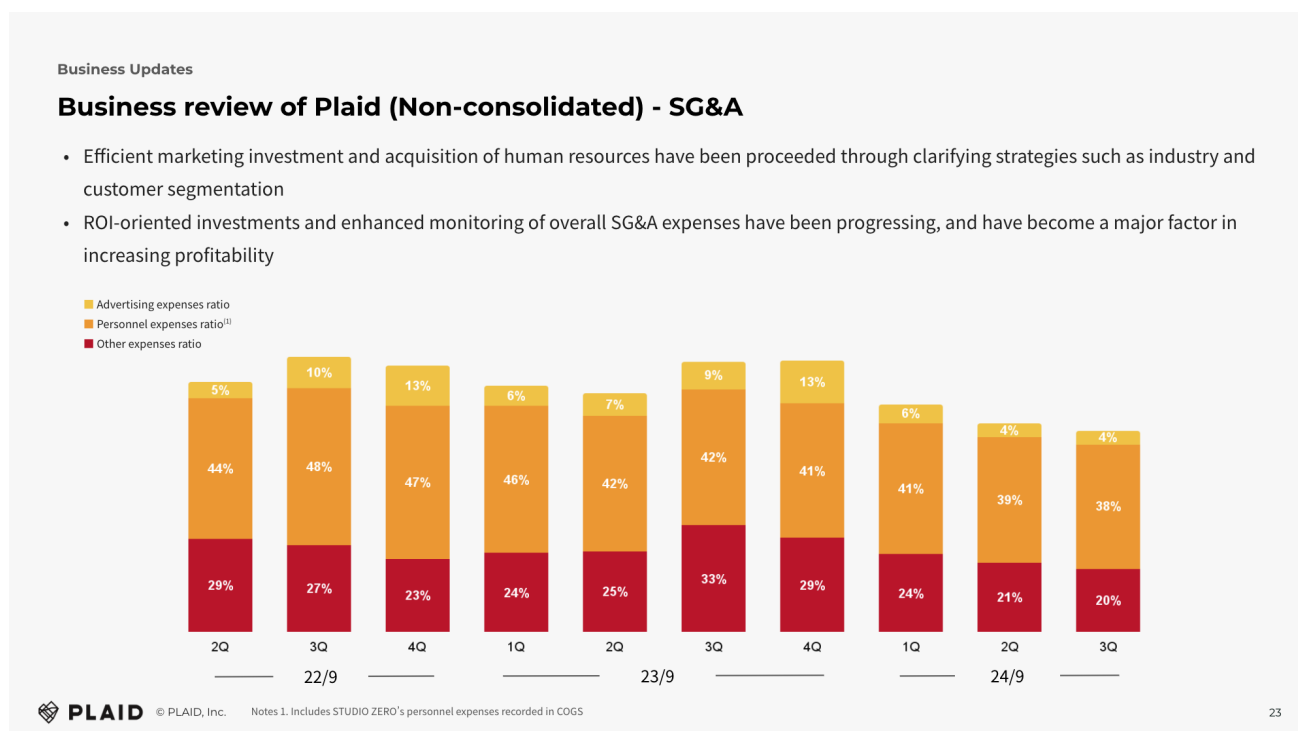


As shown in the graph on the left, approximately 80% of COGS in the KARTE domain is server usage fees in USD. As shown in the graph on the right, the exchange rate has depreciated by about JPY30 from JPY115 in Q2 2022 to JPY144 in the current financial results, putting strong upward pressure on COGS, while the COGS ratio remains constant at about 25%.

This is the result of the renewal of the analysis infrastructure, more efficient use of servers, and the fact that we are now monitoring on a daily basis, which has helped to counteract the pressure of rising costs.

Therefore, there is no telling how the exchange rate will actually change in the future, but we believe that the yen has been appreciating slightly, at least compared to a period in the past, and we believe that the market conditions have become more positive in terms of our profits.

The last business update is SG&A expenses.



As you can see in the graph, it is not that any particular expense is decreasing, but that the overall ratio to sales is decreasing. In particular, the decline in advertising and personnel costs is closely linked to the "Clarification of strategies" and "Operation revamp" mentioned in the sales slide.

In other words, the ratio of advertising and personnel expenses has been decreasing due to marketing activities focused on specific priority industries and the hiring of younger employees to strengthen the functions of the organization rather than individuals. Other expenses in general are also being visualized and managed more effectively. As a result, the overall SG&A ratio has been declining.

