

MRR (monthly recurring revenue) increased +21% YoY to ¥970mn NewsPicks changed its management structure to strengthen the business

▷3Q FY2021/12 (9M cumulative) financial results: net sales +18% (¥11.7bn), operating profit turns profitable (¥1.4bn)

—Net sales ¥11,738mn (+18.1% YoY), EBITDA ¥1,767mn (+347.4% YoY), operating profit ¥1,447mn (previous year operating loss of ¥309mn), ordinary profit ¥1,321mn (previous year ordinary loss of ¥488mn), profit attributable to owners of the parent ¥495mn (previous year loss attributable to owners of the parent ¥6,063mn).

—Net sales by reporting segments: SPEEDA (+21% YoY), NewsPicks (+31.9% YoY), Other B2B (FORCAS, INITIAL +41.7% YoY), maintaining growth. Net sales excluding Quartz business were +29.0% YoY).

—MRR as of 2021/9 was ¥970mn (+21% YoY), with annual recurring revenue alone of ¥11.6bn, steadily expanding the stable revenue base.

—On November 1, 2021, NewsPicks began providing a new service, NewsPicks Topics, aimed at further expanding NewsPicks business. NewsPicks aims to grow by strengthening personalization. In order to focus efforts on launching NewsPicks Topics, NewsPicks announced changes to its management structure.

▷FY2021/12 full-term financial forecasts: revised full-term guidance, with upward revisions for everything except profit attributable to owners of the parent.

—The company revised up full-term guidance along with 3Q results. Although profit attributable to owners of the parent was revised down to reflect recording an extraordinary loss, net sales and all other levels of profit were revised up. Progress ratios relative to revised guidance as of the end of the 3Q: net sales 74%, EBITDA 96%, and operating profit 99%, with high potential for a full-term overshoot.

▷Share price trend:

—In terms of the share price, expectations had risen for 3Q results, however the consolidation trend has continued after the results announcement. The company is scheduled to hold a Long-Term Strategy Briefing Session on December 16, 2021, and it plans to announce its strategies through 2025 including numerical targets. We want to pay attention to the share price trend after this Long-Term Strategy Briefing.

UZABASE Consolidated Financial Results and Forecasts Summary

JPY mn, %	Net Sales	YoY (%)	Oper. Profit (Loss)	YoY (%)	Ord. Profit (Loss)	YoY (%)	Profit (Loss) ATOP	YoY (%)	EPS (¥)
2017/12	4,565	48.2	545	117.5	518	130.0	438	63.8	15.13
2018/12	9,340	104.6	830	52.1	533	2.9	610	39.5	20.42
2019/12	12,521	34.1	(1,236)	–	(1,429)	–	(1,620)	–	(51.35)
2020/12	13,809	10.3	104	–	(281)	–	(6,472)	–	(186.58)
2021/12 (prev CE)	15,600	13.0	1,380	13.3x	1,240	–	690	–	18.83
2021/12 (new CE)	15,900	15.1	1,456	14.0x	1,366	–	500	–	13.64
2020/12 3Q	9,938	17.3	(309)	–	(488)	–	(6,063)	–	(177.85)
2021/12 3Q	11,738	18.1	1,447	–	1,321	–	495	–	13.51

Source: compiled by Sessa Partners from company data.

3Q FOLLOW-UP

UZABASE

Focus points:

Economic information platform company. Annual Recurring Revenues from SPEEDA, NewsPicks etc. have reached ¥10bn. Focusing on Japan Business after withdrawing from Quartz. Aiming for ¥100bn in sales by 2028.

