Earnings Results for Q2 of the fiscal year ending March 2022

RAKUS Co., Ltd.
(Securities Code：3923)

November 12, 2021

Request For 1on1 Meeting

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Please select your preferred date and time from the URL below.

https://app.msetsu.com/interviews/HKvbnWvg

*If you would like to have a meeting other than in Japanese, please arrange for an interpreter.

About Minsetsu

https://msetsu.com/minsetsu-top-en

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Key points

Consolidated Results for Q2 FY2022.3

- A high level of sales growth was maintained due to robust performance of the cloud business.
- Profit declined significantly year on year due to a large increase in SG&A according to our investment plan.

Cloud Business

- Growth of Raku Raku Meisai continues to be strong, with other major services also performing well.

IT Outsourcing Business

- Both sales and profit increased year on year driven by steady growth of number of engineers utilized in operations.

Guidance for FY2022.3

- Active investment is planned for achieving a high level of growth.

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Consolidated Results for Q2 of the fiscal year ending March 2022

Summary of Consolidated Results for Q2 FY2022.3

A high level of sales growth was maintained due to robust performance of the cloud business.
Profit declined significantly year on year due to a large increase in SG&A according to our investment plan.

		Year on Year
Sales	**9,473 million**	**+33.9%**
Operating Profit	**888 million**	**-47.9%**
Ordinary Profit	**898 million**	**-47.6%**
EBITDA	**1,163 million**	**-39.8%**
Profit attributable to owners of parent	**587 million**	**-54.8%**

EBITDA＝pretax net income + extraordinary profits/losses + depreciation + goodwill amortization + interest payment

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Outline of the Consolidated Results for Q2 FY2022.3

SG&A increased significantly year on year although it was less than the guidance.

(million yen)

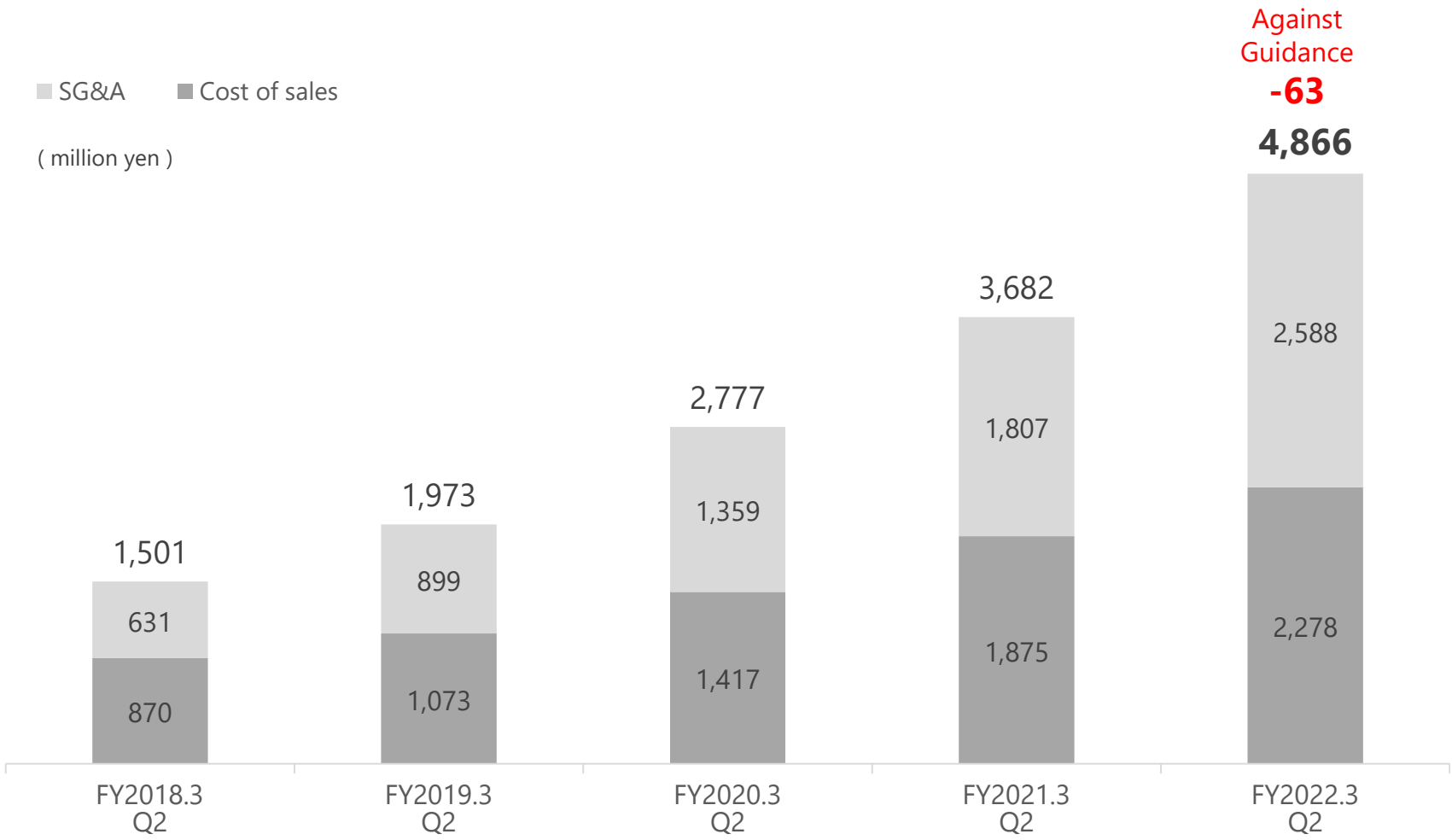
	Q2 FY2021.3	Q2 Guidance	Q2 FY2022.3	Year on Year	Against Guidance
Sales	**7,074**	**9,437**	**9,473**	**133.9%**	**100.4%**
Cost of sales	2,404	3,050	3,022	125.7%	99.1%
Gross profit	4,670	6,386	6,450	138.1%	101.0%
GP margin	66.0%	67.7%	68.1%		
SG&A	2,965	5,704	5,562	187.6%	97.5%
Operating profit	**1,704**	**682**	**888**	**52.1%**	**130.2%**
OP margin	24.1%	7.2%	9.4%		
Ordinary profit	**1,714**	**694**	**898**	**52.4%**	**129.5%**
Ordinary profit margin	24.2%	7.4%	9.5%		
EBITDA	**1,932**	**958**	**1,163**	**60.2%**	**121.4%**
EBITDA margin	27.3%	10.2%	12.3%		
Income tax	624	246	310		
Tax rate	32.5%	35.5%	34.6%		
Profit attributable to owners of parent	**1,299**	**446**	**587**	**45.2%**	**131.8%**

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Personnel Costs

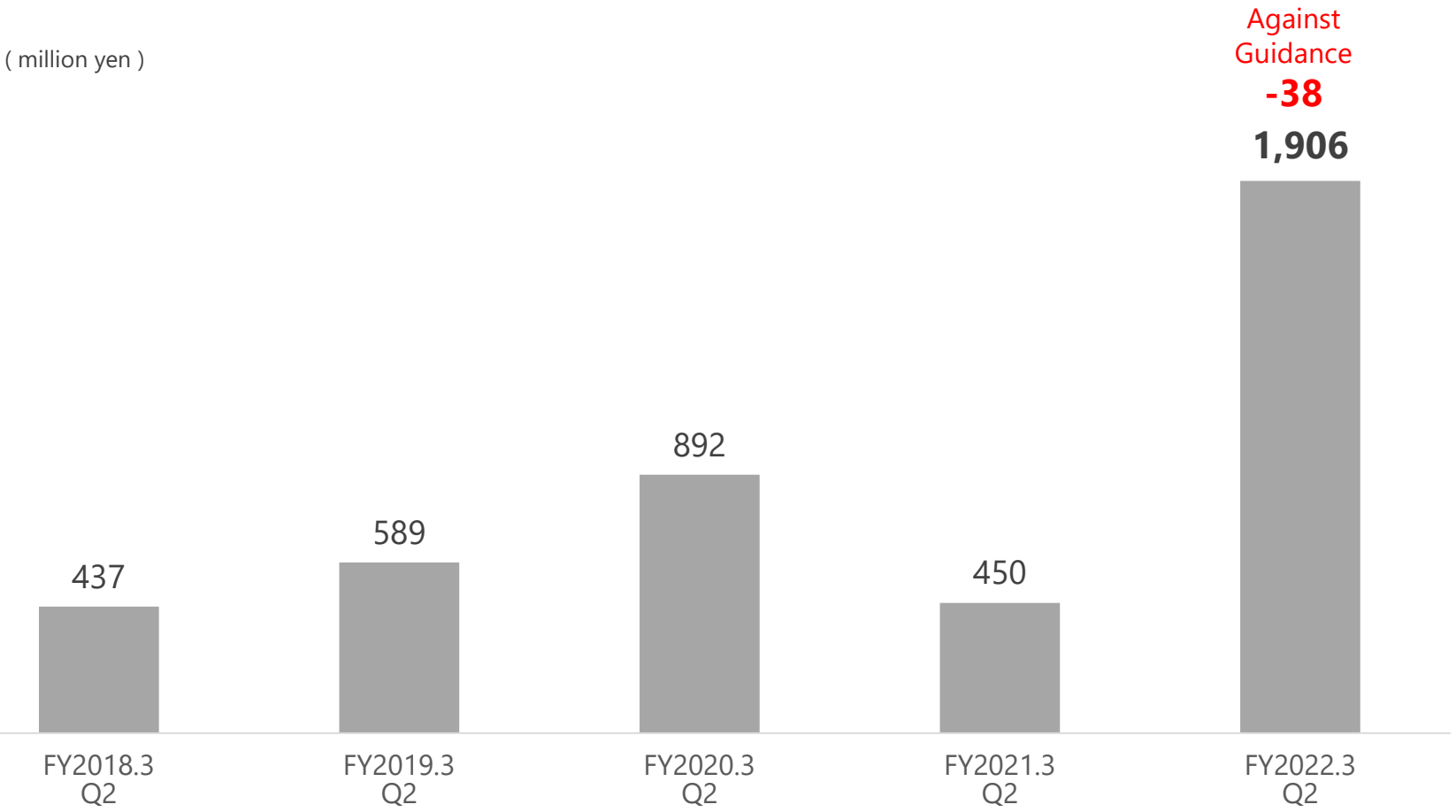
Personnel costs were less than the guidance because recruitment activities were partially pushed back to subsequent quarters.



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Advertising Costs

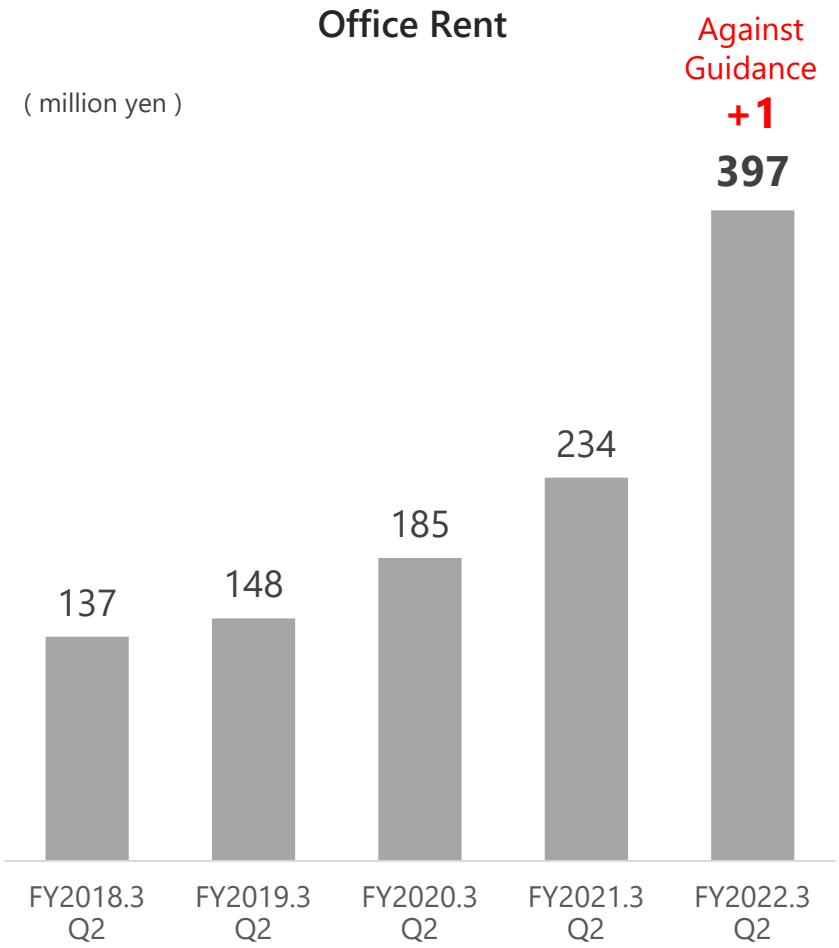
Advertising costs increased considerably according to our investment plan although they were less than the guidance.

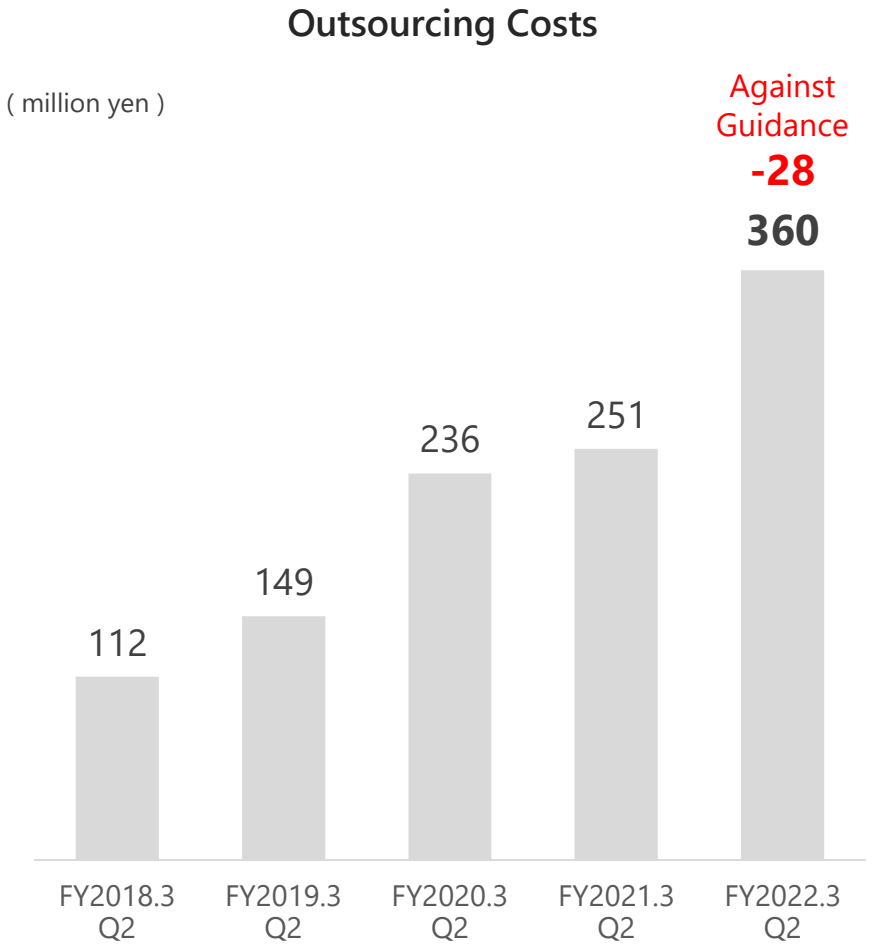


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Office Rent and Outsourcing Costs

A large increase in costs was driven by business expansion although outsourcing costs were less than the guidance.

