Retty

Our Growth Opportunities and Strategies

Retty Inc.

Oct. 2020

Company Profile

Mission

Making the world happier, one meal at time



Realize a world where both the users and operators can be happy in the area of “food,” which is part of the proud culture of Japan and is central to the lives of people around the world. Retty aims to connect people with positivity, through recommendation of favorite restaurants.

CEO Introduction

Kazuya Takeda

CEO

He founded Retty, Inc. in 2010 and is the CEO of the company. He was born in Ehime Prefecture, Japan. After graduating from Aoyama Gakuin University, he joined NetAge Corporation (now United Corporation), where he was engaged in marketing-related business such as selling Internet advertising. After leaving the company, he stayed on the West Coast of the United States for a year to prepare for his entrepreneurial venture.

After returning to Japan, he worked for a year on the West Coast to prepare for the development of Japan's world-renowned food culture.

He founded Retty Inc. with co-founder Natsuka.



Service Image

Find the BEST restaurant for you



Service Concept

Real name-based Review



Recommendation Without scores



Search starts with “people”



Find a matching restaurant through trusted people

Restaurant review service with reviewers using real names

At a Glance

Sales
(FY ended Sep 2019)
2,268 Mil JPY

Sales Growth
(FY ended Sep 2018 FY ended Sep 2019)
34.2 %

Stock Revenue *1
1,311 Mil JPY
Ratio*1
57.8 %

Monthly User[*2]
(As of Aug 2020)
43.9 Mil users

Number of Paying Member Restaurants
(As of Aug 2020)
9,678 restaurants

Monthly Churn rate[*3]
(Oct2019 ~ Aug 2020)
About 2.0 %

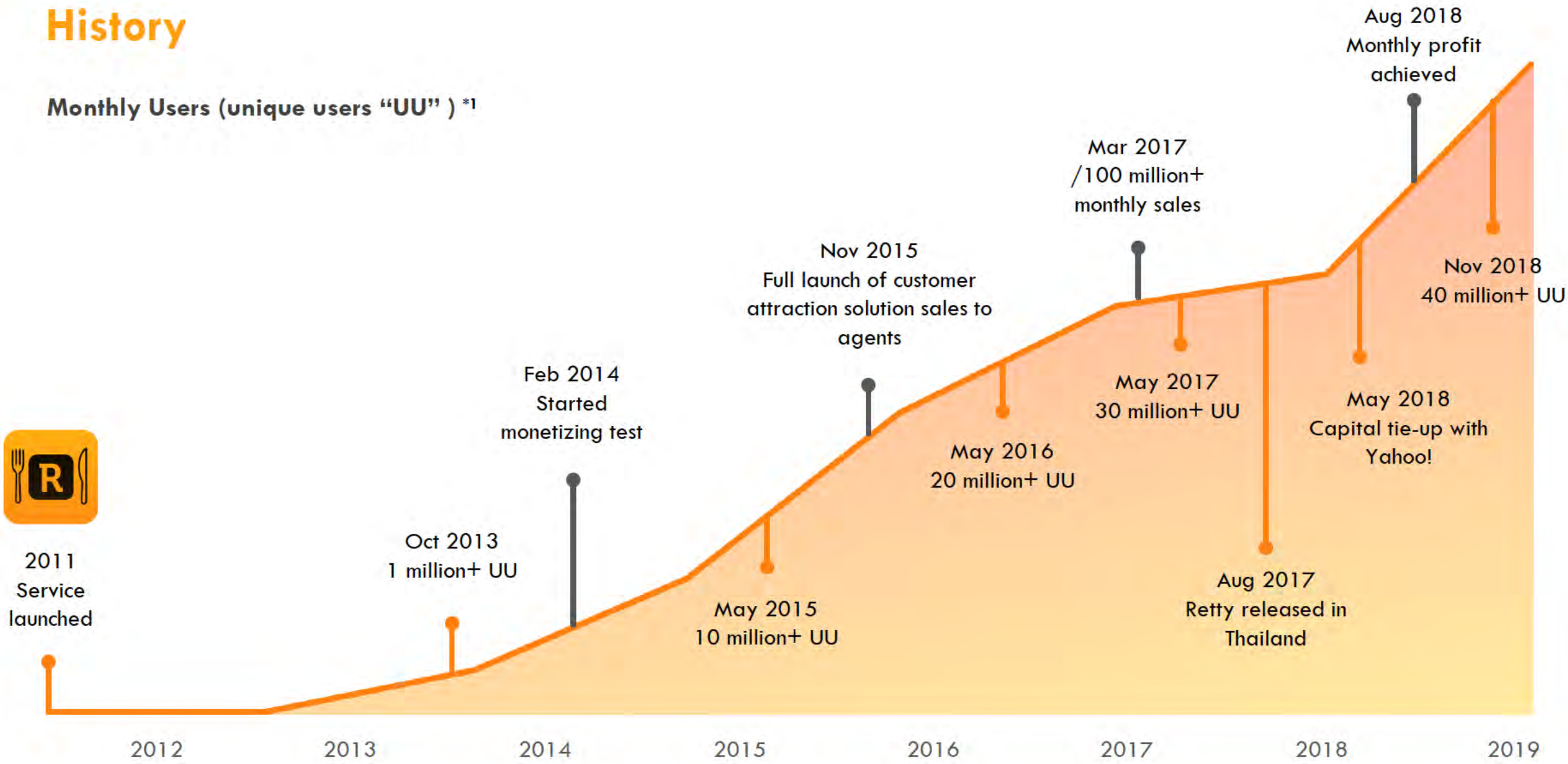
ARPU[*4]
(Oct2019 ~ Aug 2020)
About 20,000 JPY/month

Number of Employees[*5]
(Aug 2020)
132
Engineer ratio[*6]
53.8 %

*1 Stock revenue is defined as sales for restaurant customer attraction solution.
*2 Browser-based visitor count for Retty website (not cumulative total).
*3 Average figure calculated by dividing the number of expiries for 12 month regular plan (excluding irregular cancellations) by the number of paying member restaurants for the plan at the end of the previous month.
*4 Invoice-based ARPU (including optional extra fee) excludes trial members (format used for large restaurant corporations to accept large number of group restaurants as trial numbers at the same time).
The ARPU at the trial restaurant is around 6,000 yen.
*5 Total of full time employees.
*6 Engineer ratio is calculated by dividing the number of employees of designer, engineer, and programmer by the number of employees.