Key Indicators

Share price (Dec 15)	1,481
YH (Feb 10)	3,975
YL (Dec 4)	2,765
10YH (Oct 12, 2020)	1,419
10YL (Nov 4, 2016)	637.5
Shrs. out. (mn shrs)	36.573
Mkt cap (¥bn)	105.295
EV (¥bn)	103.347
Shr eqty ratio (Dec 31)	51.5%
FY12/21 P/E (CE)	108.58x
FY12/20 P/B (act)	8.58x
FY12/20 ROE (act)	-110.9%
FY12/21 DY (CE)	0.00%

Share price 52 weeks



Source: Sessa Partners from SPEEDA data

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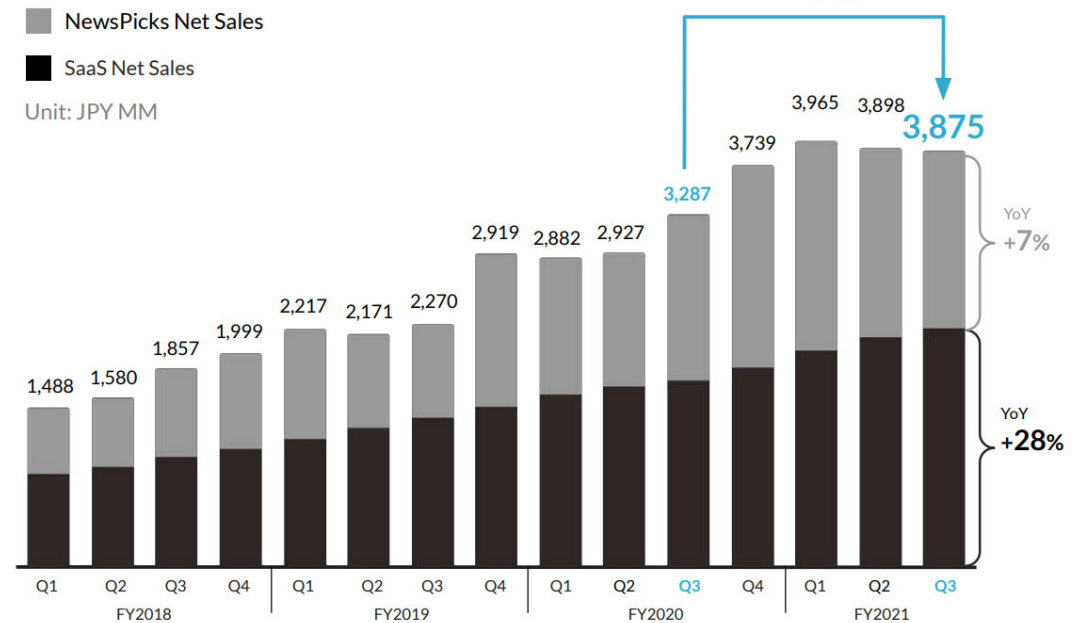
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Net Sales Quarterly Trend



• Net sales for the SaaS business are a sum total of those for SPEEDA, Other B2B businesses and SPEEDA Edge.
 • Consolidated net sales up to Q4 FY2020 exclude Quartz and are calculated as Consolidated Net Sales minus Quartz's Net Sales.

Source: 3Q results briefing materials.

1. 3Q FY2021/12 (9M cumulative) financial results

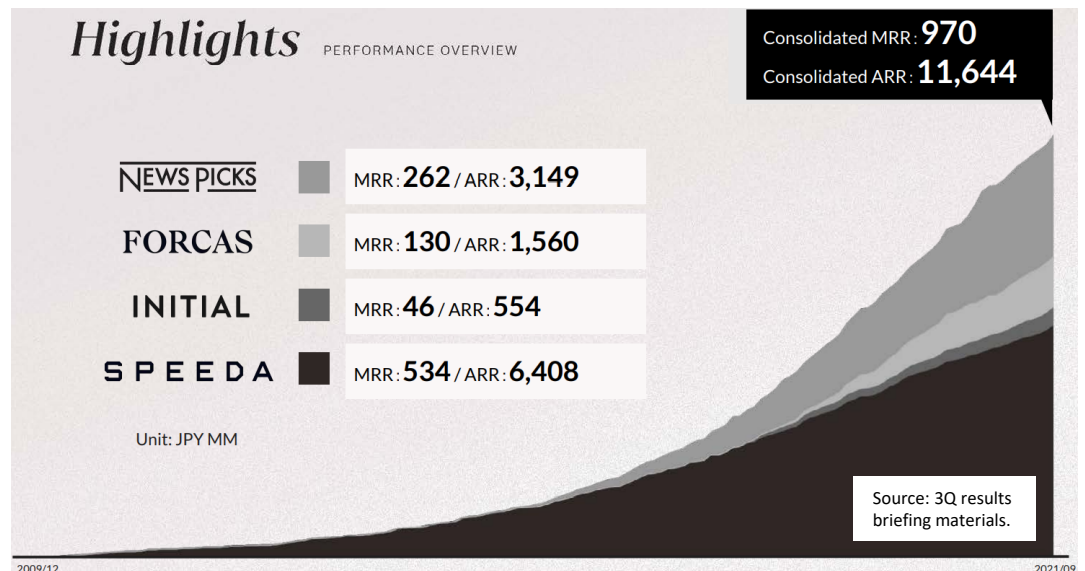
1) Posted net sales +18% (¥11.7bn), and operating profit of ¥1.45bn (operating loss the previous year of ¥0.3bn)