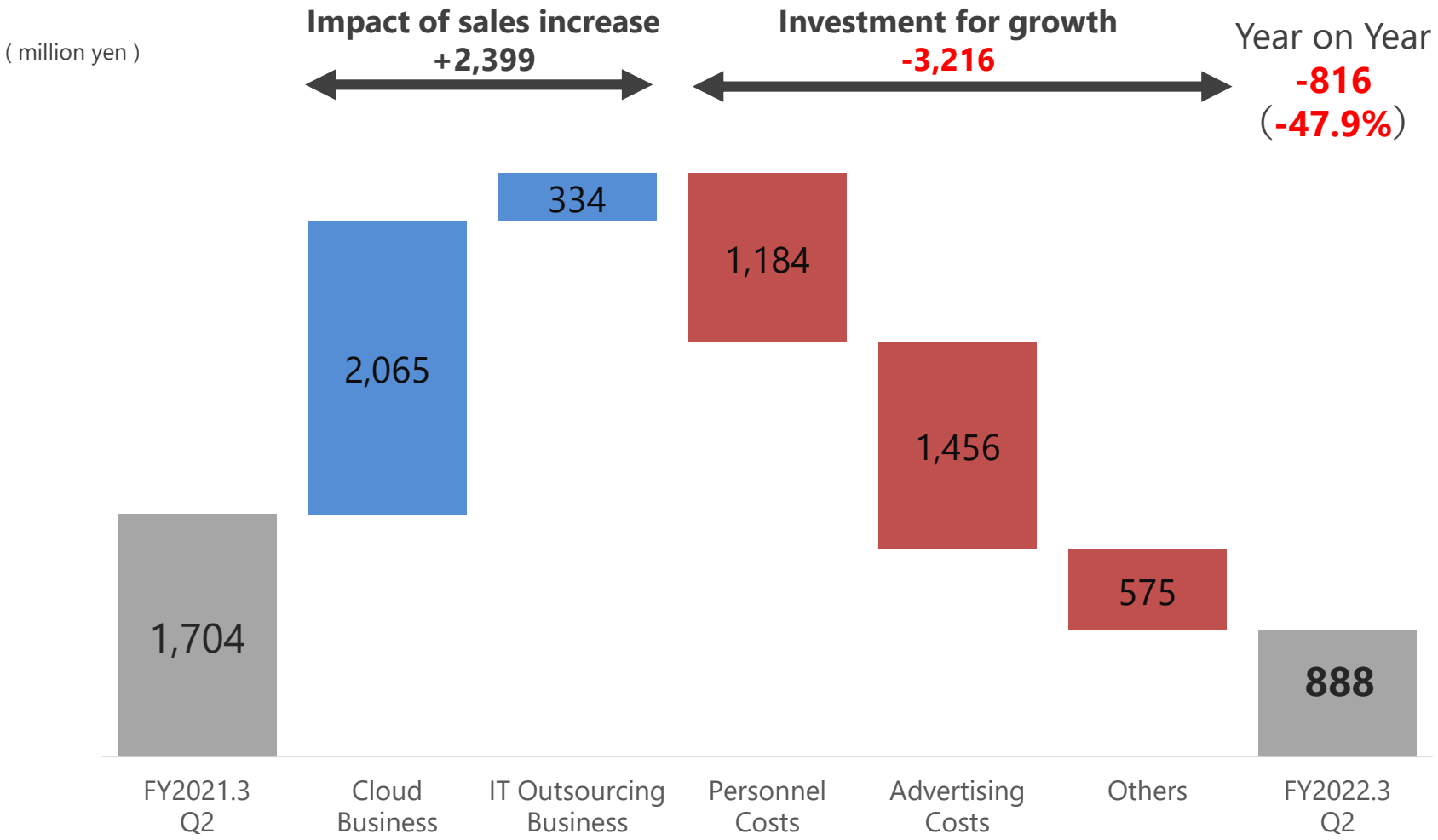




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Factors for Changes in Consolidated Operating Profit (Year on Year)

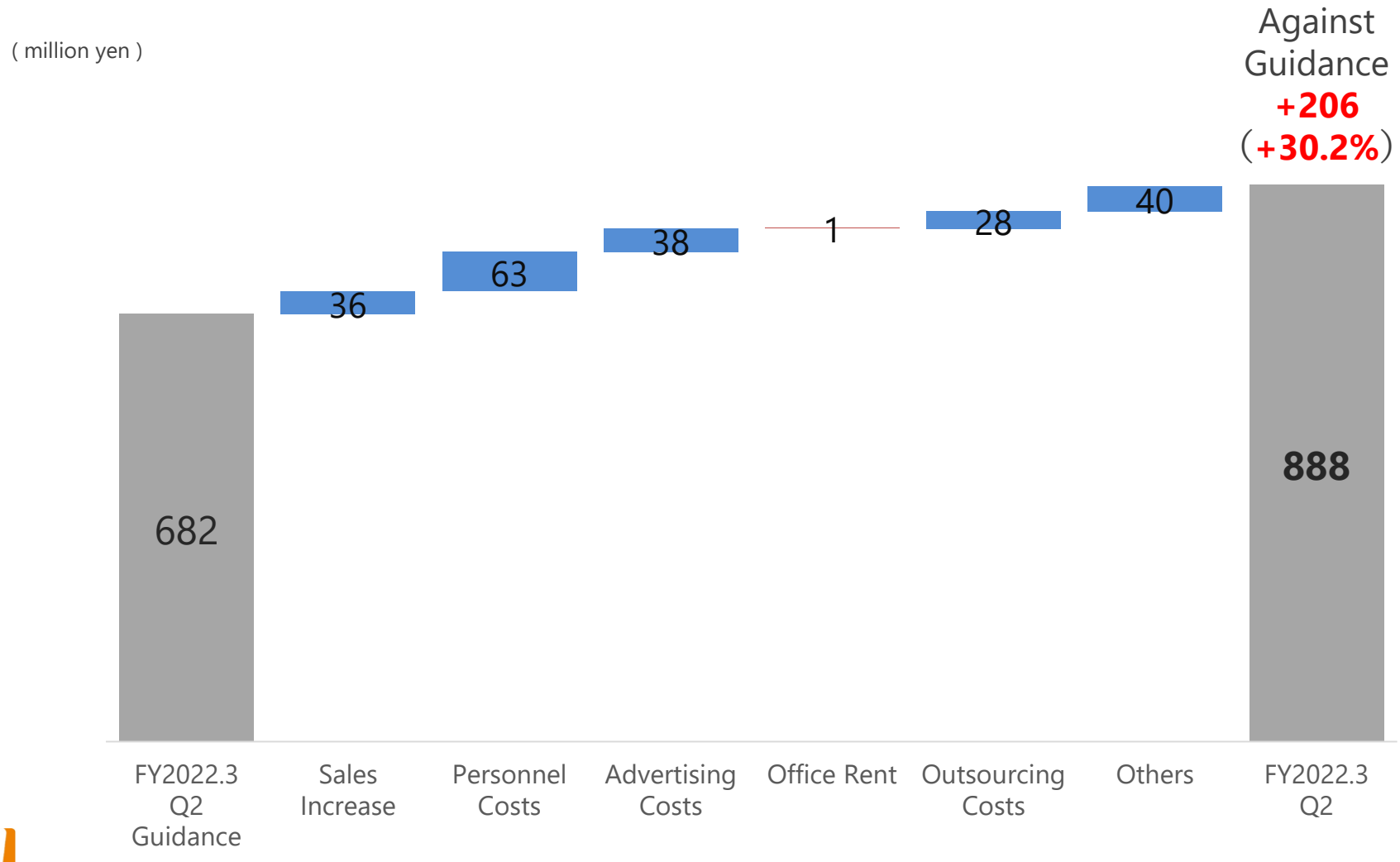
Despite significant increase in sales, profit decreased due to active investment for growth as planned.



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Factors for Changes in Consolidated Operating Profit (Against the Guidance)

Profit was higher than the guidance due to less advertising costs and recruitment activities pushed back to subsequent quarters.



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Consolidated Balance Sheet

(million yen)

	End of March 2021	End of September 2021	Difference
Current assets	8,580	7,849	-730
Non-current assets	2,891	3,060	169
Total assets	**11,471**	**10,909**	**-561**
Current liabilities	3,606	2,768	-837
Non-current liabilities	22	25	2
Total liabilities	**3,629**	**2,794**	**-834**
Shareholders' equity	7,842	8,113	270
Accumulated other comprehensive income	0	2	2
Total equity	**7,842**	**8,115**	**273**
Total liabilities and equities	**11,471**	**10,909**	**-561**
Equity ratio	**68.4%**	**74.4%**	

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Cash Flow Statement

(million yen)

	Q2 FY2021.3	Q2 FY2022.3	Difference
Cash flow from operating activities	**1,762**	**-314**	**-2,076**
Cash flow from investing activities	**-40**	**-425**	**-385**
Free cash flow	**1,722**	**-739**	**-2,461**
Cash flow from financing activities	**-293**	**-316**	**-23**
Cash and cash equivalent at the end of the fiscal year	**3,924**	**4,980**	**1,056**
Depreciation	**136** *1	**182** *2	**46**
Amortization of goodwill	**81**	**81**	**0**

*1 136 million yen of depreciation includes 36 million yen of amortization of customers' assets acquired through M&A.
*2 182 million yen of depreciation includes 36 million yen of amortization of customers' assets acquired through M&A.

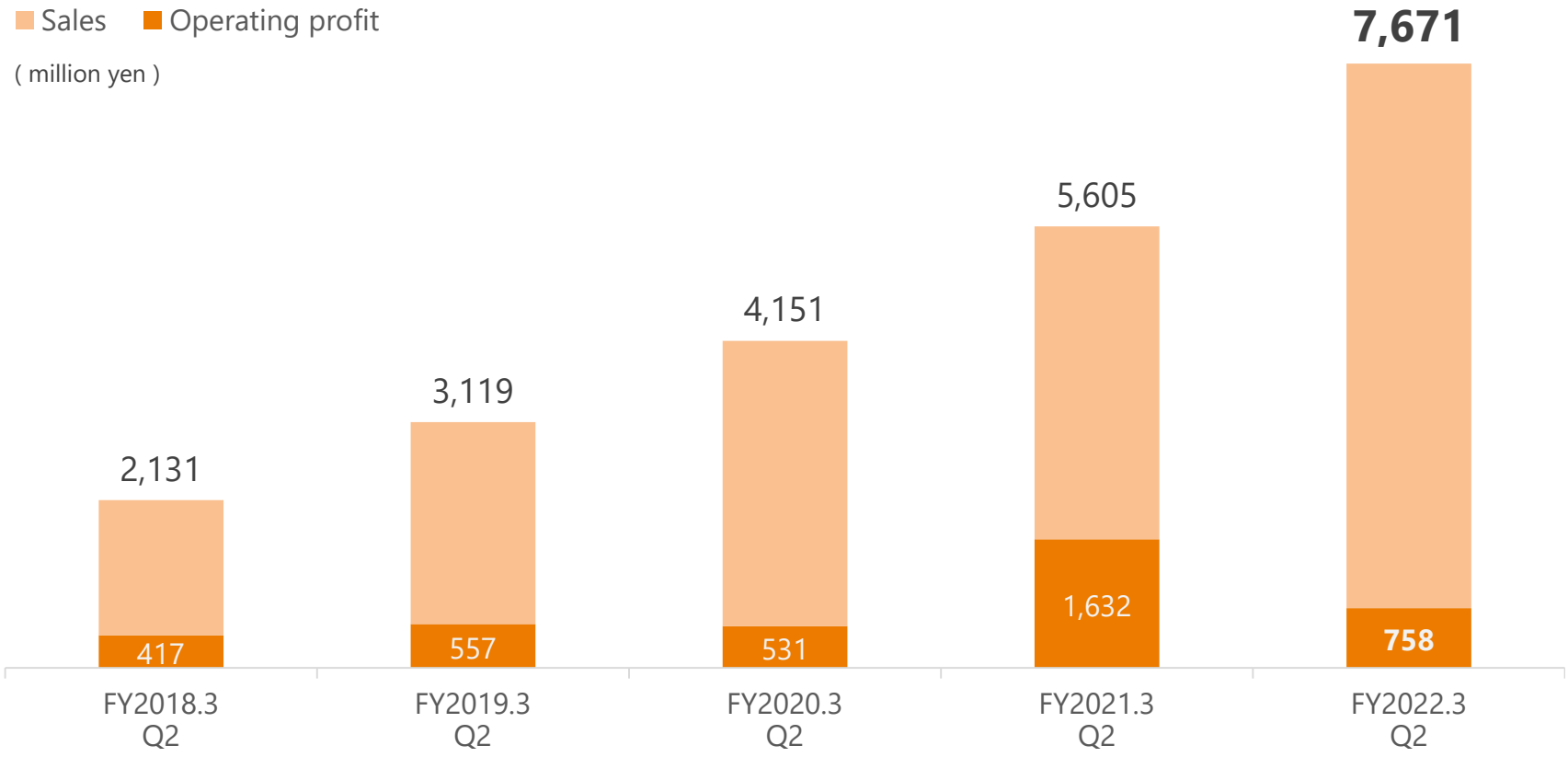
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Cloud Business