History

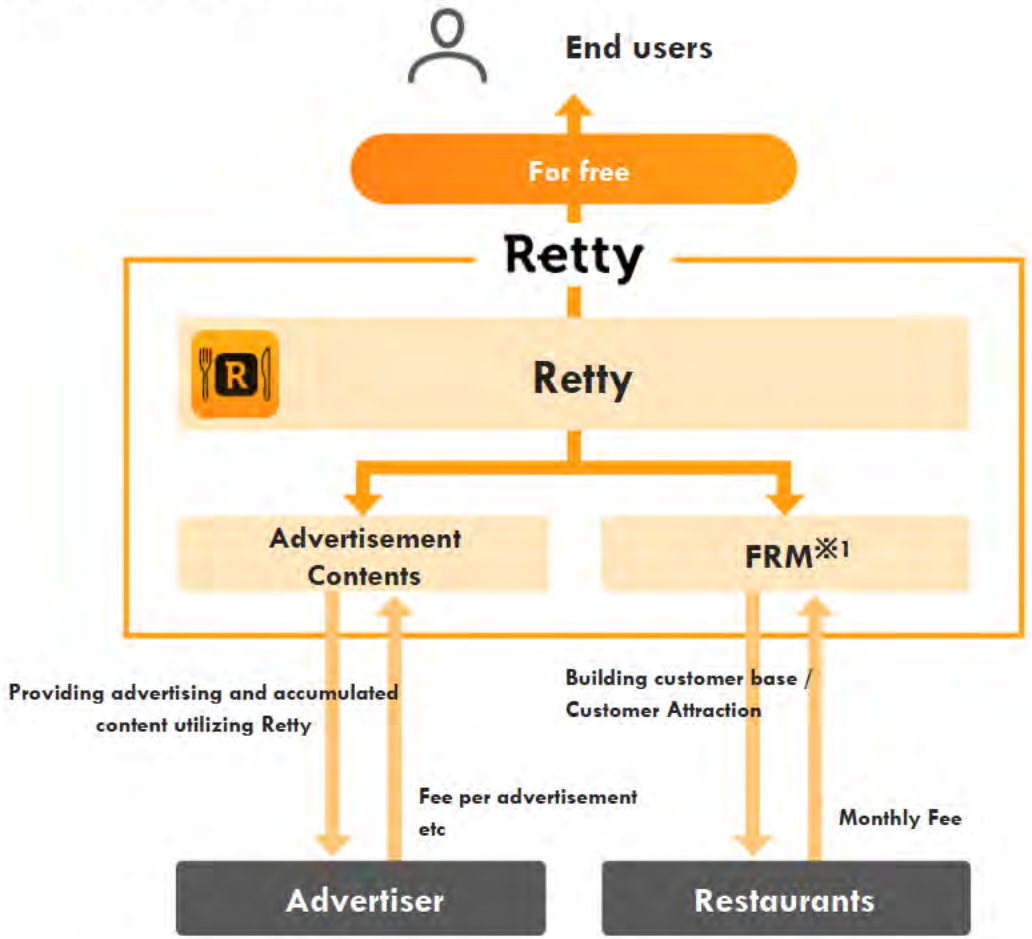
Monthly Users (unique users "UU") *1



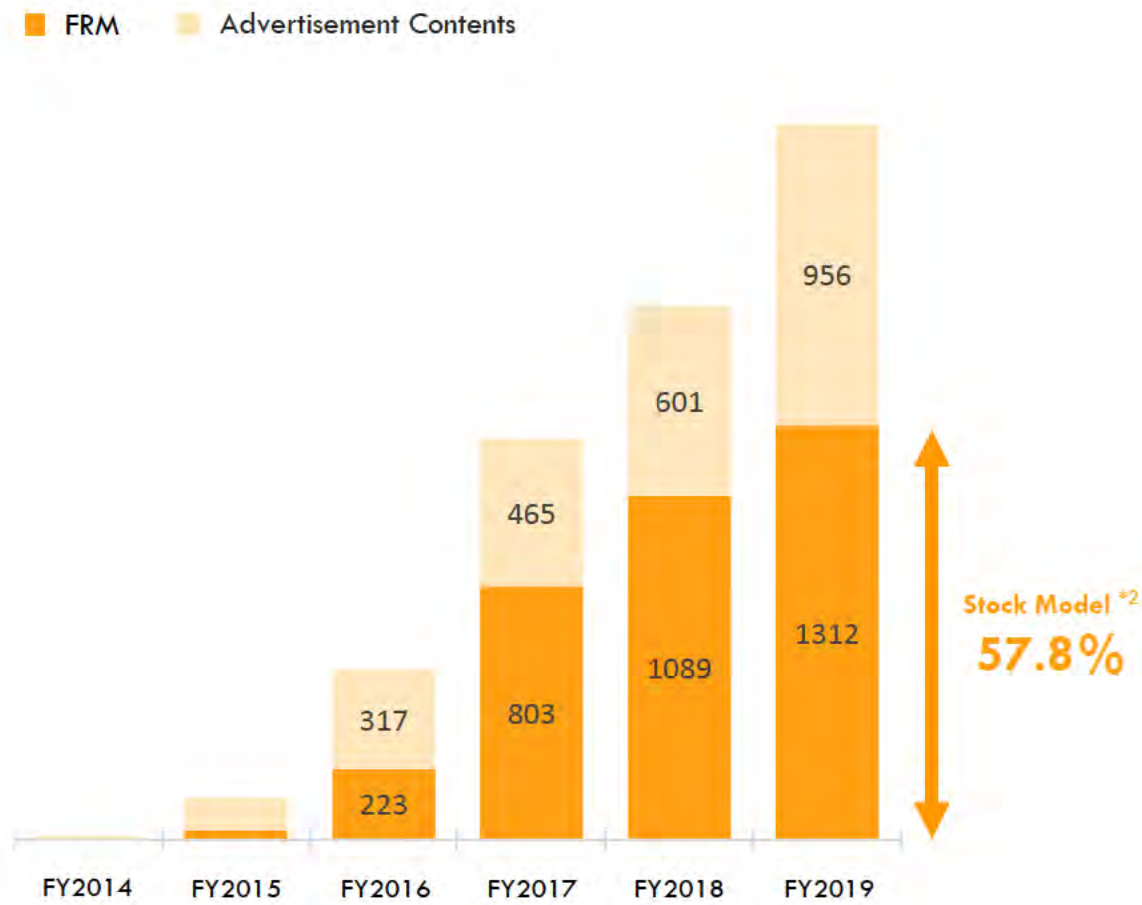
*1 Browser-based visitor count for Retty website (not cumulative total).The number decreased due to COVID-19 impact in 2020.

Business model

Description of Business



Sales (million yen)



*1 FRM: Fan Relationship Management
*2 Stock revenue is defined as sales for restaurant customer attraction solution.

COVID-19 impact and recovery status

Monthly Users	**Decreased but recovered to 104% *1**
FRM	**The number of acquisitions regained the 2019 average, and the number of paying stores rose to a net increase *2**
Advertisement Contents	**Sales temporarily declined by about 50%, but are now recovering *3**
New Business	**Digital transformation of restaurants (DX) proceeds at an opportune time *4**

*1 The recovery in the number of users will be compared with the August 2019 results (same month of the previous year).
*2 The average number of monthly pay restaurants acquired during July-August 2020 was more than 500 cases per month, exceeding the average of the previous year (476 cases per month). In addition, there has been a net increase in the number of paying restaurants since July 2020.
*3 Approximately 50% of the decline in sales in advertising content will be in the second quarter of fiscal year 2020 compared to the third quarter results.
*4 In response to these structural changes, the Company will launch a take-out plan in May 2020, a premium reservation product in June 2020, and a mobile ordering service this fall to meet the DX demand of restaurants.

Company Highlights

Company Highlights

1

FRM business offers established growth formula and prospect of sustainable high growth.

2

Advance of digital transformation leads to increased customer reach and expansion to business efficiency area.