—Both SaaS Business (SPEEDA, FORCAS, INITIAL) and NewsPicks Business trended favorably. MRR increased +21% YoY to ¥970mn, and ARR increased to ¥11.6bn (see graph below).

—EBITDA was ¥1,767mn, up 4.5x YoY. Operating profit was ¥1,447mn, turning profitable after an operating loss of ¥309mn the previous year.

—profit attributable to owners of the parent was ¥495mn, after booking an impairment loss of ¥289mn associated with exiting “NewsPicks GINZA,” as well as ¥210mn provision for loss on withdrawal from business bases (previous year loss attributable to owners of the parent was ¥6,063mn).

MRR Trend



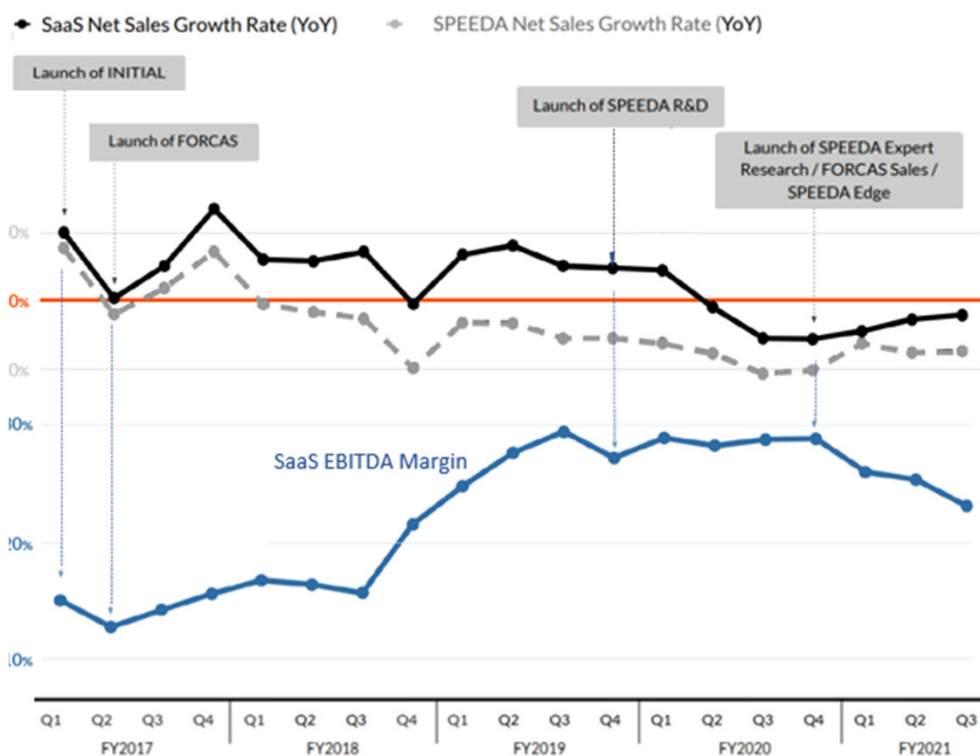
The Company has been explaining its financial results based on quarterly figures from the 2Q, and in the Jul-Sep 3Q, results were net sales of ¥3,875mn (+8.1%, +17.9% excluding Quartz), operating profit of ¥216mn (-10.7%), and loss attributable to owners of parent of ¥248mn (loss of ¥4,953mn in the same period of the previous year). As a result of deploying growth investment for the next fiscal year onwards (personnel expenses and outsourcing expenses related to product development increased by 30%), EBITDA was ¥332mn, a decrease of -57.9% year-on-year.