Performance of the Cloud Business

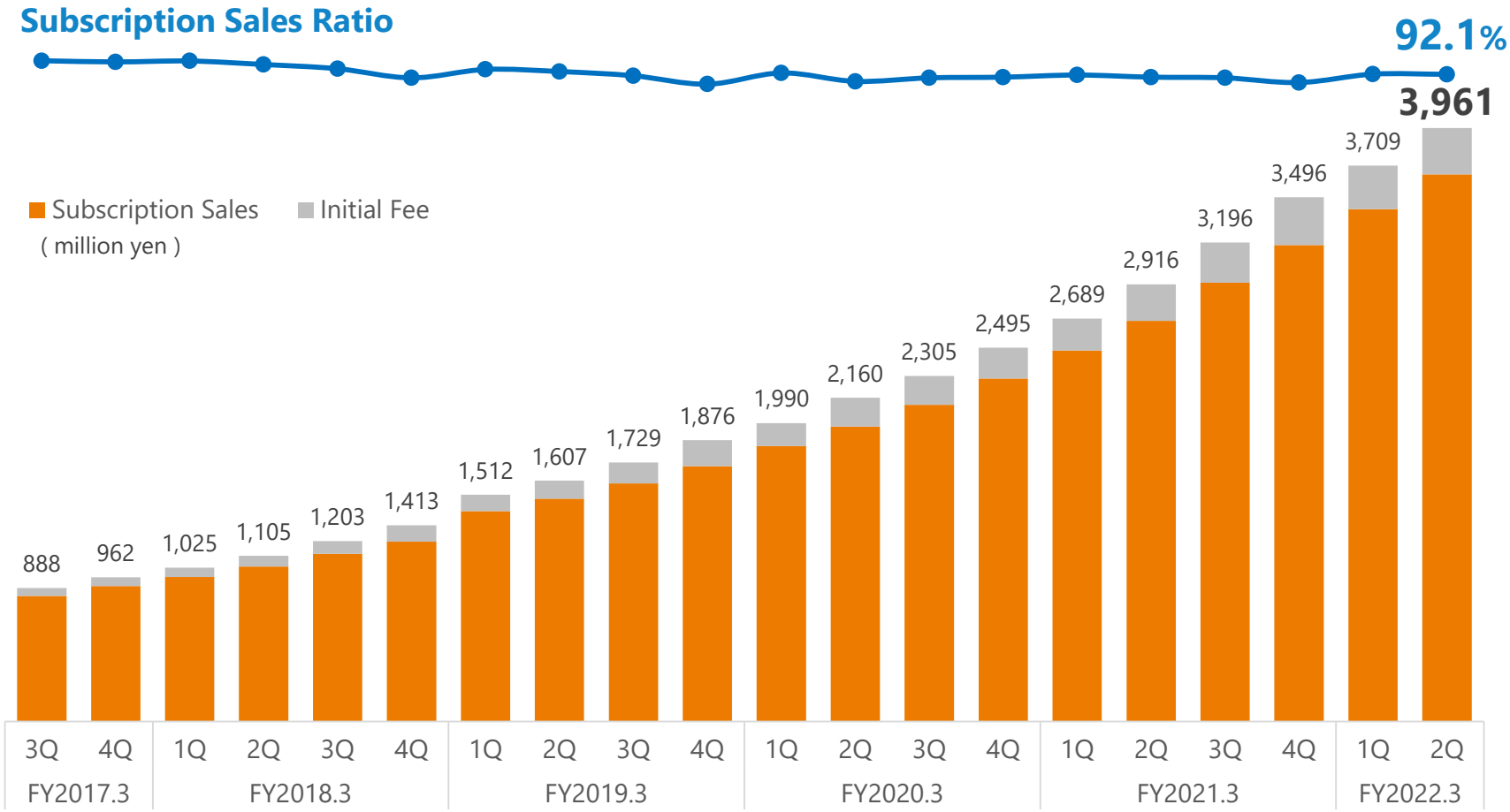
Sales were robust as the number of customers steadily increased.
Profit declined year on year due to active investment aiming for achieving the higher range of the mid-term targets.



* The criteria for overhead cost allocation were revised retroactive to the beginning of FY2019.

Subscription Sales of the Cloud Business

The subscription sales ratio continued to be high as the number of customers steadily grew.



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Quarterly Sales of the Cloud Business by service

Growth of Raku Raku Meisai continues to be strong, with other major services also performing well.

(million yen)

	Sales in Q2 FY2022.3 (Jul.-Sep.)	Quarter on Quarter	Year on Year
Raku Raku Seisan	**1,793**	**6.9%**	**35.8%**
Mail Dealer	**535**	**2.2%**	**9.8%**
Email distribution services	**579**	**3.3%**	**23.9%**
Raku Raku Hambai	**438**	**7.9%**	**46.0%**
Raku Raku Meisai	**522**	**16.2%**	**101.9%**
Others	**91**	**0.6%**	**12.9%**
Total of the Cloud Business	**3,961**	**6.8%**	**35.8%**

* The figure for Email distribution services is the sum of Hai Hai Mail, Curumeru and blastmail.
* On-premises sales are included in the chart above.

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Cumulative Number of Companies Using Raku Raku Seisan

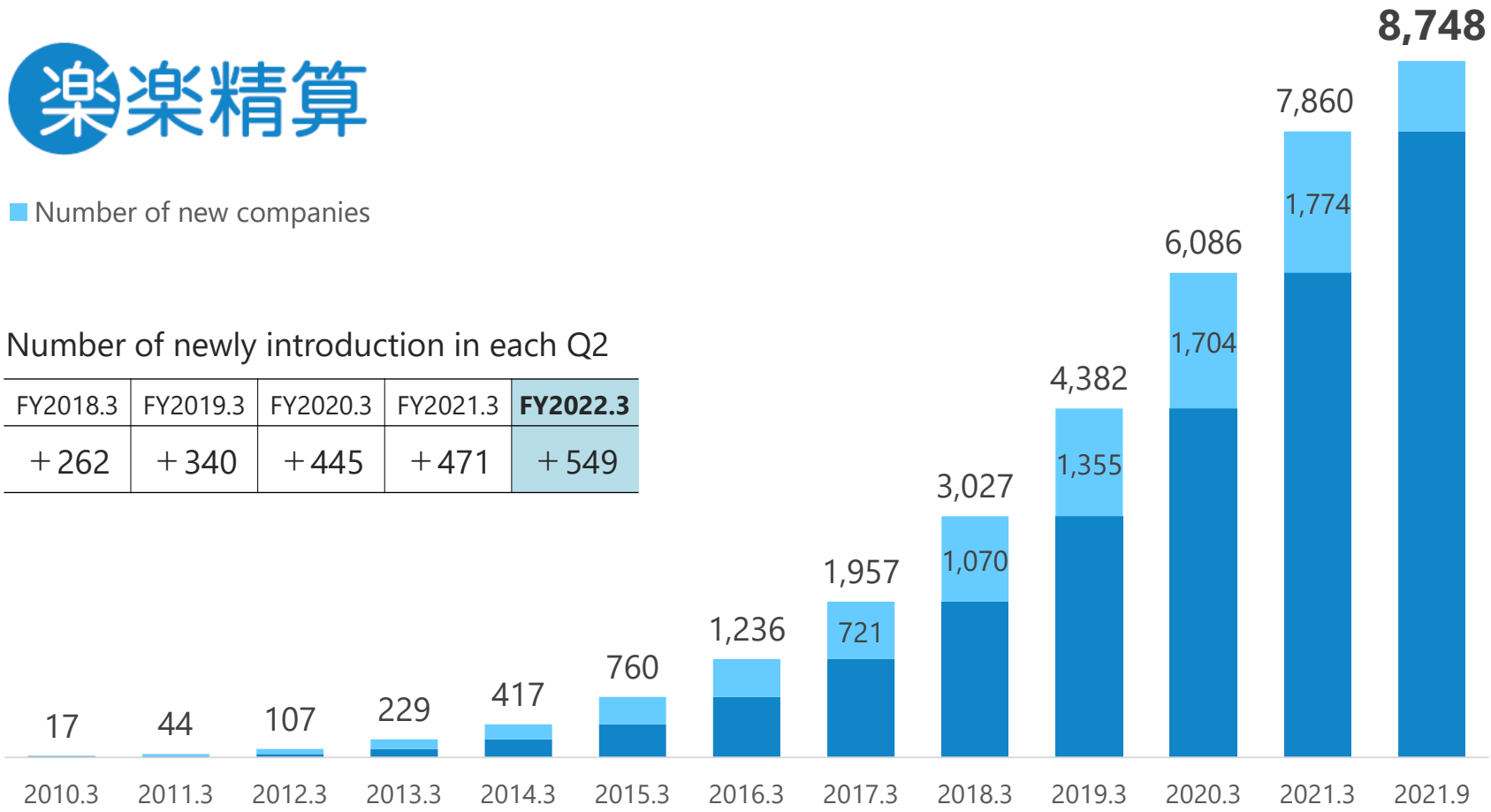
Number of new introduction companies has increased steadily, despite the negative impact of the declaration of a state of emergency.

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Number of new companies

Number of newly introduction in each Q2

FY2018.3	FY2019.3	FY2020.3	FY2021.3	**FY2022.3**
＋262	＋340	＋445	＋471	＋549



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Cumulative Number of Companies Using Raku Raku Meisai

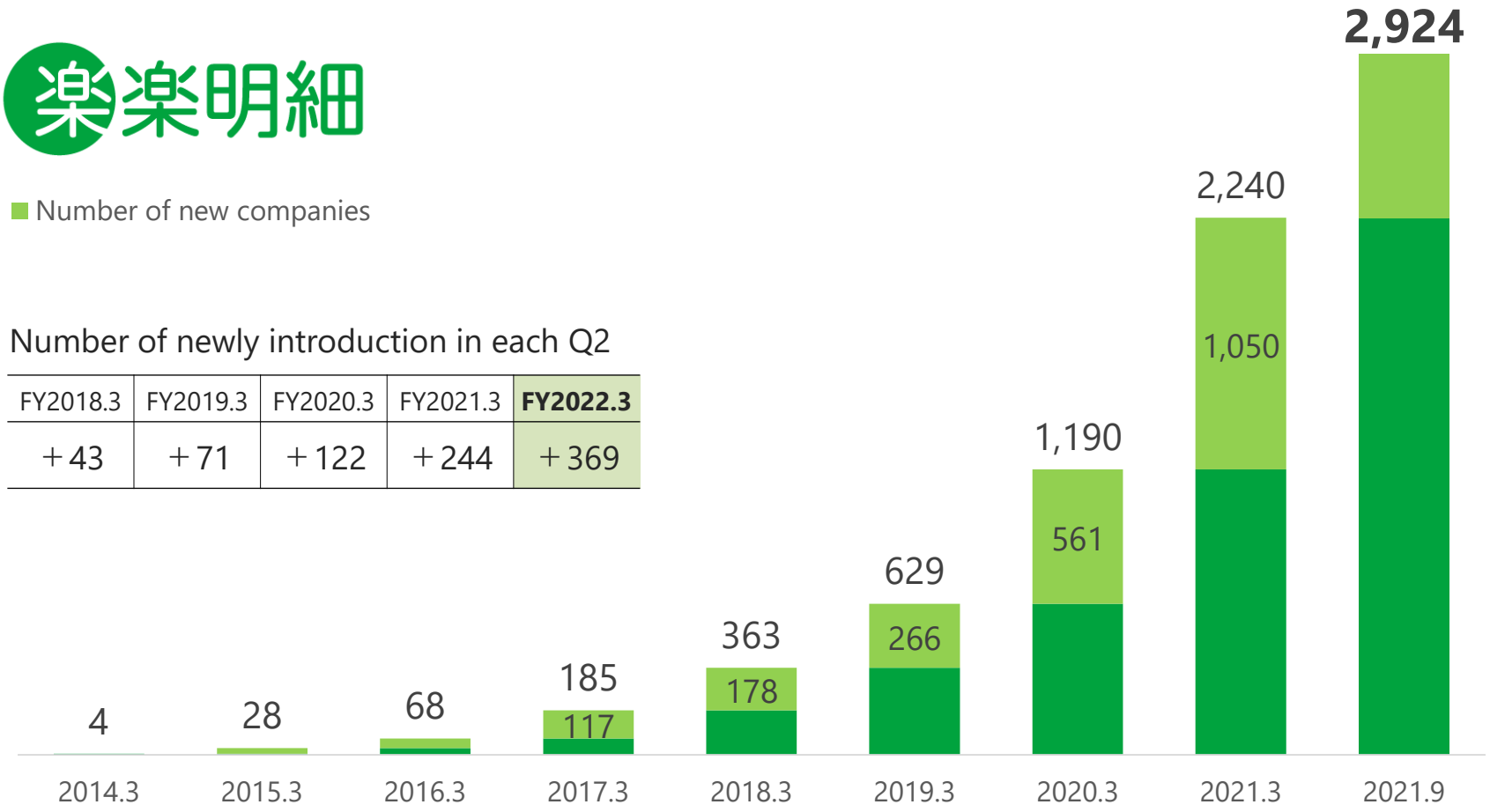
New orders continue to increase strongly and number of new introduction companies also continues to increase steadily.