3

Financial model aims at high gross profit with less dependence on advertisement

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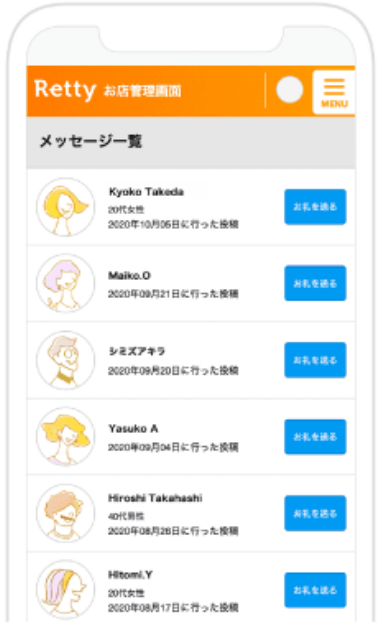
1 Platform enabling stable customer attraction







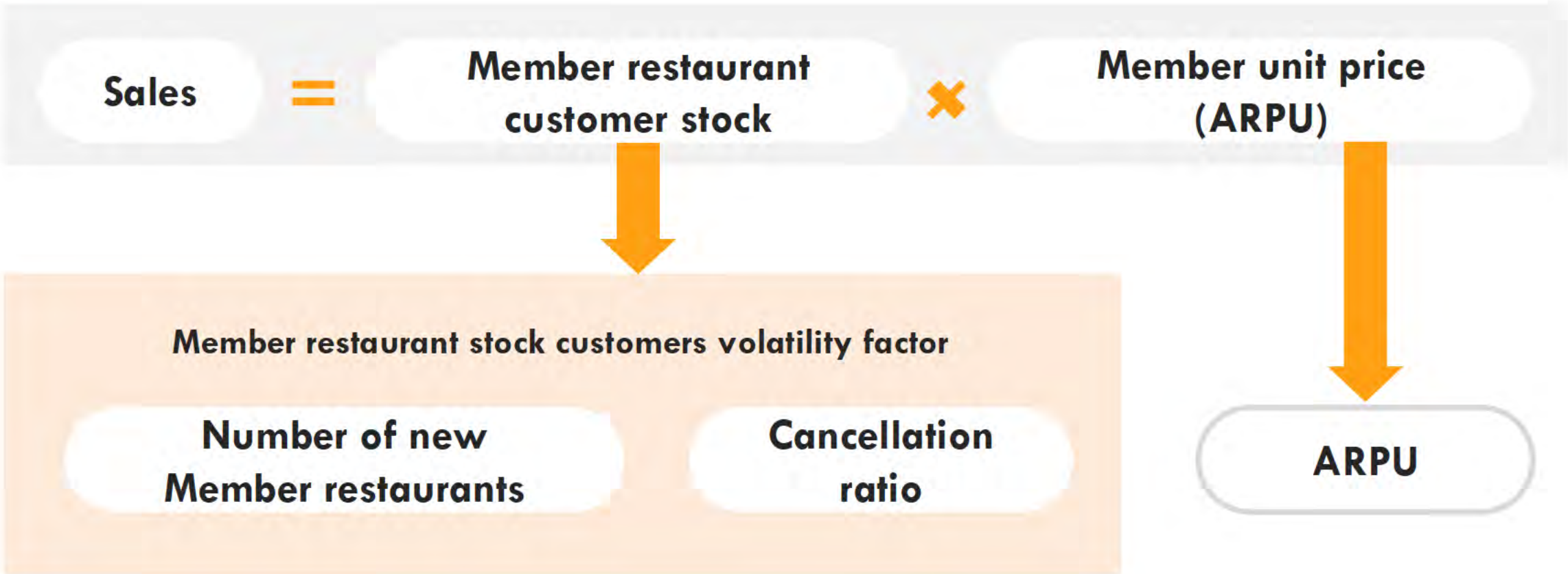




New customers | Stock

Increased access | Dine | Customer management | Repeat customer

1 Sales Breakdown



Sales (Stock Revenue) increase from growth in these factors

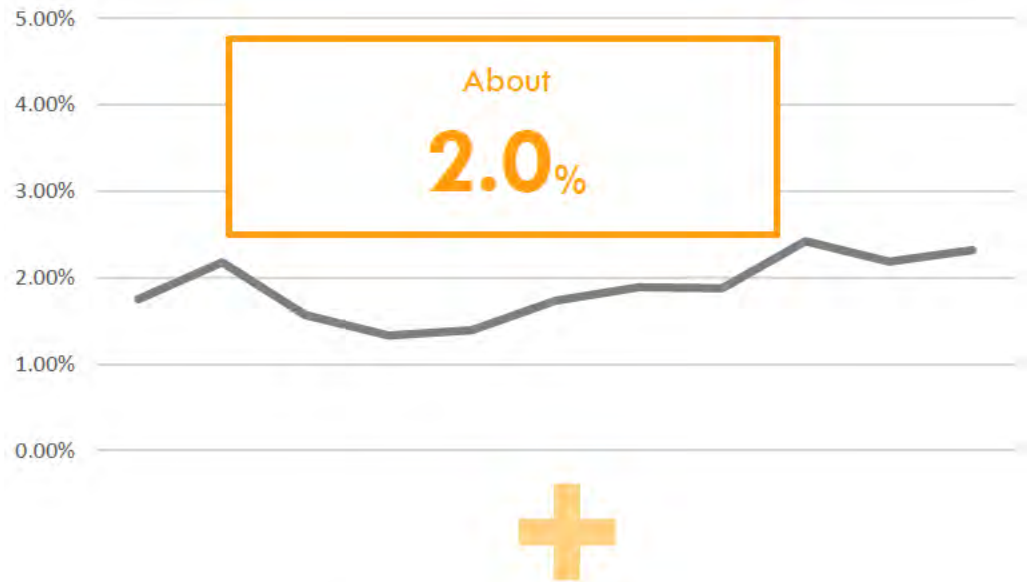
1 Cancellations occurred due to store closures, but normal cancellations did not increase, and acquisition recovered to the previous level

Change in monthly new member restaurants level

2020/7and 2020/8 Average	**500+** restaurants per month
2018/10～2019/9 Average	**476** restaurants per month

Churn rate of regular contracts*1

(Excludes irregular cancellations mainly by closing stores, and cancellations of trial projects*1)