2) Trends by Reporting Segments

From the 3Q, the company summarized SaaS Business as SPEEDA, FORCAS, FORCAS Sales, INITIAL, and SPEEDA Edge to explain the overall trend. In the SPEEDA business unit, sales growth has fallen below 30% since 2018, but it can be seen that SaaS Business overall has remained growing at a rate of more than 30% by developing new products such as FORCAS and INITIAL. 2020 was affected by COVID-19, but it has been recovering since the beginning of this term.

In addition, the EBITDA margin for SaaS Business overall has remained above 20% by making a common structure and improving system efficiency such as for development, design, and data content creation between SaaS businesses.

SaaS net sales and EBITDA margin trend



Source: compiled by Sessa Partners from 3Q results briefing materials.

a) SPEEDA Business: +23.0% (¥4,963 million), MRR ¥534mn (+19.1%), EBITDA ¥1,651mn (+6.3%), EBITDA margin 33.3% (-5.2pp).

As a result of forming a customer success team in Japan and strengthening sales capabilities, new orders increased. Upselling to existing customers also progressed. The 12-month average churn rate, which had risen since the spread of COVID-19, improved by 0.1pp to 1.2%, partly due to the increase in acquisition of new customers in Asia. The company strengthened staff recruitment with the launch of expert research as a priority investment area.

In addition, as part of SPEEDA's internal lateral expansion of customers, the company began offering R&D plans. Customer demand for technical information is high, and future growth can be expected.

b) Other B2B business: net sales +42% YoY, EBITDA was a loss of ¥9mn.

Both FORCAS' and INITIAL's new customer acquisition grew steadily. Segment sales were ¥1,447 million yen (+41.8%), EBITDA was a loss of ¥9mn (¥1mn in the same period of the previous year), and segment operating profit was ¥55mn (+40.2%).

INITIAL has already turned profitable in this segment, but the company is actively investing for sales expansion of FORCAS Sales in particular.

c) NewsPicks Business: MRR resumed a net add trend

NewsPicks Business MRR was ¥262mn, +12% YoY. Due to one-off factors, 2Q MRR was negative quarter-on-quarter, but resumed a net add trend in the 3Q. At the same time, advertising sales increased by +34% in the 9 months through the 3Q, but some projects scheduled to be recorded in the 3Q were pushed back to the 4Q. As a result, net sales in the segment increased +31.9% to ¥5,364mn, segment EBITDA was ¥382mn (+3.4%), and segment operating profit was ¥578mn (+13.5%).

While the number of NewsPicks paying members is steadily increasing, the company has launched new measures, with the challenge of further monetizing NewsPicks Business. In the past, the NewsPicks page had been shared by everyone, but in the future, the company will provide a variety of pages optimized for each individual's diverse lifestyle. The company is creating NewsPicks pages tailored to each user, providing personalized services. To that end, the company started offering "NewsPicks Startup" on October 11. On November 1, "Newspicks Topics" was launched. By strengthening categories and topics, the company plans to expand the base of users by delivering content that is tailored to the needs of each user.

The company changed its management structure to accelerate new growth in NewsPicks Business. Daisuke Sakamoto, who had been President and CEO of NewsPicks Co., Ltd., will concentrate on the launch of "NewsPicks Topics" as Director in charge of New Business. Meanwhile, Yusuke Inagaki and Taira Sakuma, co-CEOs of UZABASE, have been newly appointed as NewsPicks Co-CEOs to strengthen cooperation between SaaS and NewsPicks businesses and organizations.