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■ Number of new companies

Number of newly introduction in each Q2

FY2018.3	FY2019.3	FY2020.3	FY2021.3	**FY2022.3**
＋43	＋71	＋122	＋244	＋369



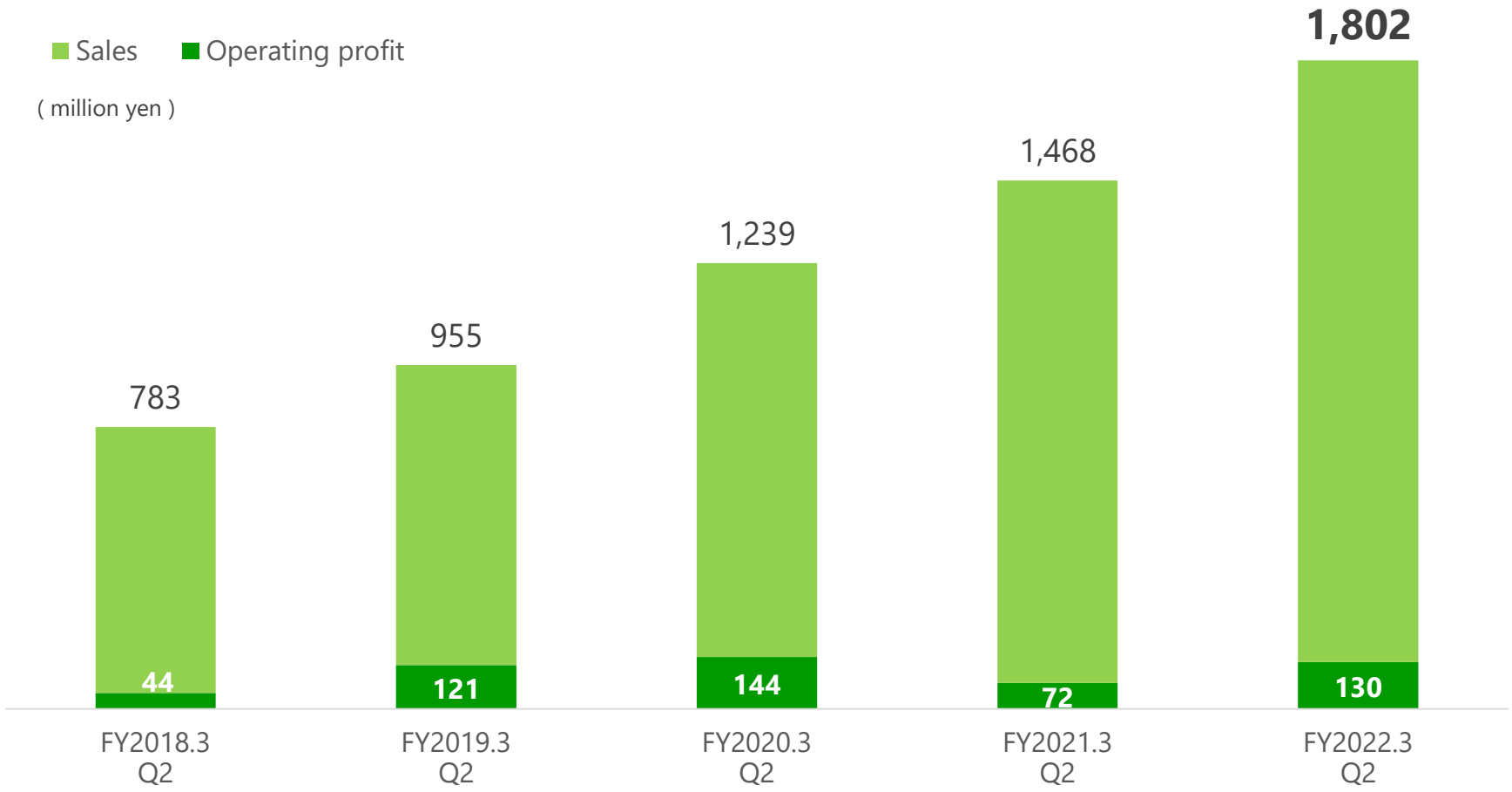
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IT Outsourcing Business

Performance of the IT Outsourcing Business

Both sales and profit increased year on year driven by steady growth of number of engineers utilized in operations.

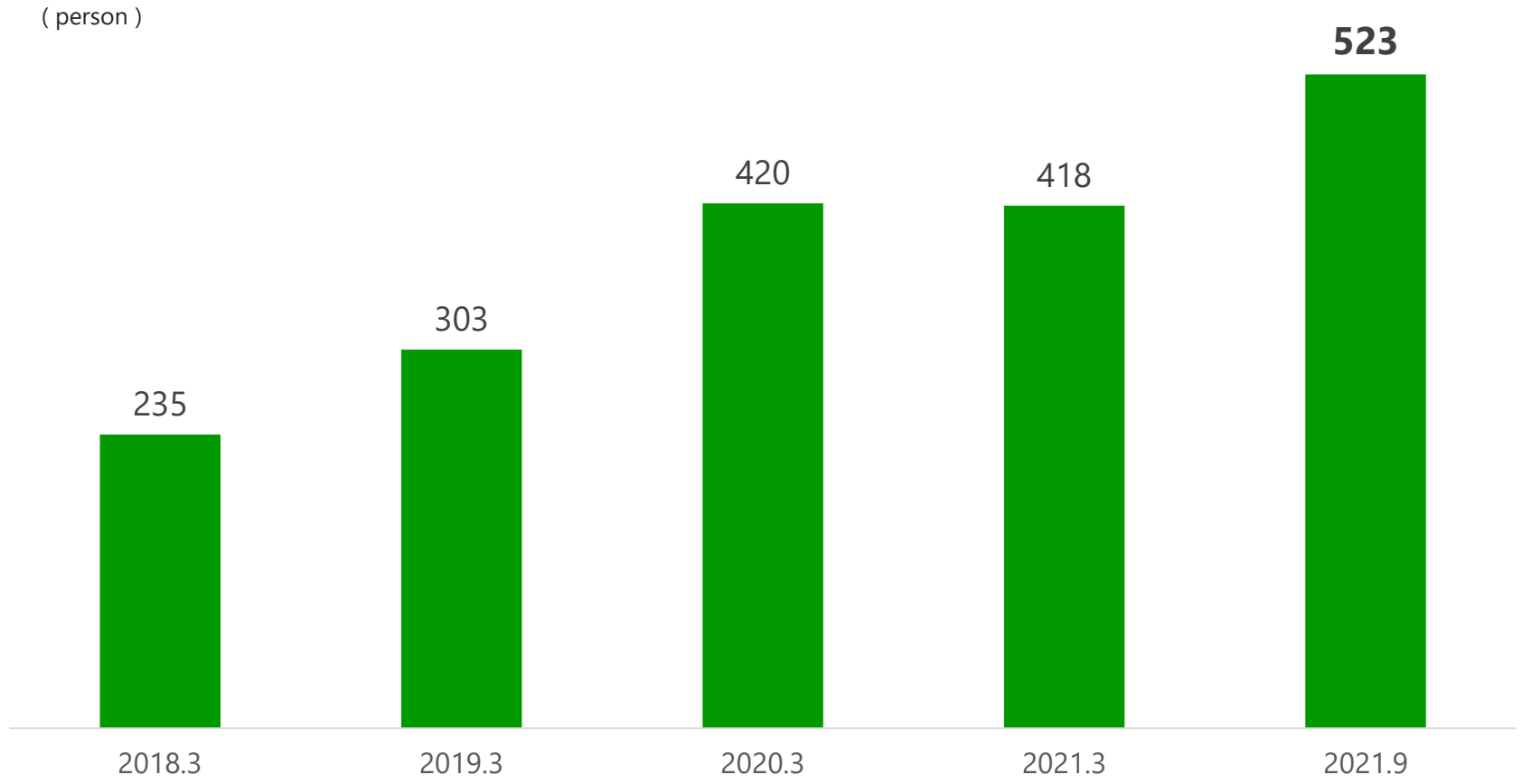


* The criteria for overhead cost allocation were revised retroactive to the beginning of FY2019.3.

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Number of Engineers for the IT Outsourcing Business

We are hiring more engineers to respond to strong customer demand.



* This includes apprentice engineers

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Medium-Term Management Targets

New Medium-Term Management Targets

1 **Five-Year sales CAGR 25% - 30%**

2 **Net income for FY2026.3:**
10 billion yen or more

3 **Net assets as of 2026.3:**
20 billion yen or more

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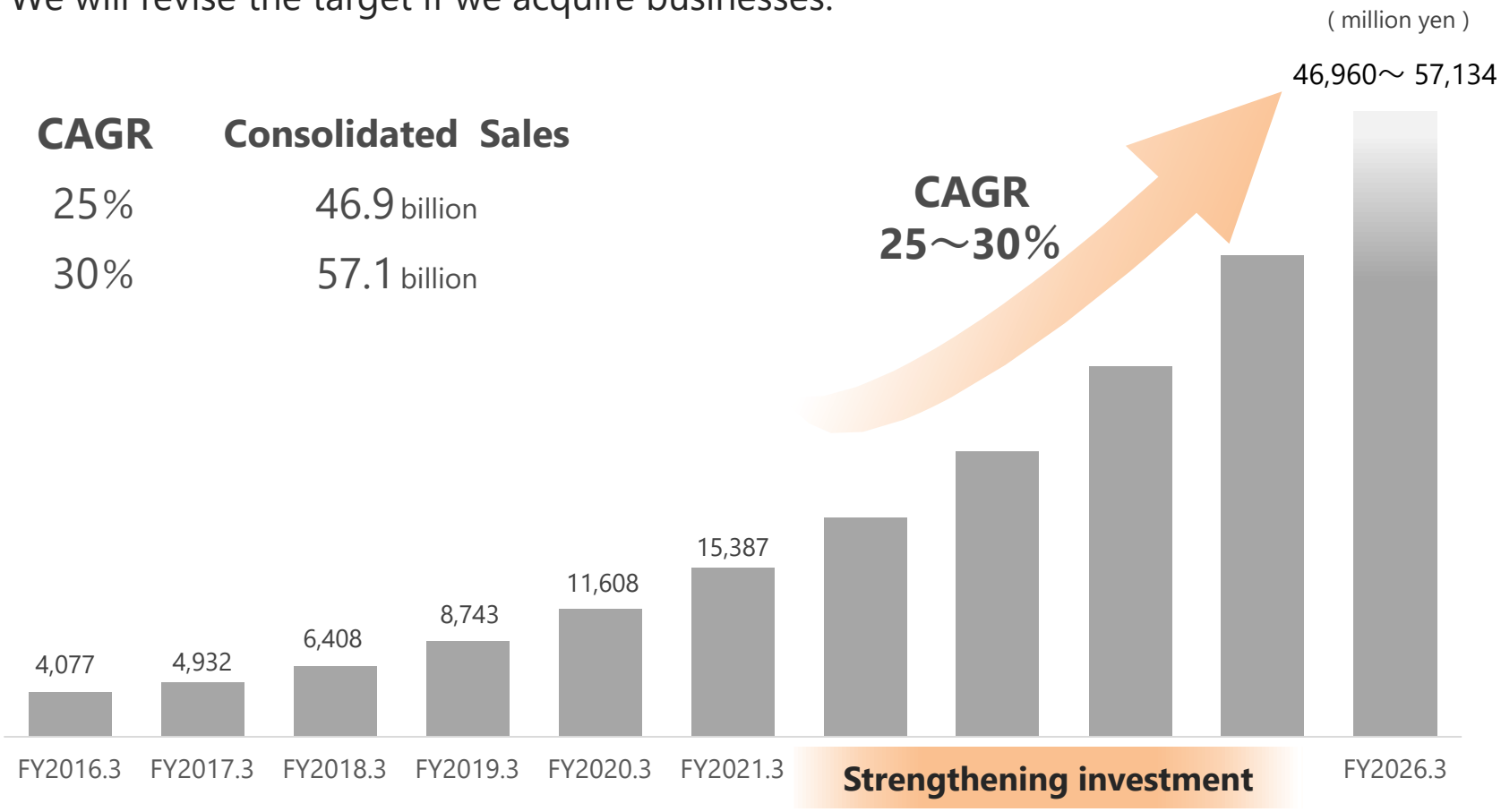
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Five-Year Sales and Profit Targets

Our target is to achieve 25-30% sales CAGR and we invest actively over the first 4 years to meet the sales target. Then, we aim to achieve over 10 billion yen of net income in the final year by pursuing operational efficiency.

*We will revise the target if we acquire businesses.

CAGR	Consolidated Sales
25%	46.9 billion
30%	57.1 billion



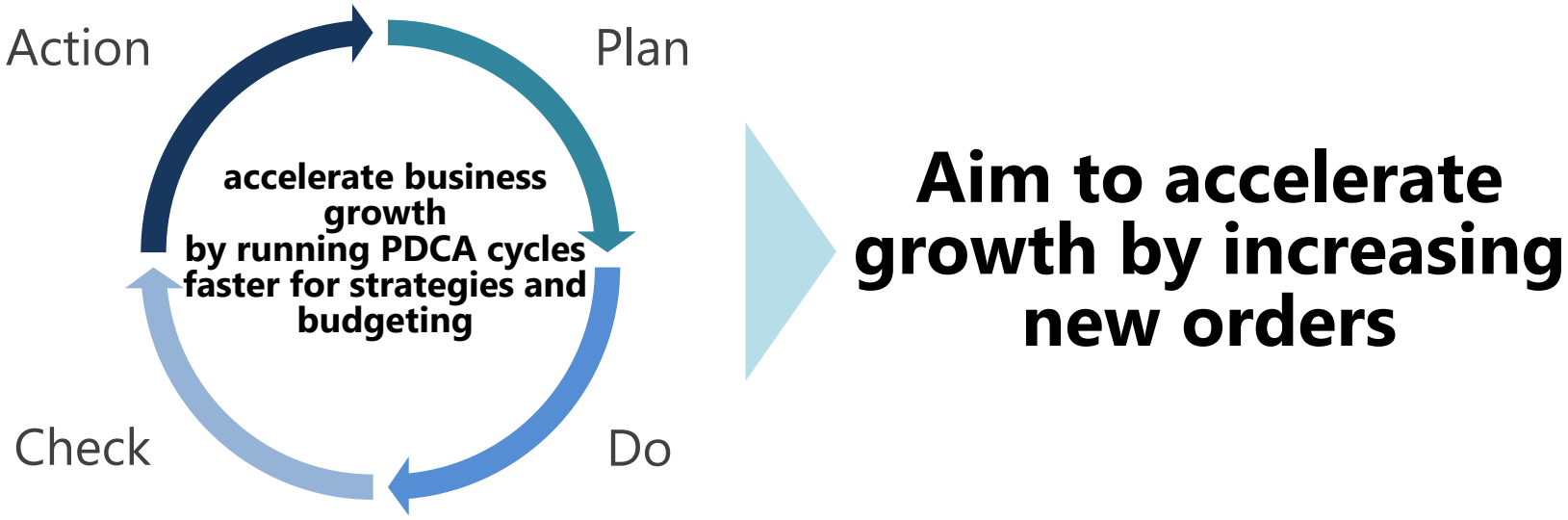
Guidance for Full Year of the fiscal year ending March 2022

Guidance Policy for Disclosure

Guidance and strategies are crafted semi-annually because our top priority is to accelerate sales growth. Semi-annual guidance will be disclosed every half year for the time being instead of disclosing the full yearly guidance.

