MAKING AI EASY

BY MAKING
SOFTWARE INTELLIGENT

Q1 FY2021 Earnings May 2021

Appier

Our Mission

Empower businesses with artificial intelligence to grow and succeed based on data-driven decisions



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Key Achievements in Q1

BUSINESS EXPANSION

ARR

100M USD **10.6B** JPY

YoY

+38%

Reached 100M USD (10.6B JPY) ARR with 38% YoY growth rate
We also exceed our revenue forecast

GEOGRAPHICAL EXPANSION



New geographical expansion has demonstrated initial success

PRODUCT DEVELOPMENT



New products incorporated to portfolio through in-house innovation and external M&A

Financial Overview

Some Context for Interpreting Our Financial Results

As we operate internationally, our key functional currency is USD, which is different from our reporting currency of JPY. Using USD to interpret our financial results provides insights without JPY FX rate fluctuation.

While most of our customers use our products continuously and in a recurring manner, the majority of our revenue is charged based on a consumption model. Because our revenue fluctuates seasonally (Q1 and Q2 are lower seasons while Q3 and Q4 are higher seasons) comparing year-on-year financial numbers of same quarter will provide the most accurate view of the company.

Q1 Highlights (USD)

ARR(1)

USD 100.2M

Revenue

USD 26.0M

LTM NRR (4)

119%

ARR YoY Growth (2)

+38%

Revenue YoY Growth(3)

+31%

Gross Profit YoY Growth (5)

+44%

(1) ARR is conducted as the sum of the per-solution ARR. (i) For AIQUA, AiDeal and AIXON, which are offered on a subscription basis, we calculate ARR as of a certain date as the monthly recurring revenue denominated in USD during the one-month period ending on such date, multiplied by 12. (ii) For CrossX, we calculate ARR as of a certain date as the average of monthly recurring revenue denominated in USD during the six-month period ending on such date, multiplied by 12.
(2) ARR Growth from 2020 Mar. to 2021 Mar.
(3) Revenue Growth from FY2020 Q1 to FY2021Q1.
(4) We calculate NRR by dividing (i) total customer contract fees calculated in U.S. dollars during the recent 12 months from customers that used one of our solutions during the same period of prior years, by (ii) total customer contract fees calculated in U.S. dollars from such customers during the same period of prior year.
(5) Gross Profit Growth from FY2020 Q1. to FY2021 Q1.

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Q1 Highlights (JPY)

ARR(1)

JPY 10.6B

Revenue

JPY 2.7B

LTM NRR (4)

119%

ARR YoY Growth (2)

+34%

Revenue YoY Growth(3)

+27%

Gross Profit YoY Growth (5)