As I have explained above, there was not some kind of special demand or strong external tailwind along with sales and costs. I believe that we are finally beginning to see the results of our efforts to do what we should have done as a company, one by one.

Therefore, since we have made changes internally, the sustainability is high and its efficacy is great, and we will continue to strive for sales and profit growth while maintaining the favorable trend.

This is a summary of the entire presentation.

Key Takeaways

## Key Takeaways

1

### **Business foundation for sustainable growth has been established**

- Strong business progress, with sales growth returning to favorable levels and significant improvement in profitability
- The above is the result of comprehensive internal transformation, including clarification of strategy, organizational redesign, operational revamping, and enhanced cost monitoring, and has created a stable business foundation
- Business outlook remains favorable and sustainable growth is expected

2

### **Both net sales and adjusted operating income<sup>(1)</sup> are on track to achieve the fiscal year plan**

- Plaid led the consolidated results, with steady growth in both net sales and adjusted operating income
- In particular, adjusted operating income of 363 JPY mil in the Q3 cumulative total has already exceeded the fiscal year plan of 275 JPY mil, and is highly likely to be achieved
- Aiming for further growth by focusing on improving the value proposition by the entire group, including consolidated subsidiaries, in addition to further strengthening the business foundation

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

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The first is that a sustainable and stable business foundation has been established. I will not bore you with the details, as I have already explained this in the business updates, but I believe that we have established a stable and reproducible business foundation, and that the business outlook is good for the next fiscal year, and we expect continued growth.

Second, we are on track to achieve the annual plan, and here both net sales and adjusted operating income are on track. In particular, since adjusted operating income has already exceeded the annual plan, we believe there is a strong possibility that we will be able to exceed the plan.

From the next fiscal year onward, we intend to operate in a way that will allow us to grow even further while enhancing the competitiveness of the entire group, along with PLAID on a stand-alone basis.

That concludes my explanation. Thank you for your attention.

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

## Question & Answer

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

**Q1:** I would like to confirm two things about the numbers. The consolidated sales for services and consulting are JPY460 million on page 6, non-consolidated sales are JPY460 million on page 12, and group companies are JPY141 million on page 17, but I'm wondering if the consolidated and non-consolidated are equal and where the group companies fall. One point is to check the numbers where the sum of the non-consolidated and group companies exceeds the consolidated total.

One more confirmation of the numbers. This time, the headcount is plus 4 QoQ on a consolidated basis, of which 4 are on a non-consolidated basis. Personnel expenses have increased by about JPY100 million, but is this to be understood as payment of bonuses?

In addition, business personnel occasionally come out even QoQ, but it is an increase or decrease in which they were hired and retired, or in which there were no hires or retirements. I was somewhat uncomfortable with the lack of growth in people, but could you please explain the background there? These are my 2 questions. Thank you.

**Takahashi:** Thank you. The first point, I guess, is where the service and consulting sales went, but the conclusion is that they are intragroup transactions, so they are consolidated adjustments, consolidated offsets.

As for the second point, the personnel expenses are as you mentioned, and we have paid tens of millions of dollars in bonuses in the first half of the year. As for the growth of business, the fact that they have been hired and left means that they have come and gone, and the number zeroed out. There is a time lag, or a timing issue, and we are planning to increase the number of business personnel in Q4, so we do not think anything like recruitment is not going that well.

**Q2:** You have repeatedly stated that it is highly likely that the full-year plan will be achieved, but is there a possibility that adjusted operating income for Q4 will be in the red? Why did you not make an upward revision while the full-year plan has already been exceeded?

**Takahashi:** Thank you. In conclusion, we do not expect Q4 to be in the red. We assume that the surplus will continue to be maintained.

As to why we did not make an upward revision, we were not sure whether to announce the revision, but we decided that it would be difficult to announce the revision at this time because sales of services and consulting have been increasing, and there are many projects that are in a state of flux, so we have not yet released it at this time.

At the very least, I hope you understand that we are not talking about this last-minute achievement because Q4 will be in the red.

**Moderator:** Does anyone have any other questions?

Thank you. With the completion of the questions, this concludes the financial results briefing of PLAID for the third quarter of the fiscal year ending September 30, 2024. Thank you all for taking time out of your busy schedules to join us.

**Takahashi:** Thank you.

[END]

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## **Disclaimer**

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