We aim to accelerate business growth by running PDCA cycles faster for strategies and budgeting

- Hire more people who are necessary to accelerate growth
- Aim to accelerate growth by winning more new orders with faster PDCA cycles for marketing strategies



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Guidance for FY2022.3

Active investment is planned for achieving a high level of growth.

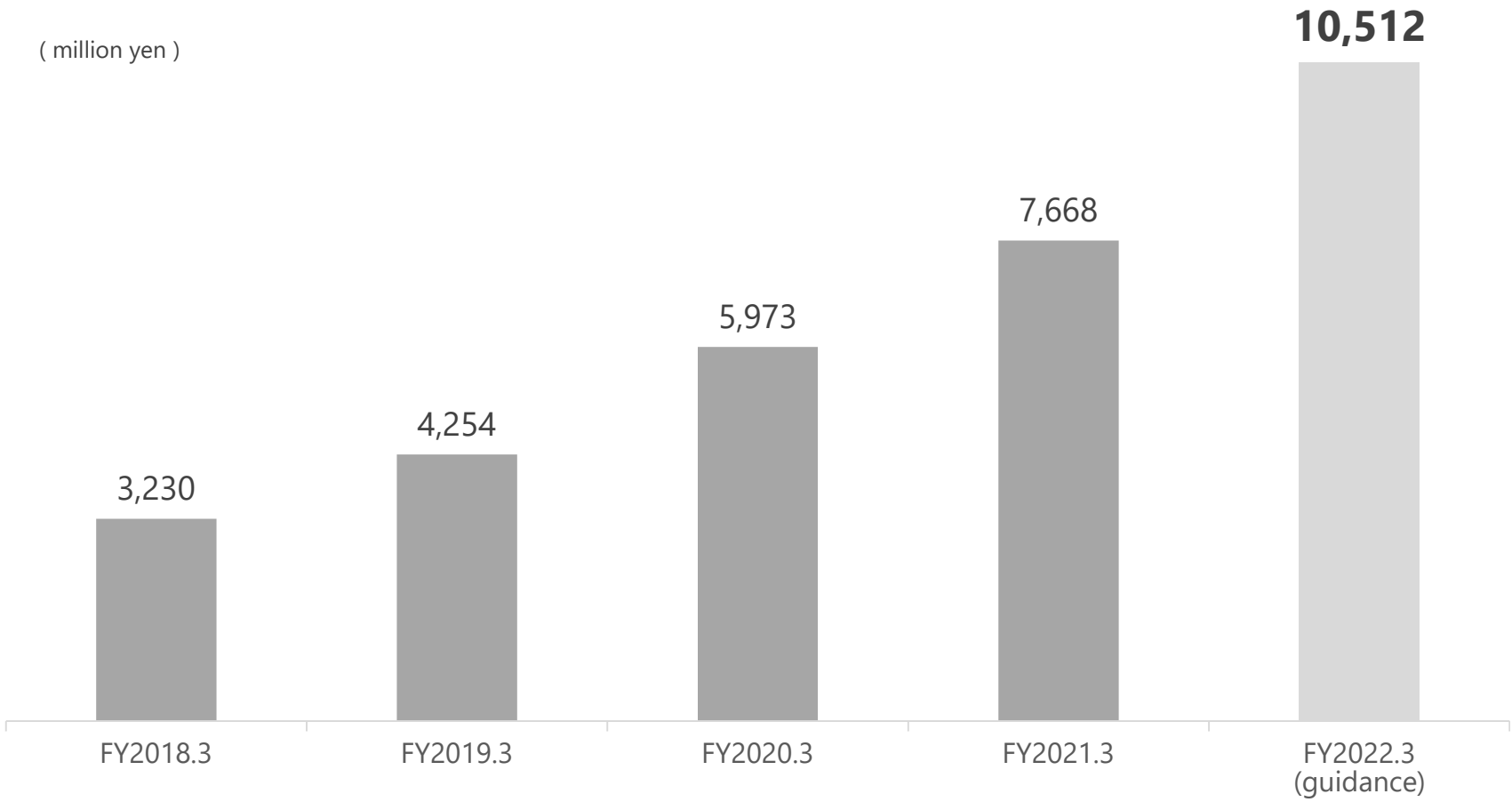
(million yen)

	FY2021.3	FY2022.3 (Guidance)	Year on Year
Sales	**15,387**	**20,387**	**132.5%**
Cost of sales	5,030	6,762	134.4%
Gross profit	10,357	13,625	131.5%
GP margin	67.3%	66.8%	
SG&A	6,459	12,284	190.2%
Operating profit	**3,898**	**1,341**	**34.4%**
OP margin	25.3%	6.6%	
Ordinary profit	**3,881**	**1,351**	**34.8%**
Ordinary profit margin	25.2%	6.6%	
EBITDA	**4,346**	**1,920**	**44.2%**
EBITDA margin	28.2%	9.4%	
Income tax	1,150	438	
Tax rate	28.1%	32.4%	
Profit attributable to owners of parent	**2,936**	**912**	**31.1%**

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Personnel Costs Guidance

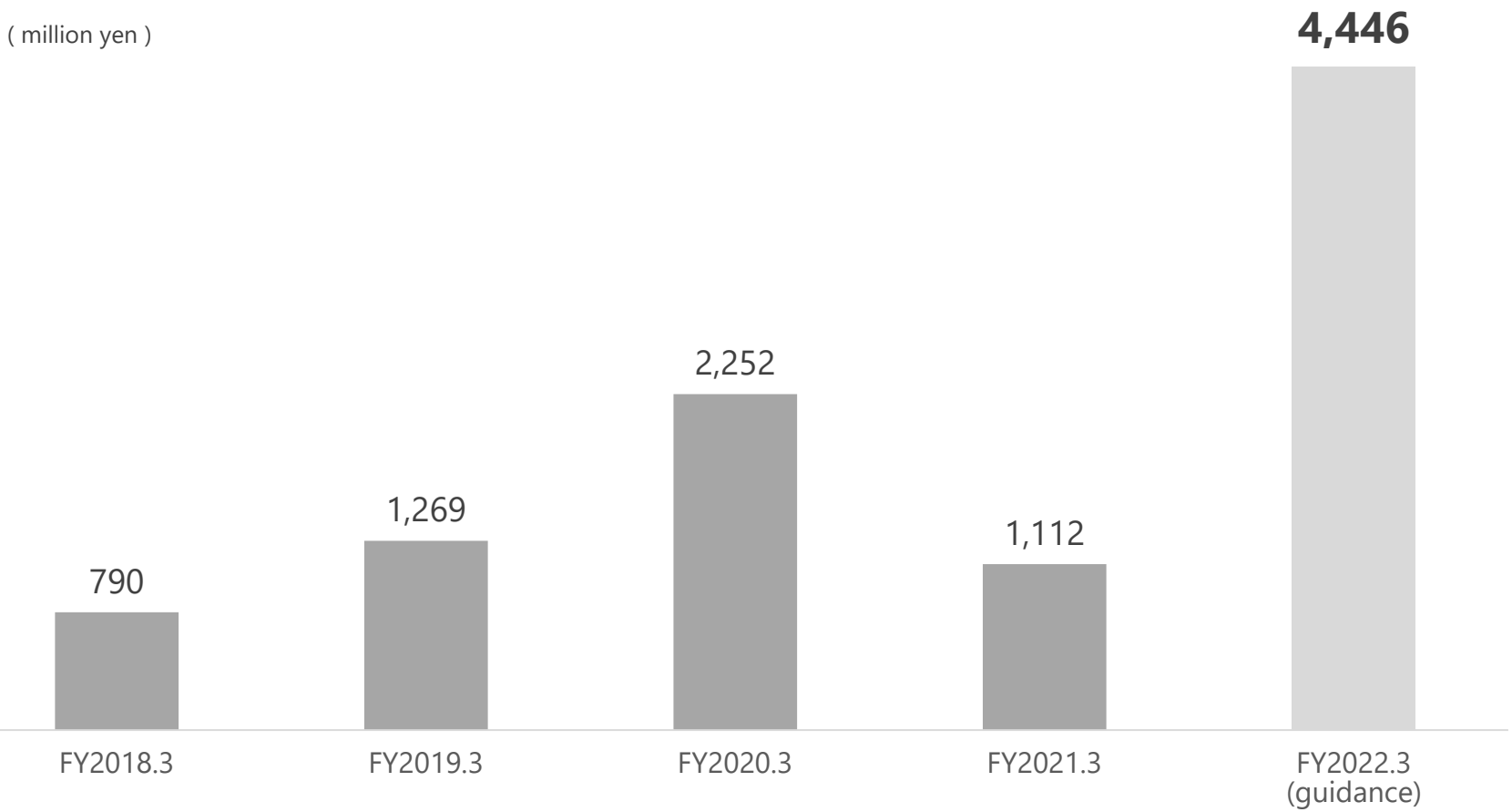
We plan to hire more people to achieve a high level of growth.



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Advertising Costs Guidance

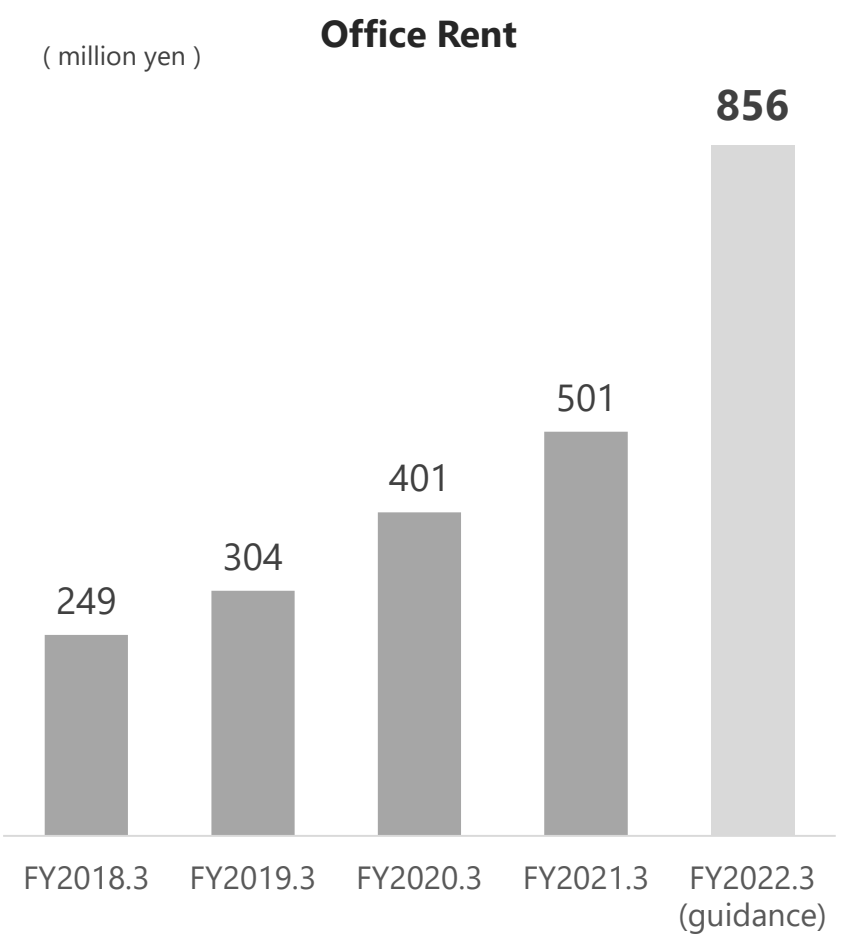
We have continued active marketing measures aiming for a big increase in new orders.

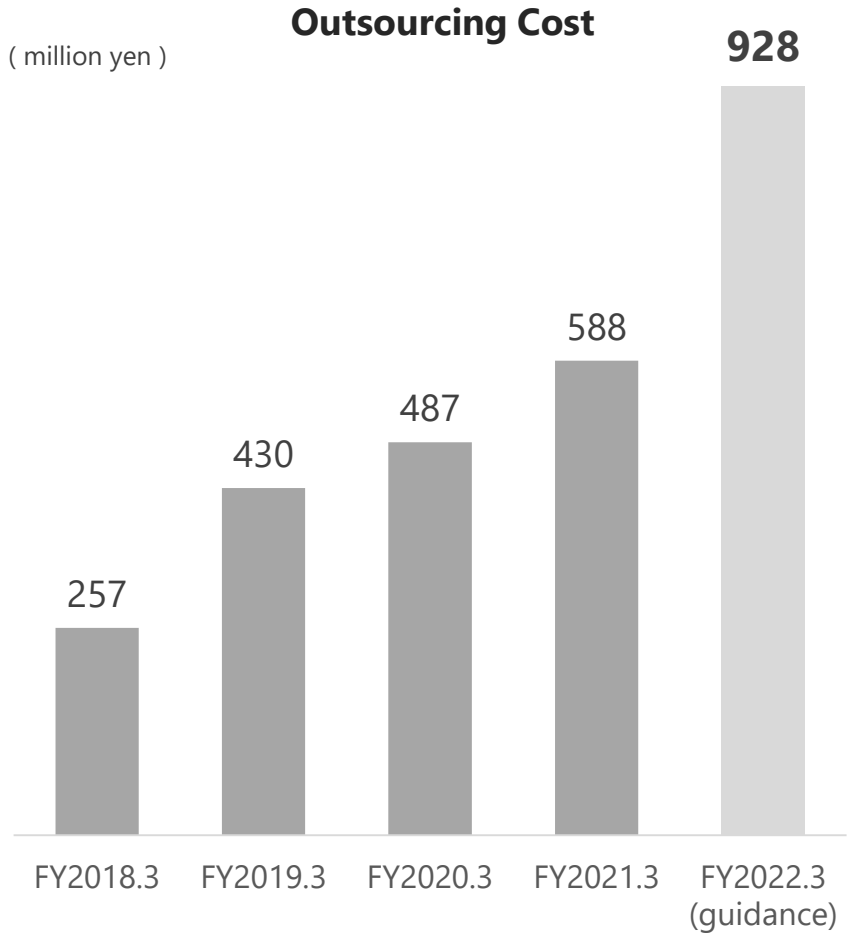


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Office Rent and Outsourcing Costs Guidance

Both office rent and outsourcing costs will increase a lot year on year driven by business expansion.