+40%

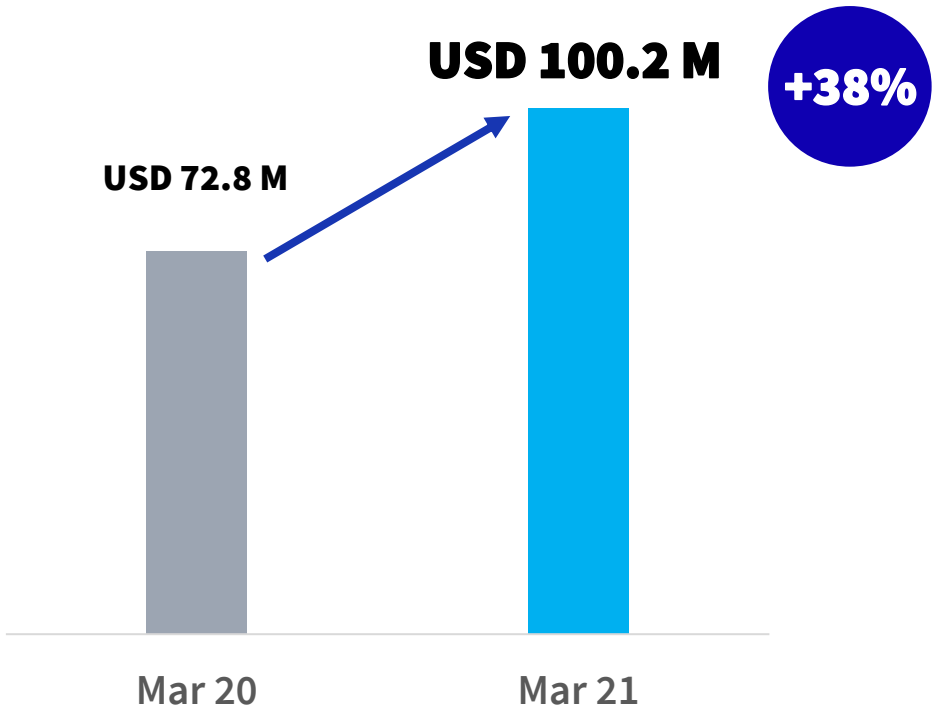
(1) ARR is conducted as the sum of the per-solution ARR. (i) For AIQUA, AiDeal and AIXON, which are offered on a subscription basis, we calculate ARR as of a certain date as the monthly recurring revenue converted in JPY during the one-month period ending on such date, multiplied by 12. (ii) For CrossX, we calculate ARR as of a certain date as the average of monthly recurring revenue converted in JPY during the six-month period ending on such date, multiplied by 12.
(2) ARR Growth from 2020 Mar. to 2021 Mar.
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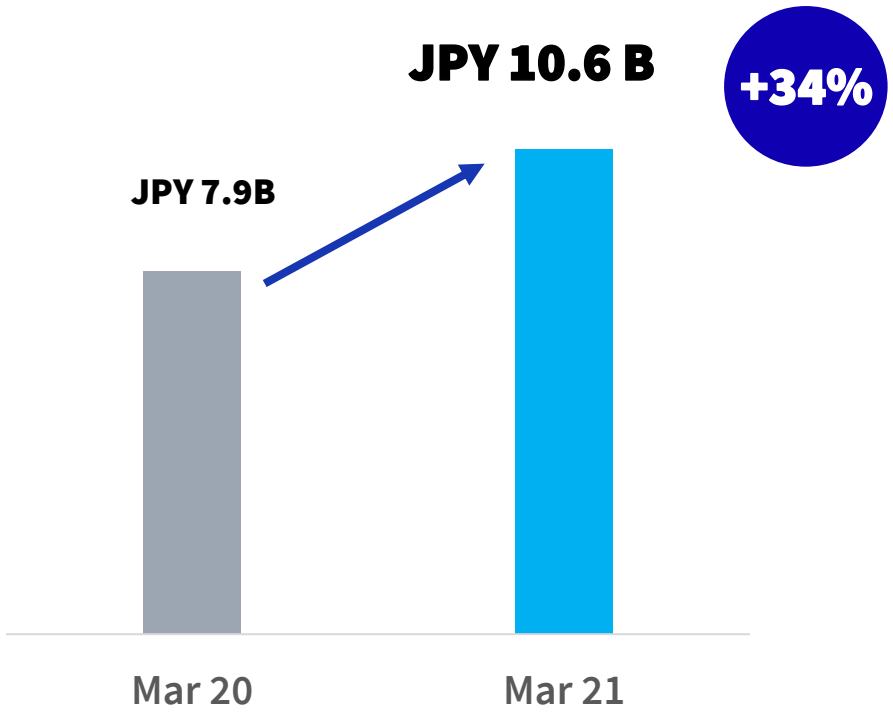
Annual Recurring Revenue

Our strong growth momentum continues, and our annual recurring revenue (ARR) has grown to over USD 100M with 38% YoY growth rate. Both our revenue and recurring revenue ratio growth contributed to our ARR growth.

ARR (USD)