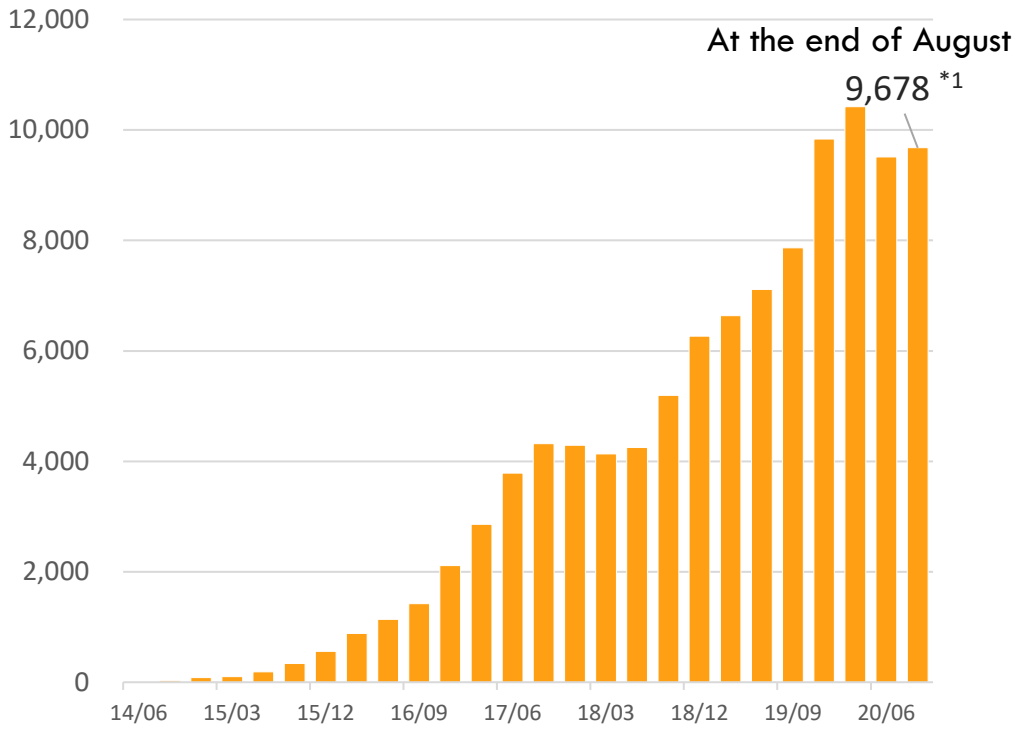
Extraordinary cancellations etc

- Extraordinary cancellations (mainly closed stores) and trial members during the state of emergency are about 1,697 from April to June.
- At present, it converges to the level before COVID-19

※1 A trial projects is a form of ordering a large number of stores at one time at a low cost for a major restaurant corporation.

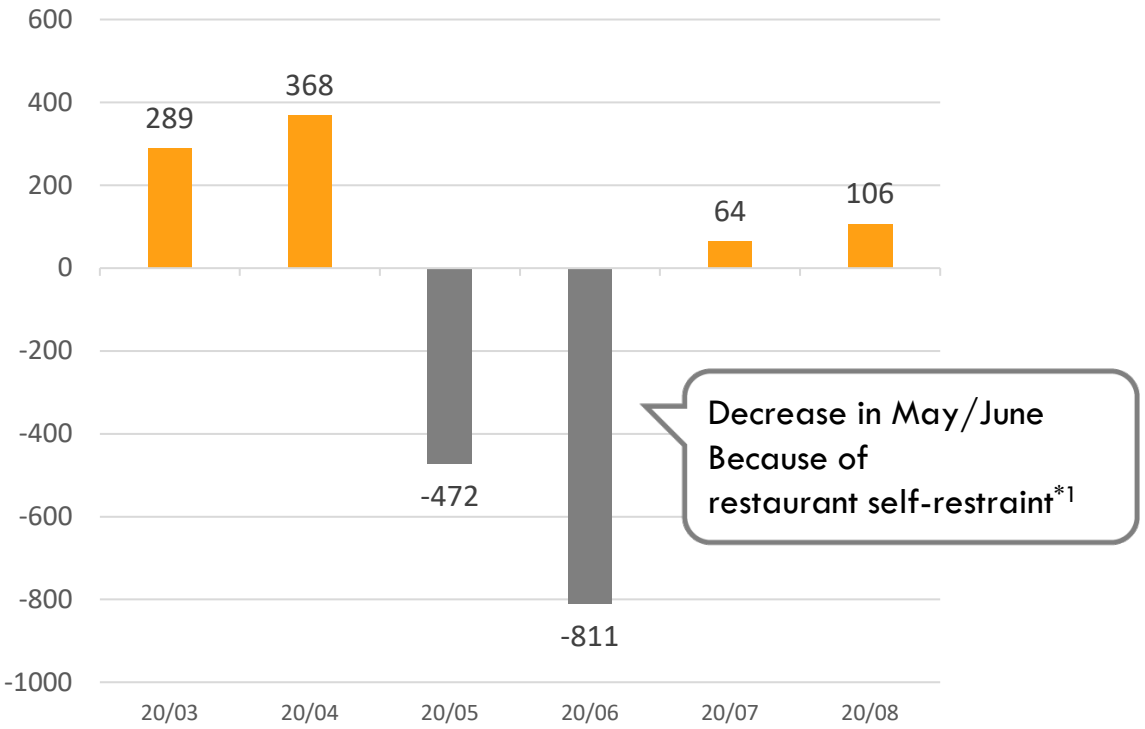
1 Membership bottomed out in June, and returned to net increase from July

Number of Member Restaurants



※1 Of these, 1,824 were trial restaurants (a format in which a large number of restaurants are ordered at once at low cost for a major restaurant corporation as a trial)

Latest Increase/Desrease in Members

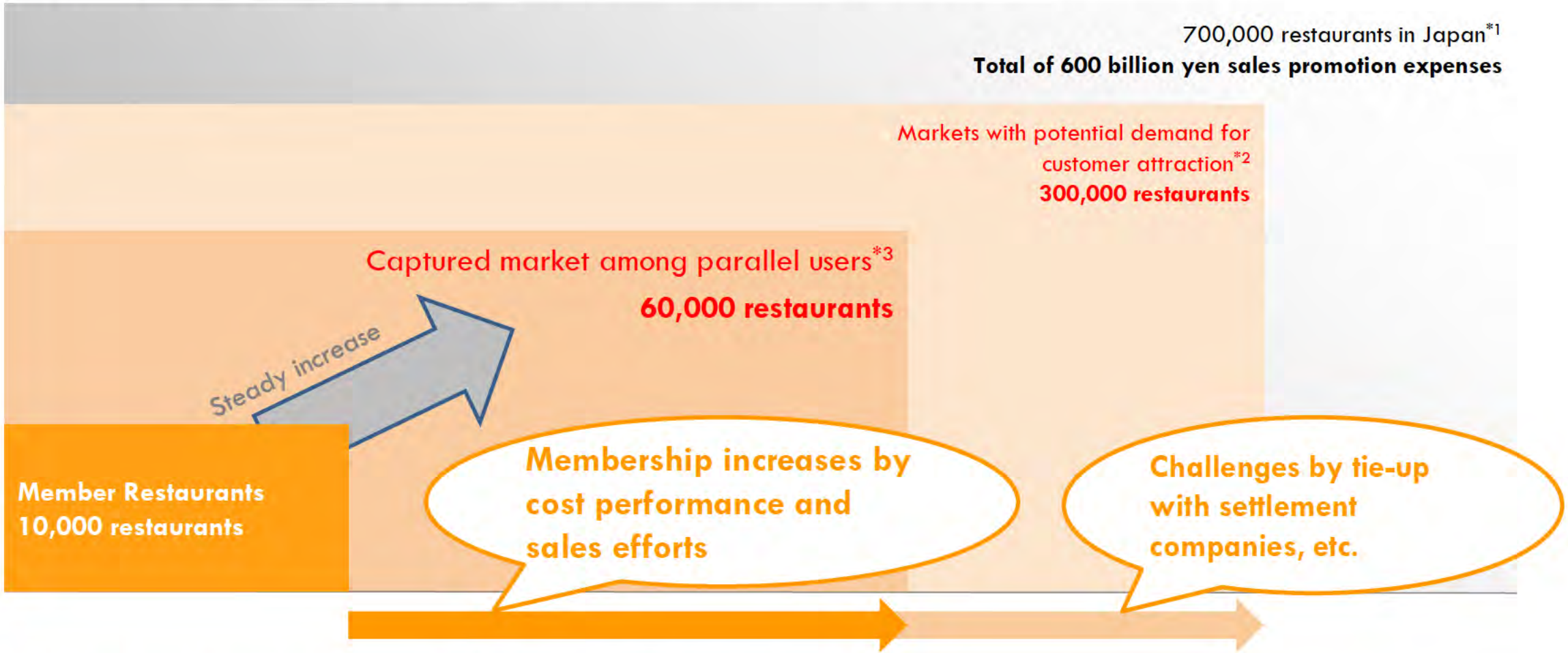


*1 Cancellation is reflected in member decrease after two months.