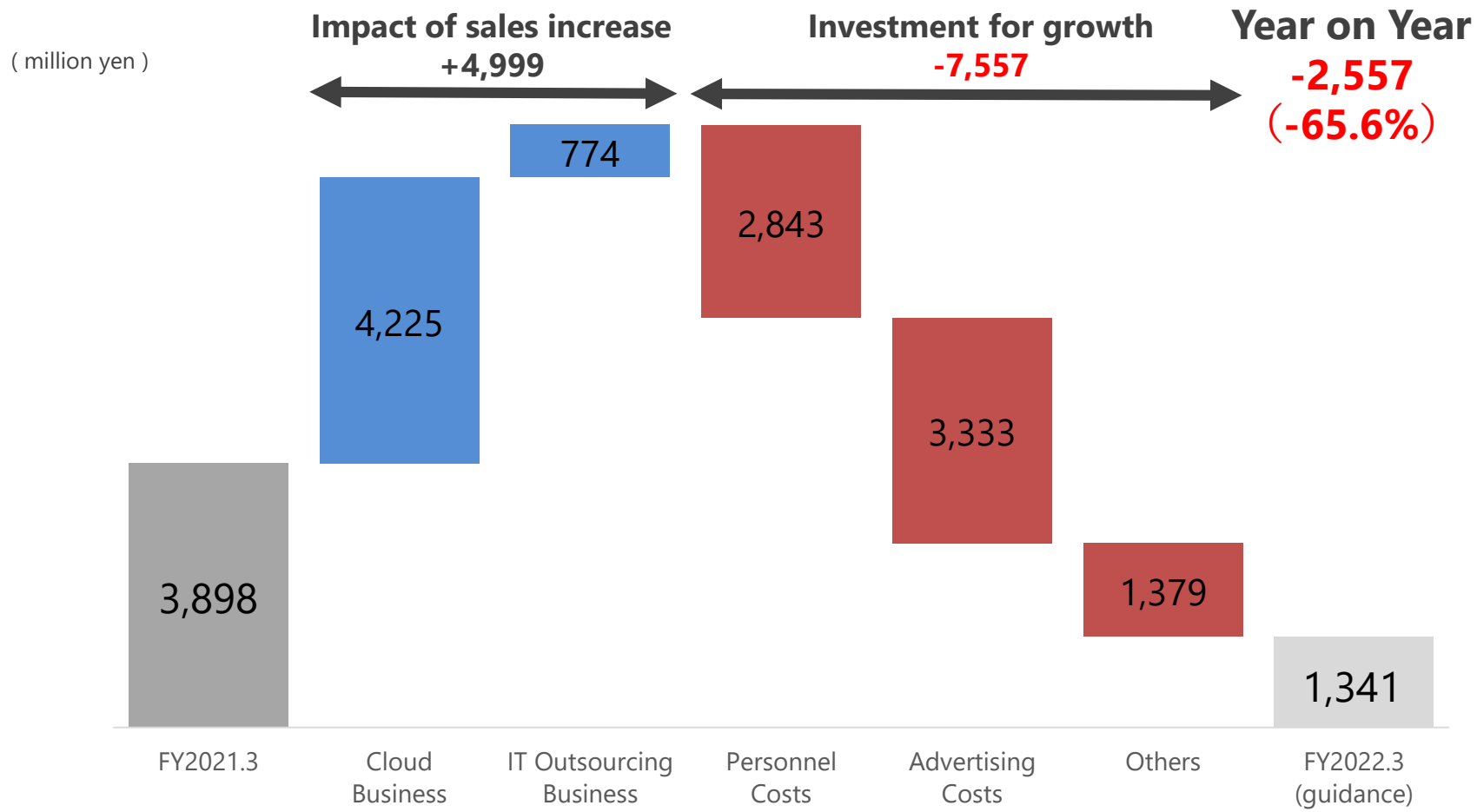




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Factors for Changes in Consolidated Operating Profits

Active investment is planned to achieve the higher range of the mid-term targets.



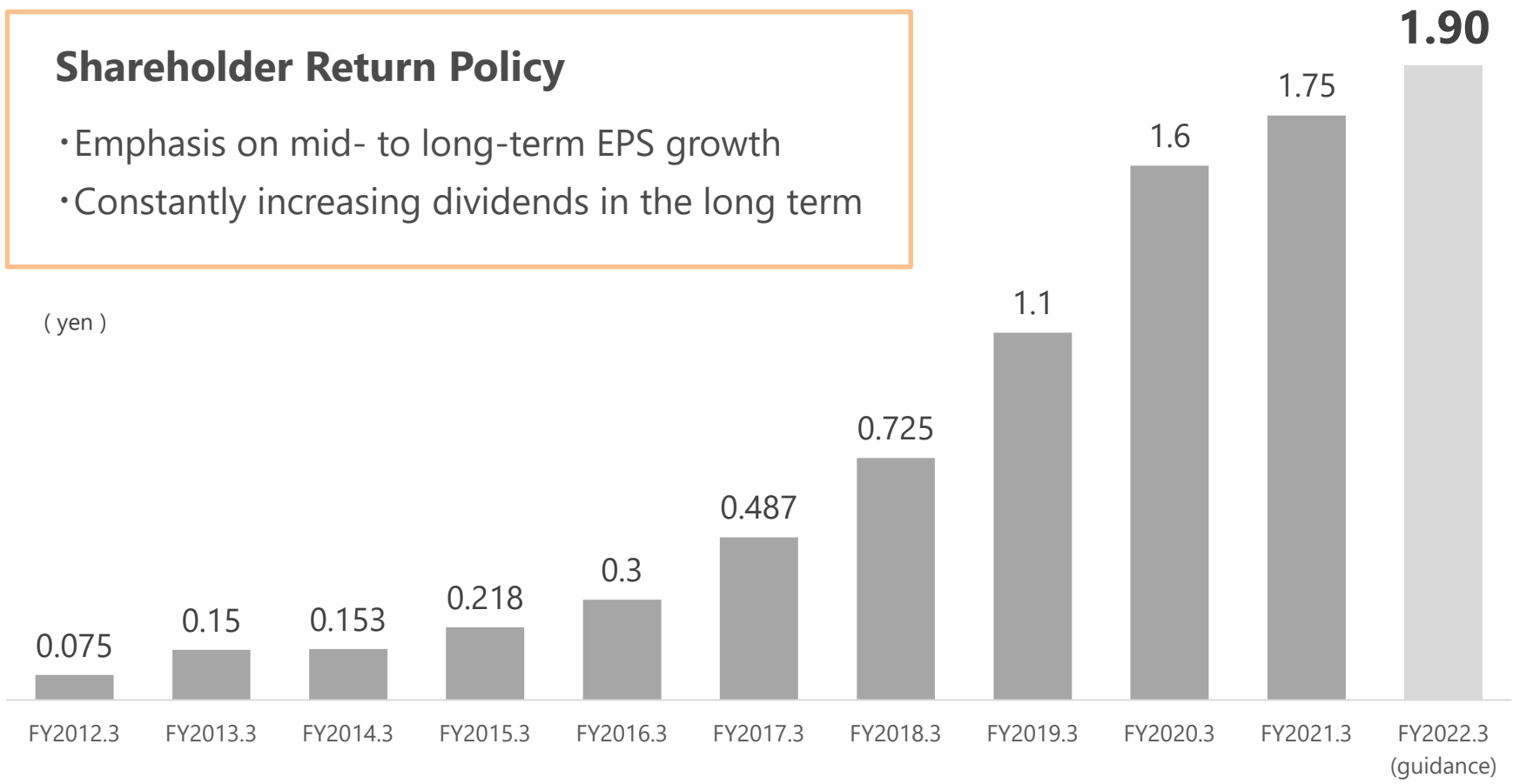
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【KPIs】Shareholder Returns

We plan to increase dividends for the 10th year in a row as policy.
Dividends for FY2022.3 will be 6.3 times higher than FY2016.3 when we IPO.

Shareholder Return Policy

- Emphasis on mid- to long-term EPS growth
- Constantly increasing dividends in the long term



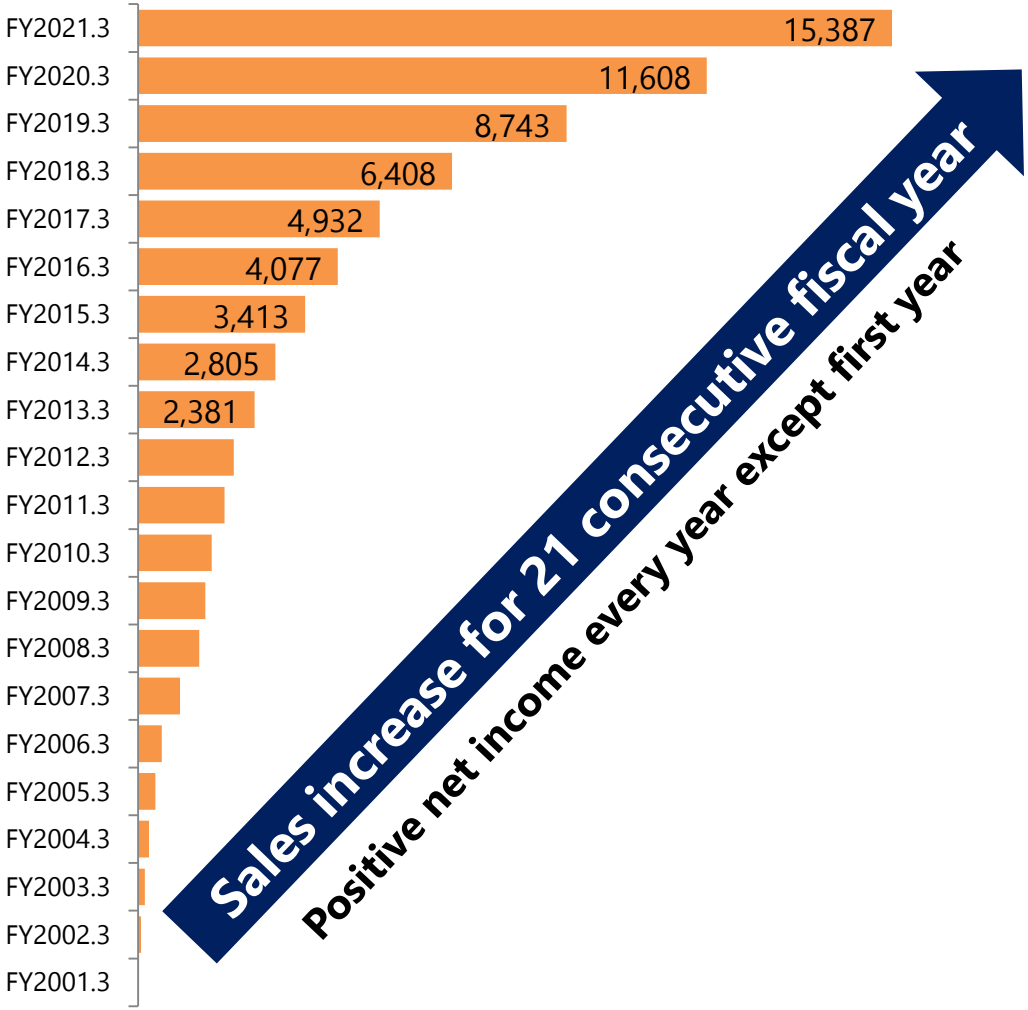
* Figures are after share split adjustment.

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Appendix

History

(million yen)



Changed to First Section of the Tokyo Stock Exchange

Blaynmail consolidated as subsidiary

Listed on Mothers

Subsidiary established in Vietnam, Sell the US subsidiary

Rakuraku meisai launched

Subsidiary established in the US

Corporate name changed

Raku Raku Seisan launched

Raku Raku Hambai launched, Shut down engineer school

Hai-Hai mail launched

Merged Xbit

Xbit consolidated as subsidiary

Cloud business started (Mail Dealer launched)
IT engineering school business started

IT Boost established (later known as RAKUS)

* Consolidated results from FY 2014
* The company was not audited from 2001 to 2013.

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Sales of the Cloud Business by Service

(million yen)

		FY2017.3	FY2018.3	FY2019.3	FY2020.3	FY2021.3
Raku Raku Seisan	**Sales**	**977**	**1,601**	**2,579**	**3,935**	**5,559**
	YoY	69.6%	63.8%	61.1%	52.6%	41.3%
Mail Dealer	**Sales**	**1,141**	**1,339**	**1,538**	**1,732**	**1,979**
	YoY	14.1%	17.3%	14.9%	12.7%	14.2%
Email distribution services	**Sales**	**657**	**939**	**1,410**	**1,573**	**1,964**
	YoY	25.1%	42.8%	50.2%	11.6%	24.8%
Raku Raku Hambai	**Sales**	**342**	**445**	**598**	**866**	**1,281**
	YoY	28.5%	29.8%	34.4%	44.9%	47.8%
Raku Raku Meisai	**Sales**	**69**	**149**	**326**	**552**	**1,177**
	YoY	413.9%	113.9%	118.4%	68.8%	113.3%
Others	**Sales**	**301**	**274**	**273**	**291**	**336**
	YoY	-9.2%	-9.2%	-0.4%	6.8%	15.2%
Total of the Cloud Business	**Sales**	**3,491**	**4,748**	**6,726**	**8,952**	**12,298**
	YoY	28.6%	36.0%	41.7%	33.1%	37.4%

* The figure for Email distribution services is the sum of Hai Hai Mail, Curumeru and blastmail.
  (The figure for FY2018.3 includes 2 months of blastmail.)
* On-premises sales are included in the chart above.

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LTV of the Cloud Business by Service

(yen)

	FY2017.3	FY2018.3	FY2019.3	FY2020.3	FY2021.3
Raku Raku Seisan	**9,790,391**	**10,405,262**	**10,800,545**	**14,004,503**	**14,657,378**
Mail Dealer	**4,112,810**	**3,823,875**	**4,156,660**	**3,789,798**	**4,098,993**
Email distribution services	**1,084,527**	**1,180,323**	**1,035,117**	**1,218,522**	**1,500,287**
Raku Raku Hambai	**5,054,024**	**5,210,540**	**8,282,573**	**8,120,258**	**8,830,777**
Raku Raku Meisai	**7,781,983**	**5,211,834**	**13,016,007**	**9,412,375**	**20,303,924**

* LTV (Life Time Value) = revenue that a customer will generate during their lifetime
  (ARPU × estimated average usage years × gross profit margin)
* The figure for email distribution services excludes 'blastmail'.
* For LTV of Raku Raku Meisai, the gross profit margin is calculated using an assumed provisional figure (70%).