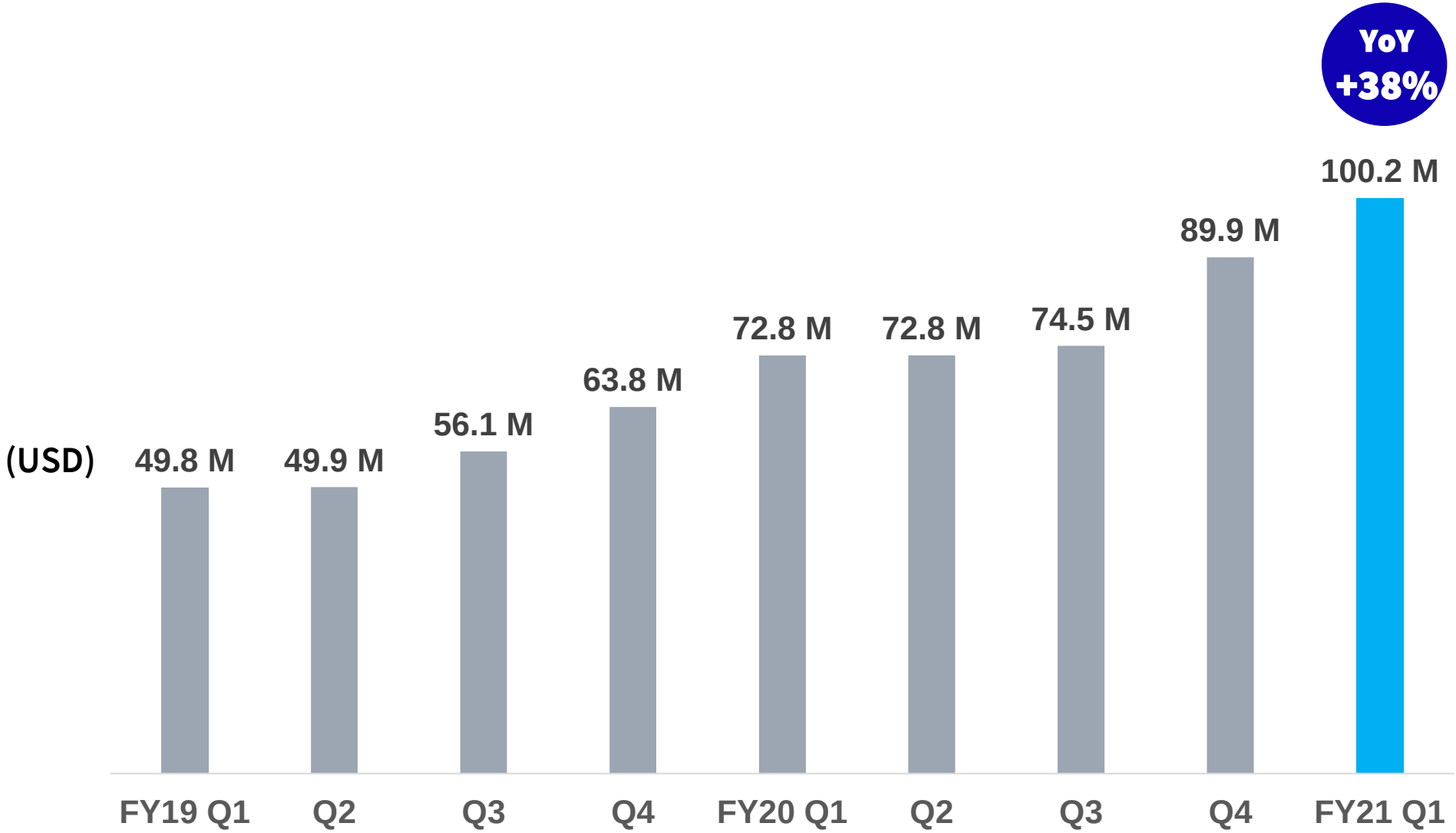
ARR (JPY)



(1) ARR is conducted as the sum of the per-solution ARR. (i) For AIQUA, AiDeal and AIXON, which are offered on a subscription basis, we calculate ARR as of a certain date as the monthly recurring revenue during the one-month period ending on such date, multiplied by 12. (ii) For CrossX, we calculate ARR as of a certain date as the average of monthly recurring revenue during the six-month period ending on such date, multiplied by 12.