Decrease in May/June, but returned to net increase after July

1 Target Markets

Converting 60,000 manifested restaurants to member restaurants is a high strategic priority



*1 Based on figures from Ministry of Economy, Trade and Industry (METI): Food Business Index 2016 (Food Service Operations (as of 2014)).
*2 Calculated by multiplying the number of restaurants located in Tokyo and other prefectures with ordinance-designated cities by the ratio of restaurants who responded "monthly expense for new and repeat customer attraction is 5,000 yen or more" to the survey (survey on sales promotion (as of March 2018)) by LINE Corporation.
*3 Calculated based on number of members stated on the earnings result materials at the end of March by Competitors.

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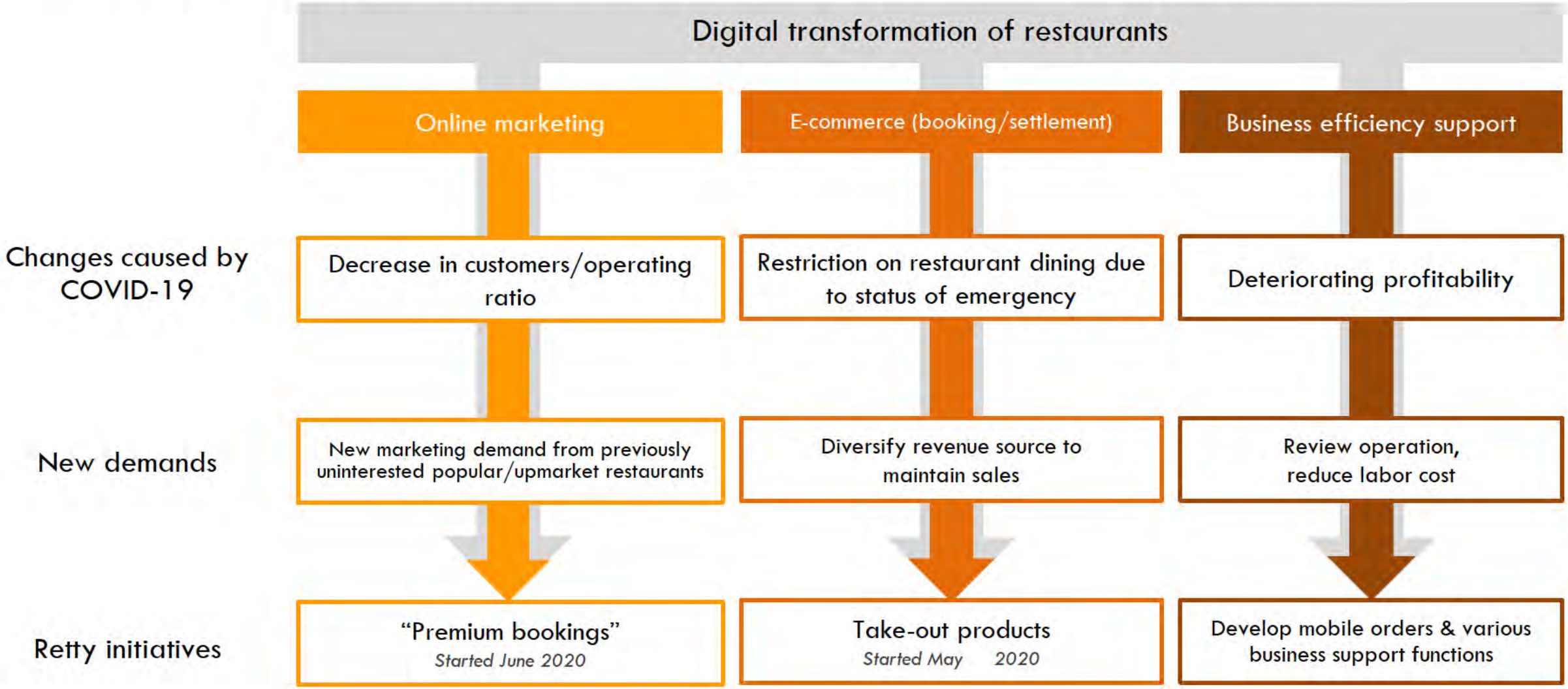
Advance of digital transformation leads to increased customer reach and expansion to business efficiency area.

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2 New Strides Against Market Changes

With the widespread adoption of DX and the changing market, quickly launched three products



2 Performance fee "premium booking" and "take-out plans”

Premium booking

Online booking

Performance fee model



Take-out plans

Take-Out Customer Attraction & Reception System

Monthly Fixed 10,000 yen



2 Background of the Business Efficiency Support Market and Retty's Strengths in Entering

Market Background

As an infrastructure
Popularity of QR payments

Chronic
Shortage of HR

By COVID-19
Restaurant DX

×

Strengths of Retty

790k stores and 40m users
Restaurant and User Data

Such as AI and data science
Advanced Technology

Reaches 30,000
Restaurant Contacts

In response to the market's structural changes accelerated by COVID-19, We launches new products leveraged with data and aims for restaurant infrastructure

※ Based on the average number of monthly users for the period October 2019 - March 2020.

2 Mobile Ordering Helps Restaurants Improve Operational Efficiency



お客様自身のスマホから注文

Win
Restaurant
Save on labor

Retty

Win
Customer
Improved convenience

Capture offline data

Comparison of order taking workflow

	Existing Order system	Mobile Order system
1. Take orders	Store	Customer
2. Communicate order to kitchen	Store	Auto
3. Bring out food	Store	Store
4. Payment	Store	Customer

Significantly reduce tasks by restaurant

(Enables better pricing/investment in quality of food)