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Raku Raku Seisan

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Product outline：A system for settlement of travel & other expenses

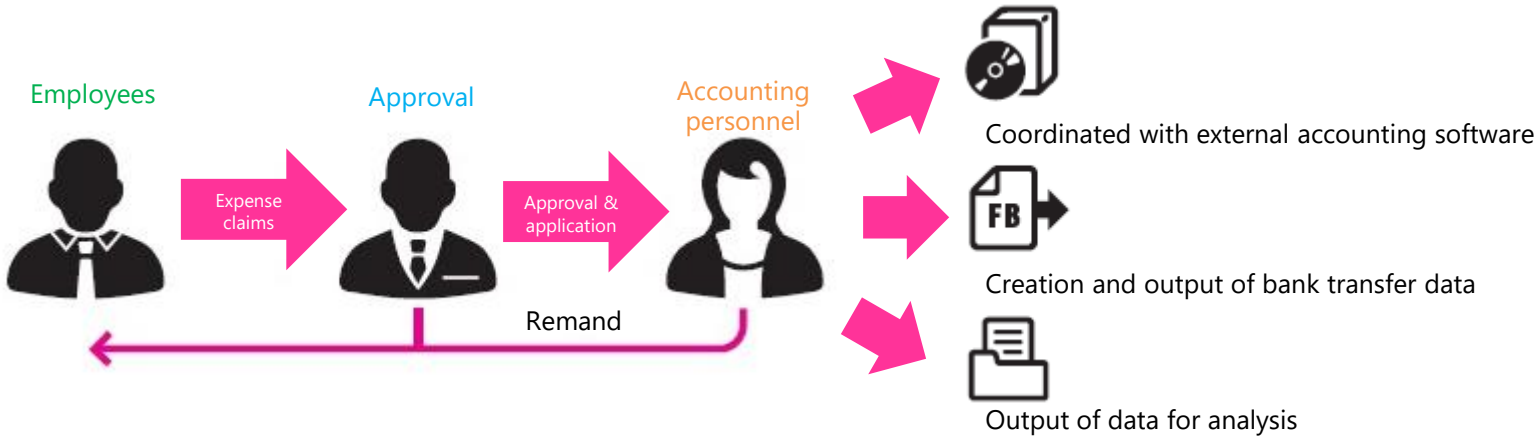
Main customers：Companies with 50 to 1,000 employees（all industries）

Addressed to：Accounting departments

Usage：To improve efficiency of settlement for travel & other expenses

Fee structure：Based on the number of users + option fees

Launched：July 2009



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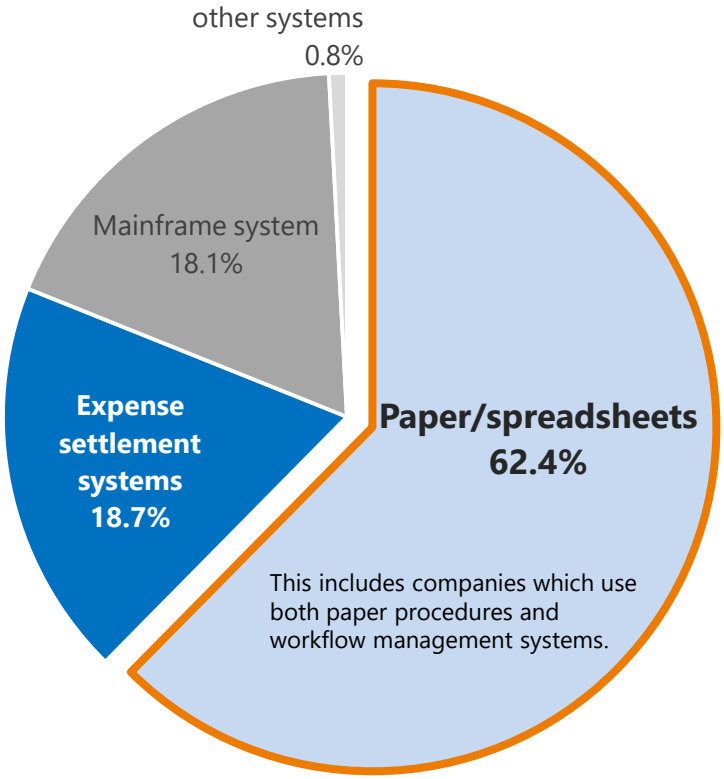
Target Market for the Cloud-based Expense Settlement Systems

The target market is 100,000 companies valued at 70 billion yen.
We aim to acquire at least 20,000 corporate customers out of those 100,000.

There are 4 million SMEs in Japan. Of those, Raku Raku Seisan's target customers are 100,000 companies which have 50 to 1,000 employees.

Our target is to convert 62,400 companies which manage expense procedures on paper or spreadsheet to Raku Raku Seisan, which accounts for 62.4%.

There is still a high percentage of companies which use inefficient methods for expense management such as paper or spreadsheets. (Those which use both paper and workflow management systems are included.) This means more corporations will introduce expense management systems in the future.



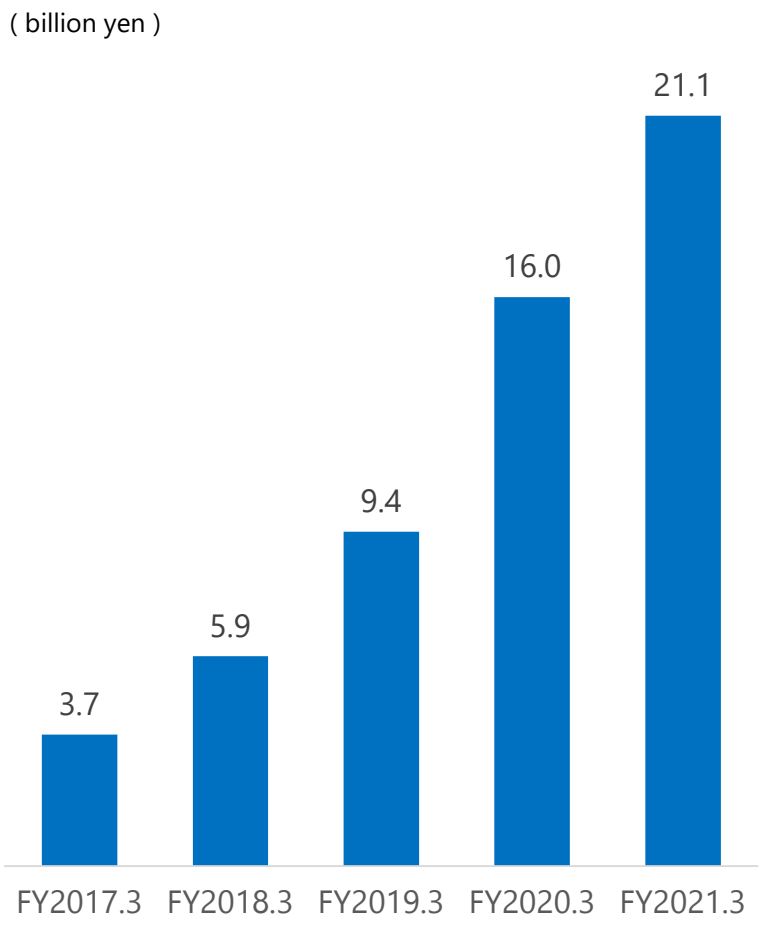
Source：Questionnaire filled out by accounting department staff in February, 2021.

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The Market for Cloud-based Expense Settlement Systems

Source：Our own survey based on various data

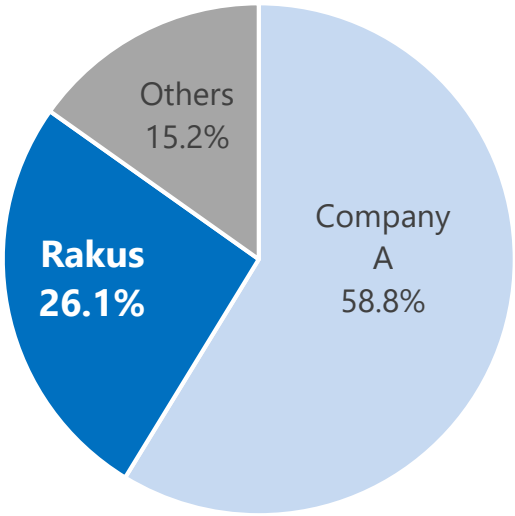
The market for cloud-based expense settlement in Japan



Ranking of cloud-based expense settlement (As of December 2020)

1	**Rakus 楽楽精算**	**7,340** companies
2	Company A	1,200 companies
3	Company B	770 companies
4	Company C	220 companies

Market shares based on sales value



* Company A has a large market share based on sales value because they target large companies selling services at a higher unit price.

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Raku Raku Meisai

楽楽明細

Product outline：A system to issue digital documentation

Main customers：All industries

Addressed to：Accounting departments

Usage：To improve efficiency of procedures to issue bills, receipts, delivery statements, payment statements, etc.

Fee structure：Number of slips issued + option fees

Launched：August 2013



Cumulative Number of Companies Using Mail Dealer

メールディーラー Mail Dealer

Product outline：A system to share and manage inquiry emails among staff within a company

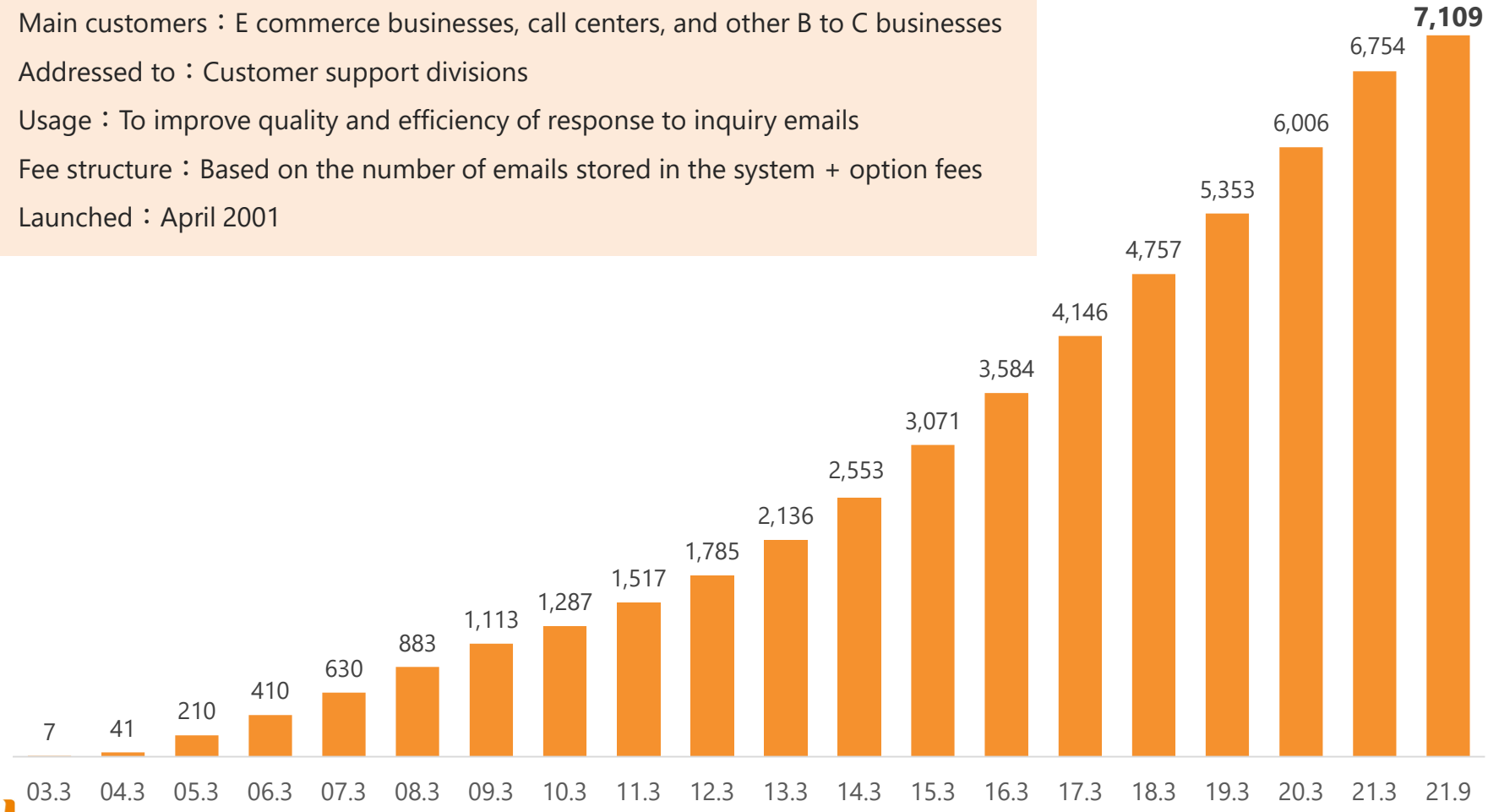
Main customers：E commerce businesses, call centers, and other B to C businesses