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Annual Recurring Revenue Quarterly Trends

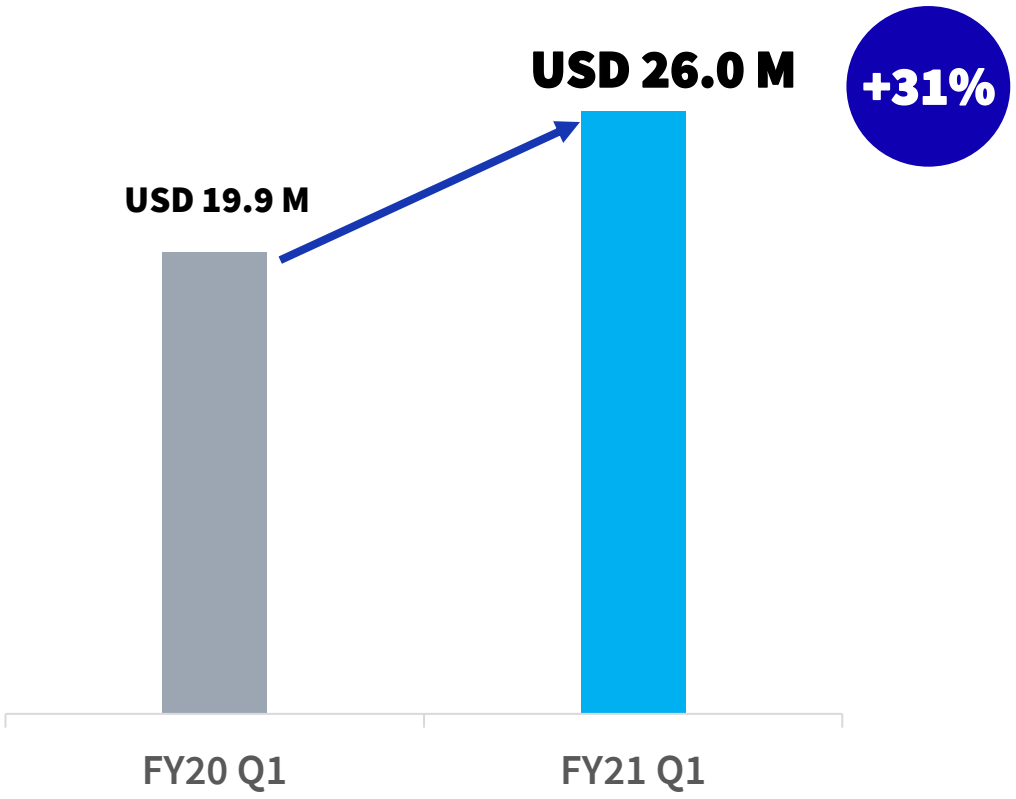


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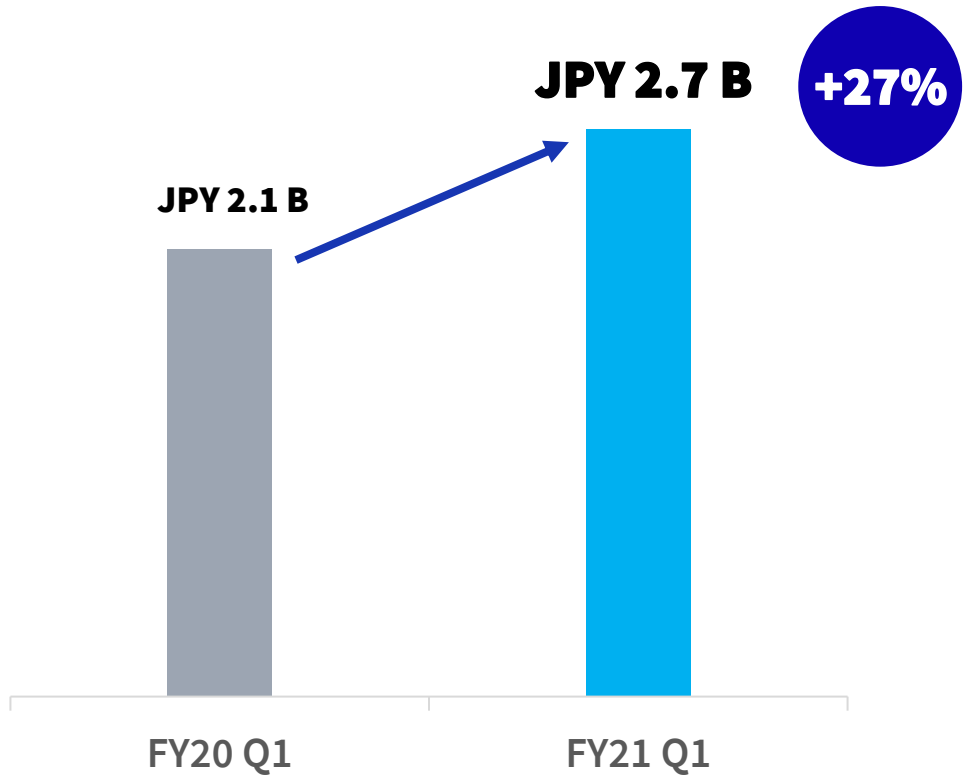
Revenue Trends