2 Value spillover from mobile orders and the number of target

Ripple Value

Accumulated by mobile orders
Offline data

Recommendations by improving accuracy
Increase in the number of users

By improving customer service
Increase in FRM revenue

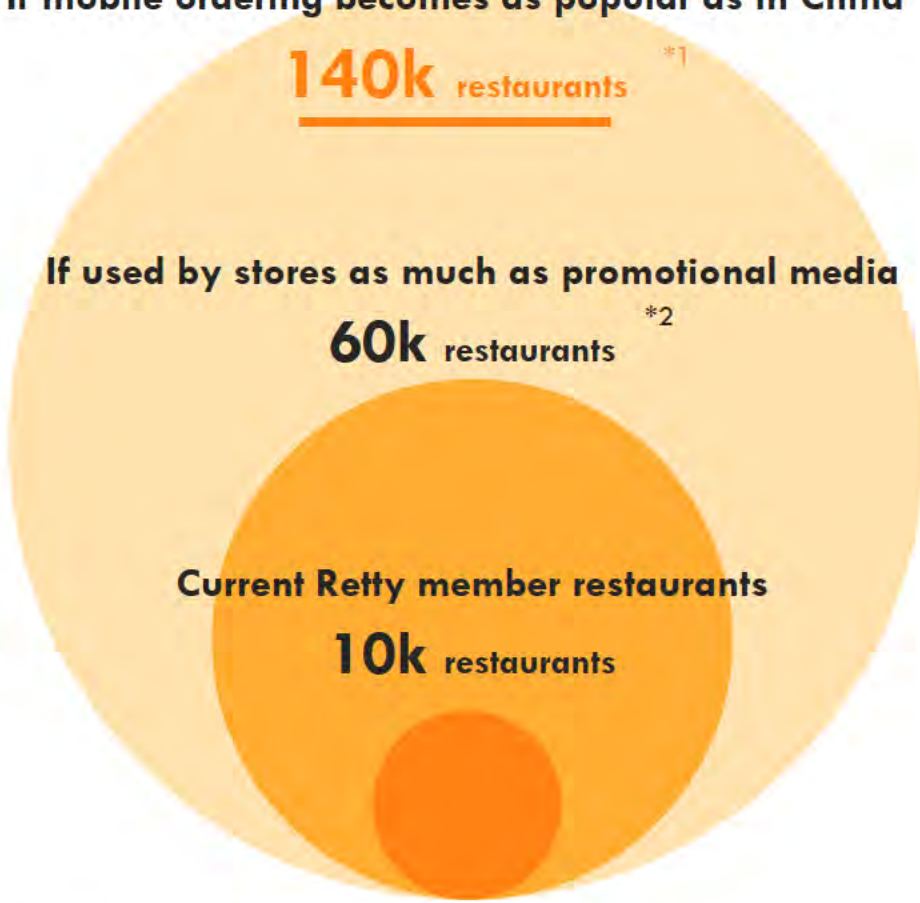
New business, mobile orders spill over into services and value to existing businesses

Target

If mobile ordering becomes as popular as in China
140k restaurants *1

If used by stores as much as promotional media
60k restaurants *2

Current Retty member restaurants
10k restaurants



*1 This figure was calculated by multiplying approximately 20% of the mobile order penetration rate in China (according to our research) by all 700,000 restaurants in Japan.
*2 Based on the number of paying members as of the end of June, based on the financial results of other gourmet services, and taking into account the percentage of combined use.

2 Accumulate stable revenue with hybrid model of customer appeal + business efficiency



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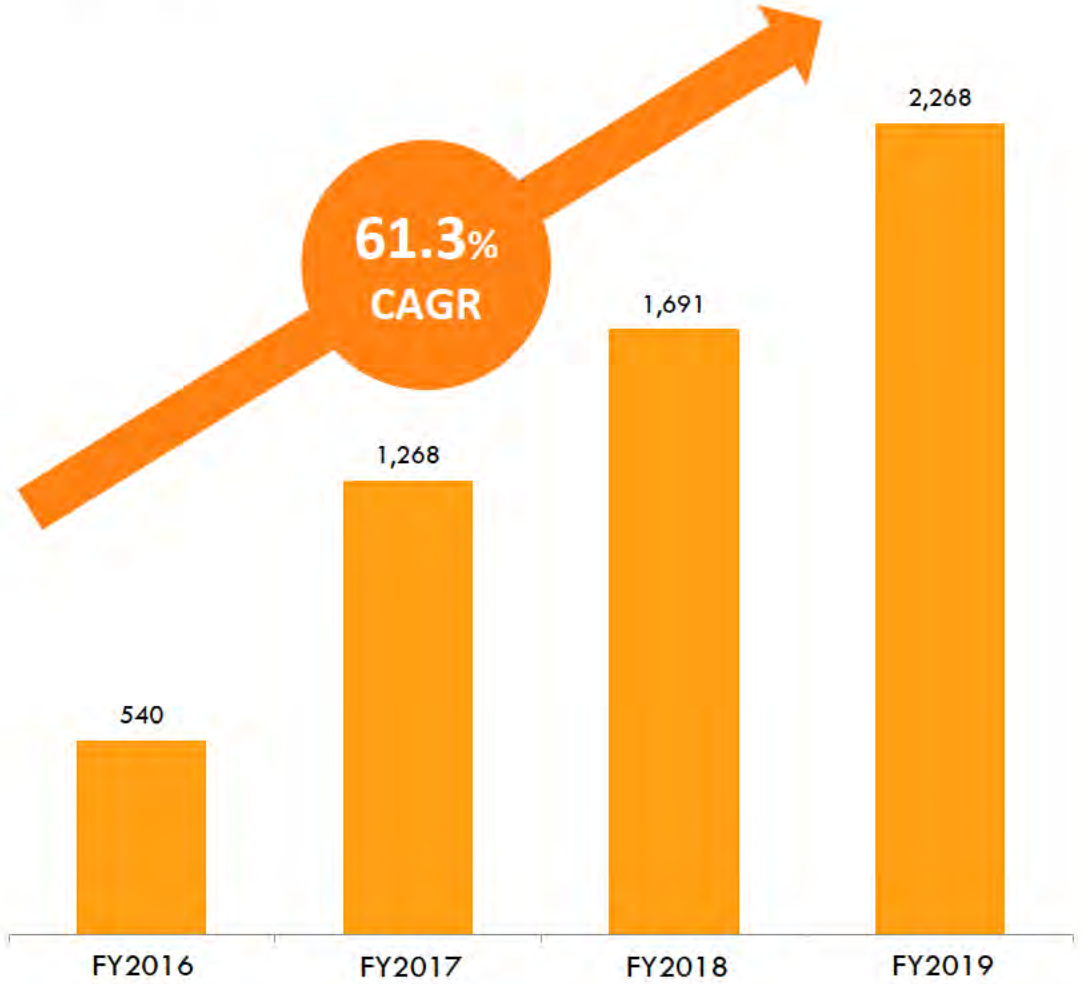
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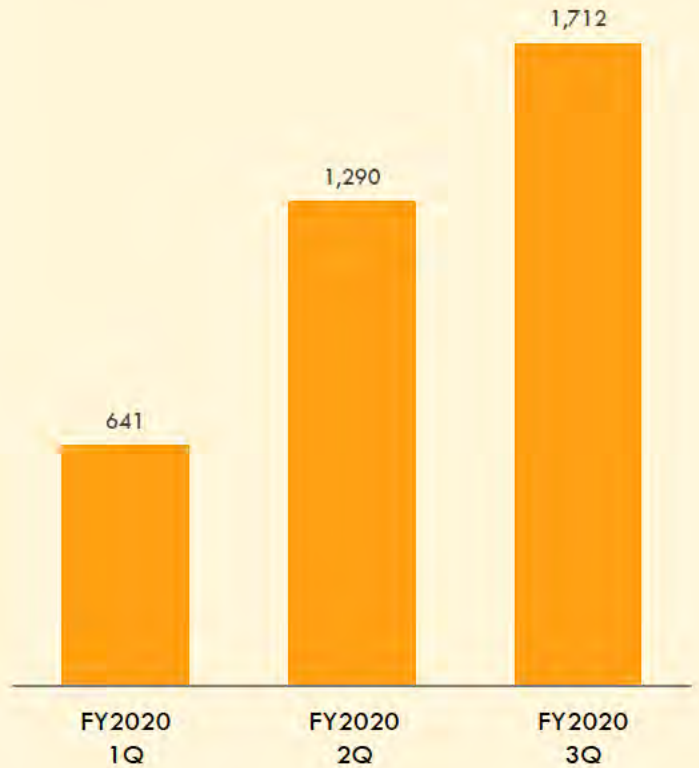
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3 Previous growth trajectory: Maintain high sales growth