Addressed to：Customer support divisions

Usage：To improve quality and efficiency of response to inquiry emails

Fee structure：Based on the number of emails stored in the system + option fees

Launched：April 2001



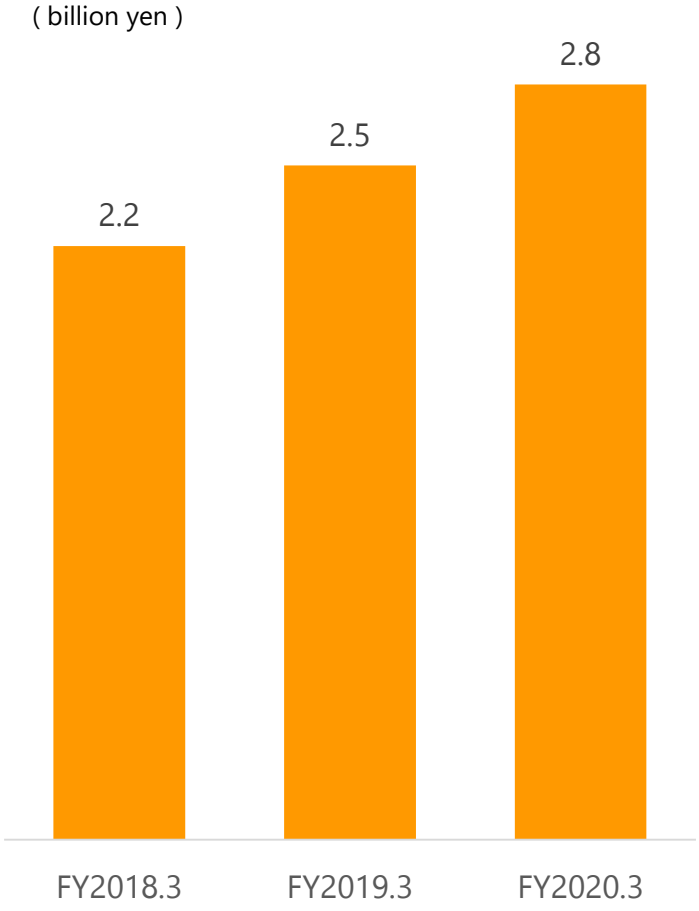
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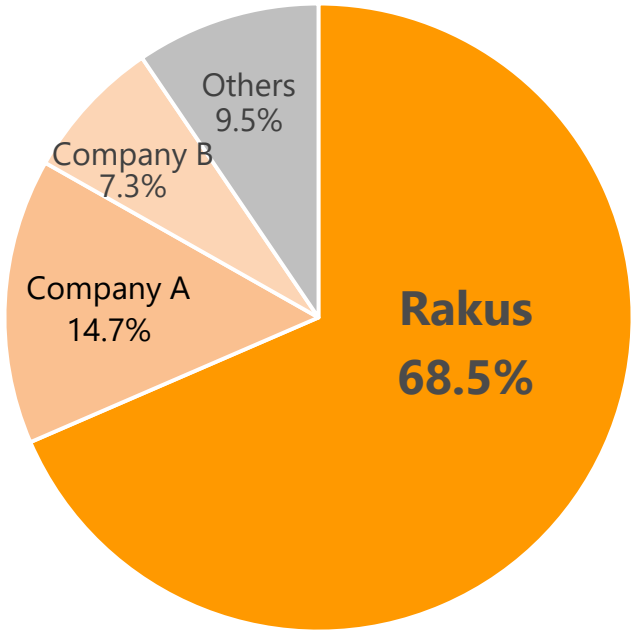
The market for cloud-based Mail processing

Source：Our own survey based on various data (As of December 2020)

The market for cloud-based Mail processing in Japan



Market shares based on sales value



メールディーラー Mail Dealer

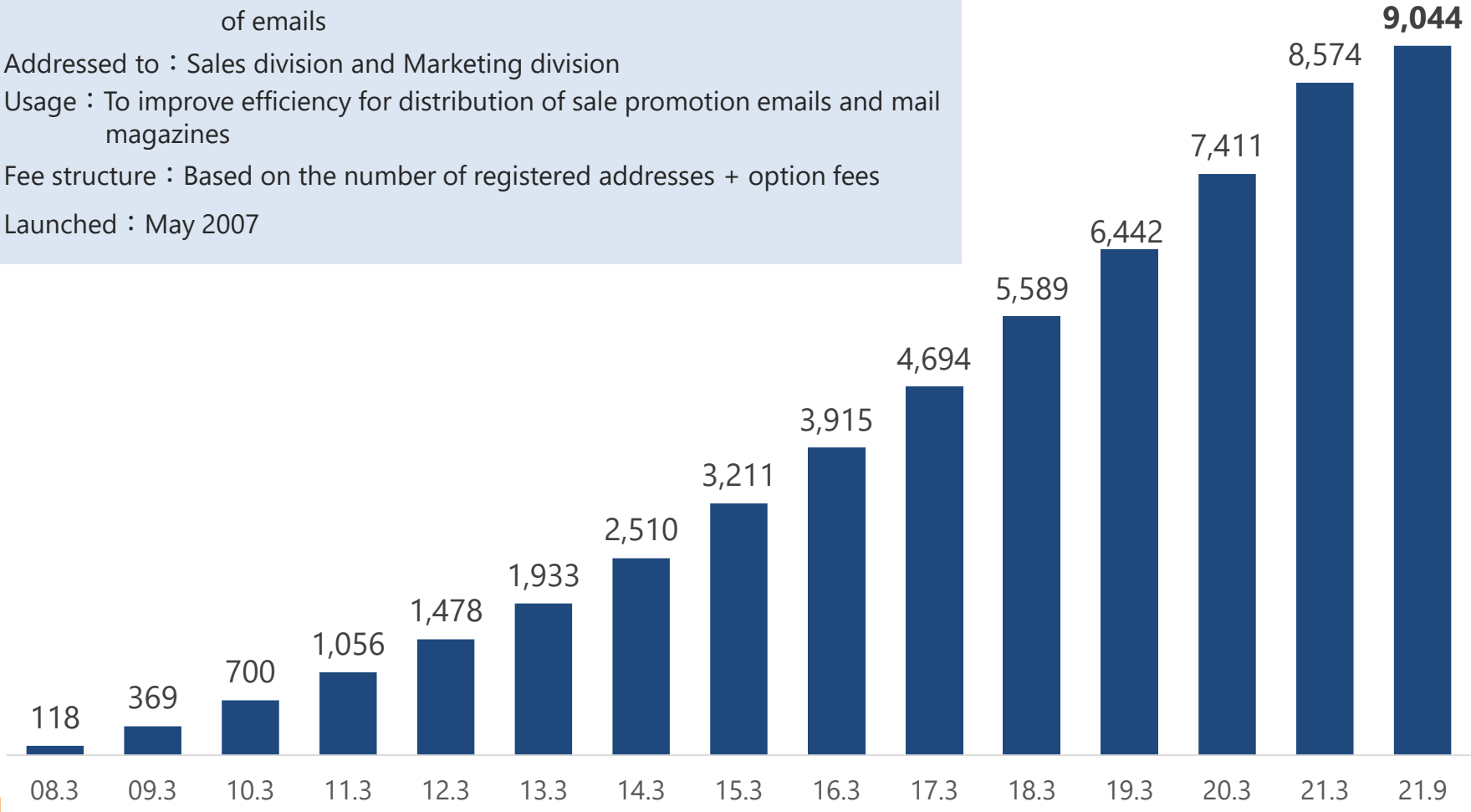
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Cumulative Number of Companies Using Hai Hai Mail

配配メール

Product outline：Email distribution system
Main customers：B to C & B to B businesses which distribute a massive amount of emails
Addressed to：Sales division and Marketing division
Usage：To improve efficiency for distribution of sale promotion emails and mail magazines
Fee structure：Based on the number of registered addresses + option fees
Launched：May 2007



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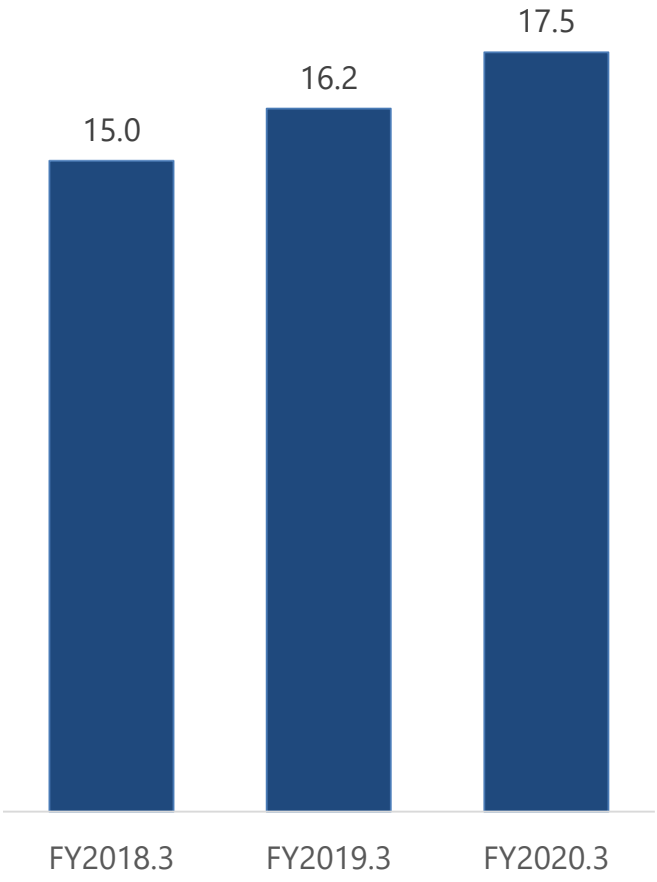
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The Market for Cloud-based Email Distribution Systems

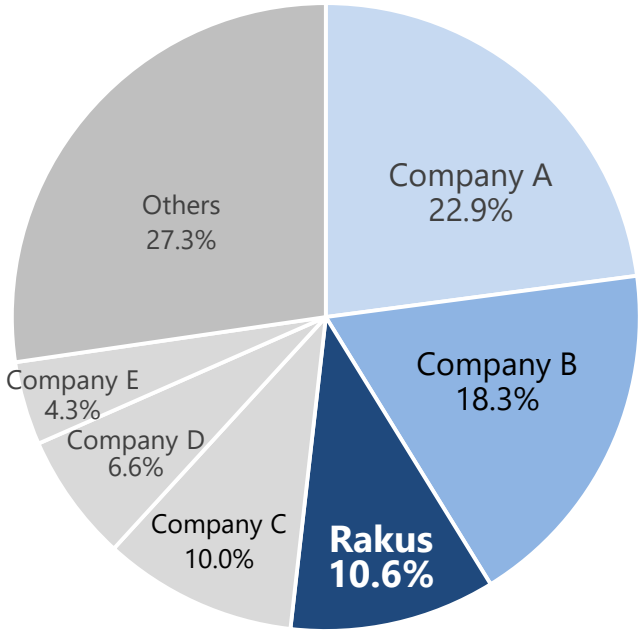
Source：Our own survey based on various data (As of December 2020)

The Market for Cloud-based Email Distribution Systems in Japan

(billion yen)



Market shares based on sales value



配配メール
Curumeru
blastmail

* RAKUS' market share consists of Hai Hai Mail, Curumeru and Blastmail combined

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Cumulative Number of Companies Using Raku Raku Hambai

楽楽販売

Product outline：Web database system which can automate clerical procedures and data processing

Main customers：All industries

Addressed to：All divisions

Usage：To improve efficiency for management of sales, customers, processes and projects

Fee structure： Number of users and number of databases + option fees

Launched：October 2008

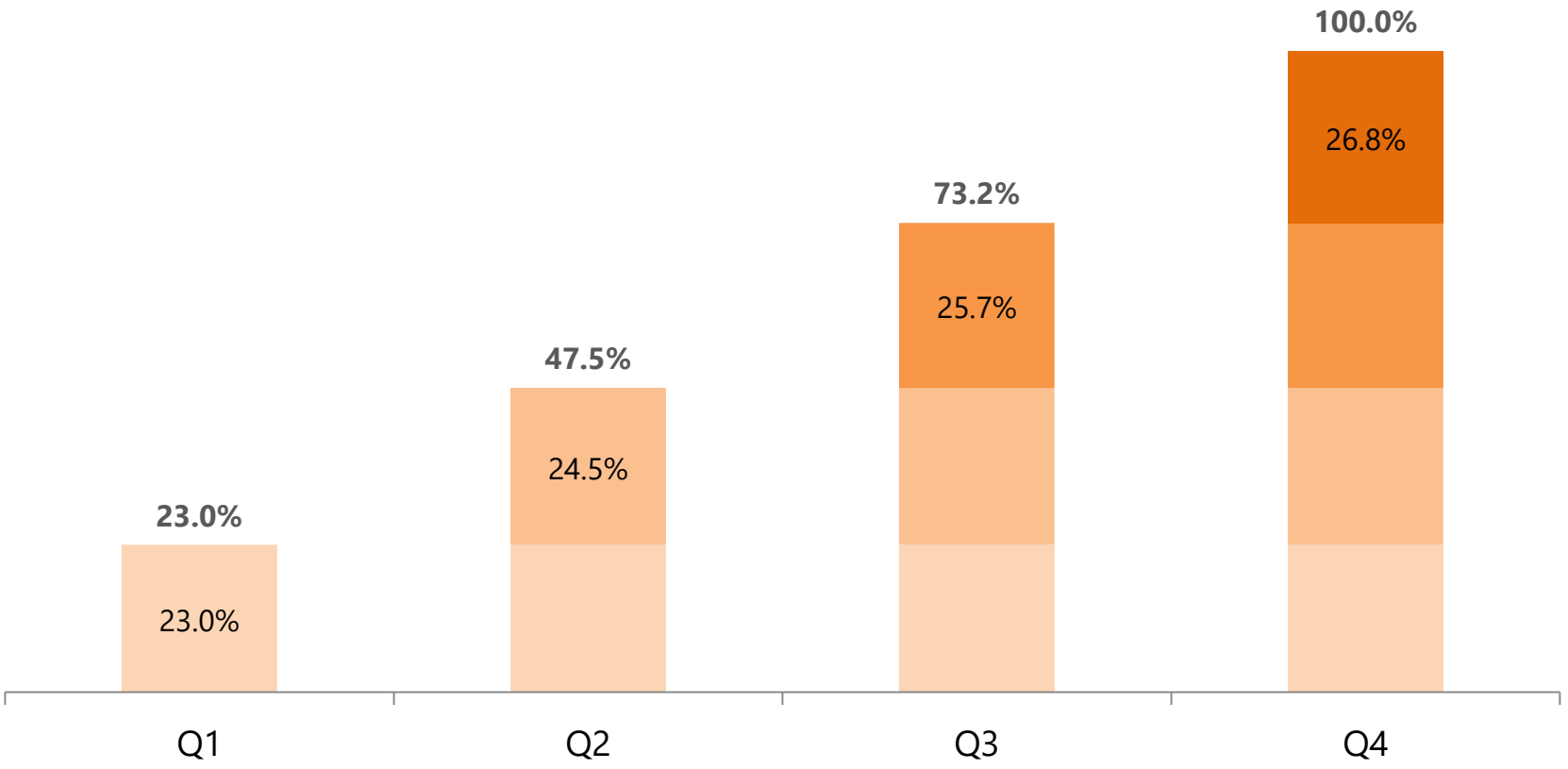


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【 Cloud Business 】Concept Image of Sales Generated throughout a Year

The contribution in Q4 is the largest because the business is based on a subscription model.



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【 IT Outsourcing Business 】Business model

Hiring inexperienced personnel

Training them to be IT engineers

Dispatching these engineers to customers



IT outsourcing business superiority

- Inexperienced person engineer appropriateness judgment know-how
- Expertise on education

Technological domains

- Java programmers
- Front ended engineers
- Infrastructure engineers
- Machine learning engineers
- Quality assurance engineers

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