2. FY2021/12 full-term financial forecasts: revised full-term guidance for net sales ¥15.9bn (+15%) and operating profit ¥1.46bn (up 14x)

The company revised up full-term guidance along with 3Q results. Although profit attributable to owners of the parent was revised down from ¥690mn → ¥500mn to reflect recording an impairment loss on exiting "NewsPicks GINZA" (¥289mn) and provisioning for loss on withdrawal from business locations (¥210mn), everything else was revised up: net sales ¥15,600mn → ¥15,900mn, EBITDA ¥1,800mn → ¥1,850mn, operating profit ¥1,380mn → ¥1,456mn, and ordinary profit ¥1,240mn → ¥1,366mn.

Progress ratios relative to revised guidance as of the end of the 3Q: net sales 74%, EBITDA 96%, and operating profit 99%, with high potential for a full-term overshoot.

3. Company to hold a Long-Term Strategy Briefing Session

Upon announcing full-term FY2020/12 financial results, the company clarified future growth policy after withdrawal from Quartz business, targeting annual sales growth of +30% CAGR from every year from 2022 onward, with a 2028 net sales target of ¥100bn. The company is scheduled to hold a Long-Term Strategy Briefing Session on December 16, 2021, which will include numerical targets. Key points to be covered in the briefing session regarding future growth include: 1) purpose and societal value, 2) overall growth strategy for the Uzabase Group, 3) profit policy and 4) creation of synergies between SaaS and NewsPicks.

4. Share Price Trend

In terms of the share price, expectations had risen for the announcement of 3Q financial results, however the trend has continued to decline since then. With the top line growing at around 20 percent for the near term, investment for future growth is also progressing while securing a certain level of profit. However, investors often raise concerns about the move to the Prime Market and the recent consolidation trend of the share price. By holding a Long-Term Strategy Briefing Session, the company’s future growth strategy can be communicated in more detail, and management will take questions from investors. We would like to pay attention to the share price trend after the Long-Term Strategy Briefing.

UZABASE Share Price Trend



Source: compiled by Sessa Partners from SPEEDA.