Sales (million yen)

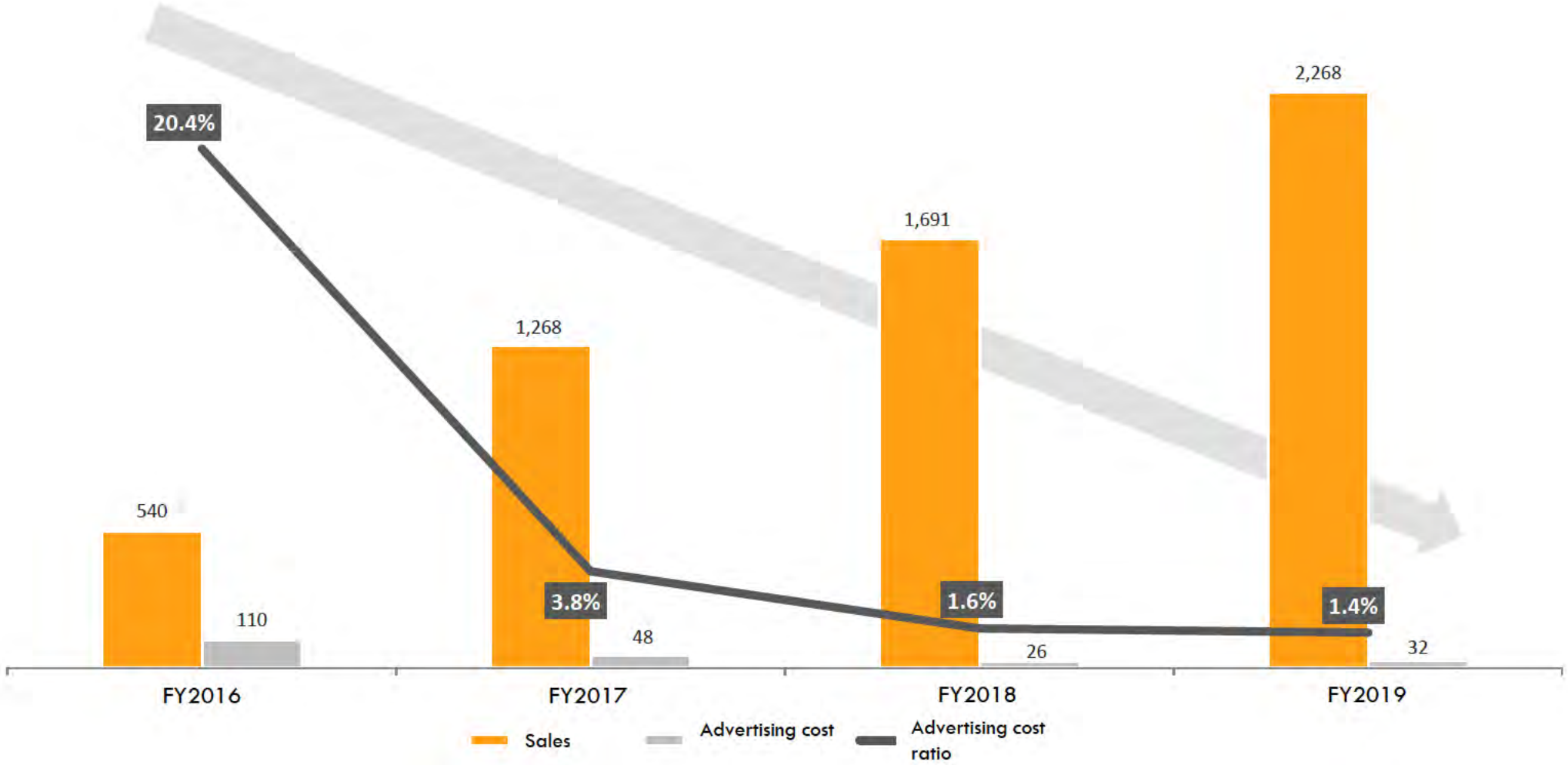


Sales of quarterly-to-date in FY2020 (cumulative)



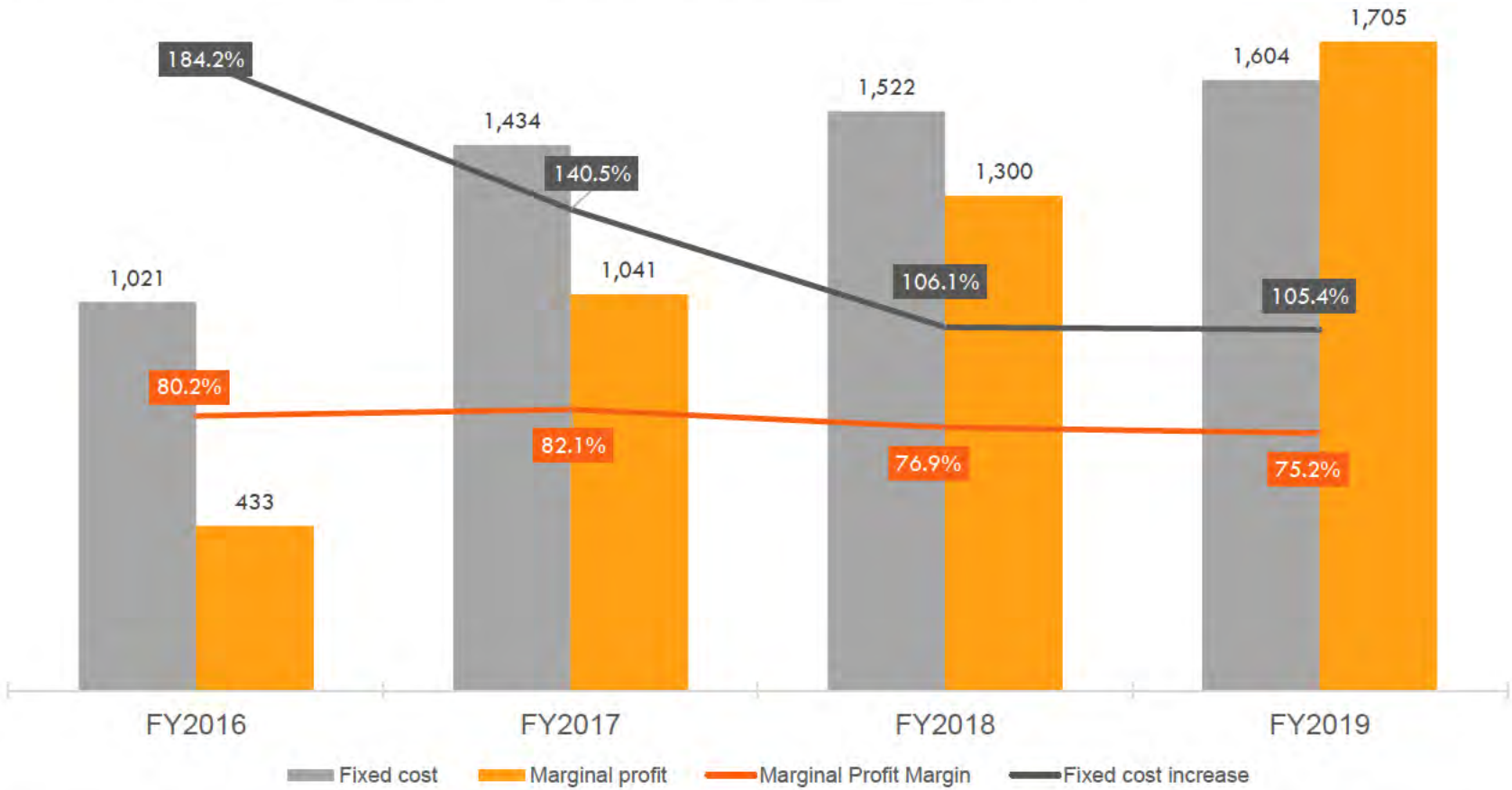
3 Previous growth trajectory: Sales growth with low advertising cost

Sales, advertising cost (million yen), advertising cost ratio



3 Marginal profit margins are high and stable

Marginal profit[*1], Fixed costs[*2] (million yen), Fixed costs increase, Marginal profit Margin

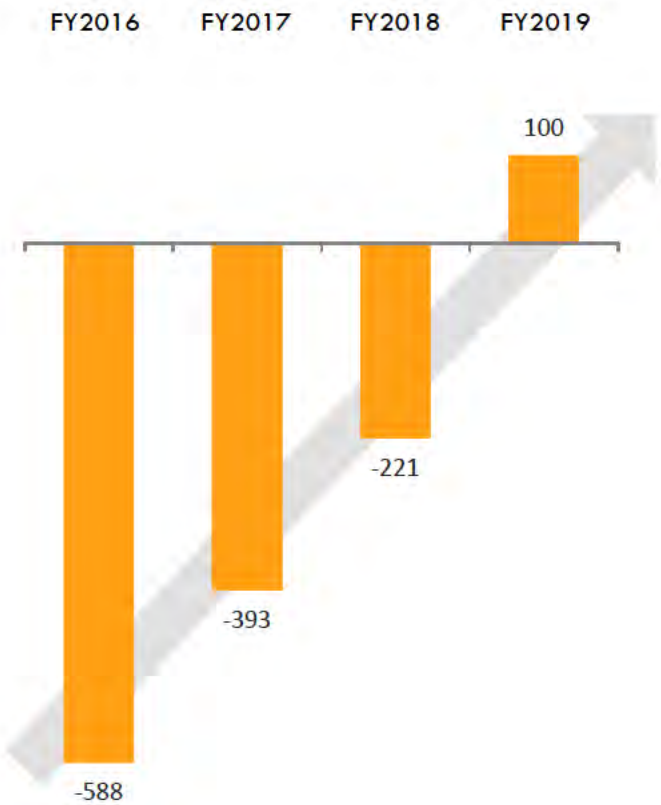


*1 Marginal profit is calculated by subtracting variable cost from sales. Variable cost is the sum of production cost which is the cost of production for advertisement/contents solution business, and sales promotion cost which is the fees paid to agents for restaurant customer attraction business.

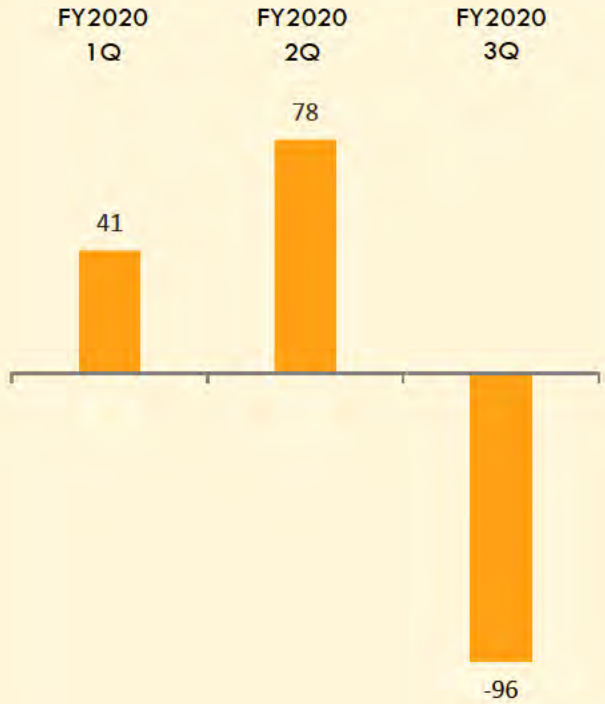
*2 Fixed cost mainly comprises of costs other than variable costs, such as labor cost, server cost, and land and building rent.

3 Previous growth trajectory: Achieved profit in 2019 by increase in profitability

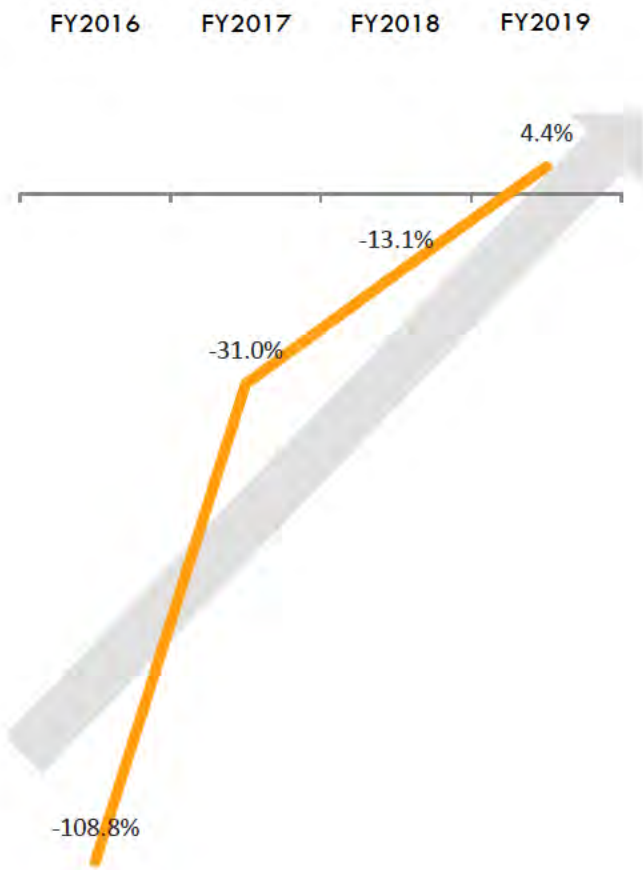
Operating Profit (million yen)



Quarterly operating Profit in FY20



Operating margin



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Retty