Quarterly Consolidated Financial Results

JPY mn, %	2018/12				2019/12				2020/12				2021/12		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	1,488	1,580	2,363	3,908	2,847	2,818	2,808	4,048	3,171	3,183	3,583	3,871	3,965	3,898	3,875
YoY	52.9%	49.9%	106.1%	180.6%	91.3%	78.4%	18.8%	3.6%	11.4%	13.0%	27.6%	15.0%	25.0%	22.5%	22.5%
SPEEDA	820	873	935	985	1,037	1,104	1,162	1,225	1,288	1,349	1,388	1,466	1,589	1,654	1,699
YoY	-	-	-	-	26.5%	26.4%	24.3%	25.0%	24.2%	22.2%	19.4%	19.6%	23.4%	22.5%	22.5%
ratio to sales	55.1%	55.3%	39.6%	25.1%	36.4%	39.2%	41.4%	30.3%	40.6%	42.4%	38.7%	37.9%	40.1%	42.4%	43.9%
MRR	273	303	319	336	346	373	389	407	420	435	448	463	485	512	534
NewsPicks	611	640	843	888	1,017	868	872	1,419	1,266	1,244	1,545	1,875	1,938	1,756	1,650
YoY	-	-	-	-	66.4%	36.1%	5.8%	59.8%	24.5%	43.4%	787.1	32.1%	53.1%	41.1%	6.7%
ratio to sales	41.1%	40.4%	34.9%	22.7%	35.7%	30.8%	31.1%	35.1%	39.9%	39.1%	43.1%	48.4%	48.9%	45.1%	42.6%
MRR	98	109	119	120	137	150	160	176	184	229	234	243	254	252	262
Quartz	-	-	505	1,909	629	646	537	1,128	289	255	296	131	-	-	-
YoY	-	-	-	-	-	-	6.5%	-40.9%	-54.1%	-60.6%	-45.0%	-88.3%	-	-	-
ratio to sales	-	-	21.4%	48.8%	22.1%	23.0%	19.2%	27.9%	9.1%	8.0%	8.3%	3.4%	-	-	-
MRR	-	-	-	0	3	5	8	11	12	15	16	16	-	-	-
Other B2B	58	70	99	133	162	198	235	274	327	332	353	397	436	484	519
YoY	-	-	-	-	189.3%	191.2%	143.3%	107.6%	101.9%	68.2%	50.0%	45.3%	33.3%	45.6%	46.6%
ratio to sales	3.8%	4.3%	4.1%	3.4%	5.7%	7.0%	8.4%	6.8%	10.3%	10.5%	9.9%	10.3%	11.0%	12.4%	13.4%
MRR (FORCAS only)	1	12	17	30	40	50	60	75	80	83	91	100	107	119	130
MRR Total	371	398	433	461	494	523	609	689	725	793	821	842	883	924	970
Net sales excl. Quartz	1,488	1,580	1,857	1,999	2,217	2,171	2,270	2,919	2,882	2,927	3,287	3,739	3,965	3,898	3,875
YoY	52.9%	49.9%	62.1%	43.5%	49.1%	37.4%	22.2%	46.1%	29.9%	34.9%	44.8%	28.1%	37.6%	33.1%	17.9%
EBITDA															
Total	238	85	(56)	919	(179)	(349)	(304)	421	(42)	(61)	499	522	837	597	332
SPEEDA	234	233	214	350	416	409	398	372	513	536	503	447	547	589	513
NewsPicks	57	(67)	88	124	179	(45)	(47)	196	121	(38)	286	122	324	89	(32)
Quartz			(327)	473	(752)	(681)	(611)	(115)	(682)	(533)	(290)	(20)	-	-	-
Other B2B	(47)	(75)	(42)	(29)	(22)	(30)	(39)	(51)	5	5	(9)	(13)	12	(10)	(12)
EBITDA excl. Quartz	238	85	271	444	572	331	307	537	640	471	789	542	837	597	332
EBITDA margin	16.0%	5.4%	-2.4%	23.5%	-6.3%	-12.4%	-10.8%	10.4%	-1.3%	-1.9%	13.9%	13.5%	21.1%	15.3%	8.6%
EBITDA margin excl. Quartz	16.0%	5.4%	14.5%	22.4%	25.8%	15.3%	13.5%	18.4%	22.2%	16.1%	24.0%	14.5%	21.1%	15.3%	8.6%
Operating profit	226	66	(186)	724	(380)	(551)	(505)	200	(263)	(288)	242	413	739	492	216
YoY	61.1%	-59.0%	-	717.2%	-	-	-	-72.4%	-	-	-	106.5%	-	-	6.5%
OPM	15.2%	4.2%	-7.9%	18.5%	-13.3%	-19.6%	-18.0%	4.9%	-8.3%	-9.0%	6.8%	10.7%	18.6%	12.6%	5.6%
Ordinary profit	167	37	(345)	674	(395)	(612)	(551)	129	(317)	(348)	177	207	677	464	180
YoY	24.3%	-78.3%	-	828.5%	-	-	-	-80.9%	-	-	-	60.5%	-	-	1.7%
ratio to sales	11.2%	2.3%	-14.6%	17.2%	-13.9%	-21.7%	-19.6%	3.2%	-10.0%	-10.9%	4.9%	5.3%	17.1%	11.9%	4.6%
Profit attributable to owners of the parent	117	(49)	(661)	1,205	(296)	(669)	(606)	(49)	(473)	(637)	(4,953)	(409)	482	261	(248)
YoY	-3.4%	-	-	24.7倍	-	-	-	-	-	-	-	-	-	-	-
NPM	7.9%	-3.1%	-28.0%	30.8%	-10.4%	-23.7%	-21.6%	-1.2%	-14.9%	-20.0%	-138.2%	-10.6%	12.2%	6.7%	-6.4%

Source: compiled by Sessa Partners from company materials.

Note: Since reporting segment classifications were different prior to 2017, YoY calculations are omitted. Segment sales are based on elimination of internal sales. EBITDA applies the new accounting standard. Figures shown here may differ slightly from company's reported figures due to rounding (J-GAAP convention is to cut off at million yen). In addition, the YoY value is a reference number if the original value is small.

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