Our revenue has been consistently growing by 30%+ in the last few quarters (USD). The growth is driven by both existing and new customers. With the focus of driving our growth with onboarding recurring customers, our ARR growth rate has outpaced our revenue growth rate.

Revenue (USD)



Revenue (JPY)



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Forecast Progress

We have made good progress so far in FY21 and have reached 25% of our FY 21 forecast. During FY18-FY20, our average Q1 sales progress vs. that of the whole year was 23%. Our progress in Q1 has exceeded the previous years' average and exceeded our budget by approximately 10%.

Revenue Progress (USD)

25%

Our Q1 revenue progress in USD has exceeded our target by approximately 10%

FY 21 Forecast
USD 105.2M

Revenue Progress (JPY)

25%

Our Q1 revenue progress in JPY has exceeded our target by approximately 10%

FY 21 Forecast
JPY 10.9 B

23% FY18 - FY20
avg. Q1 vs. whole year actual

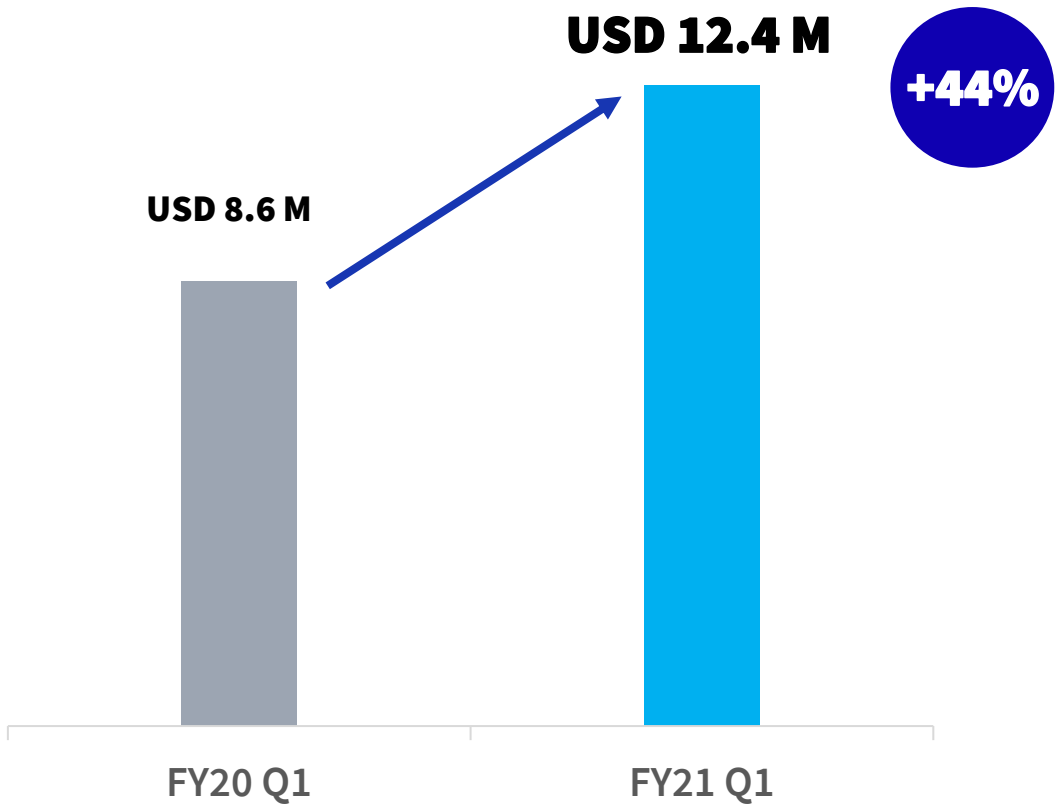
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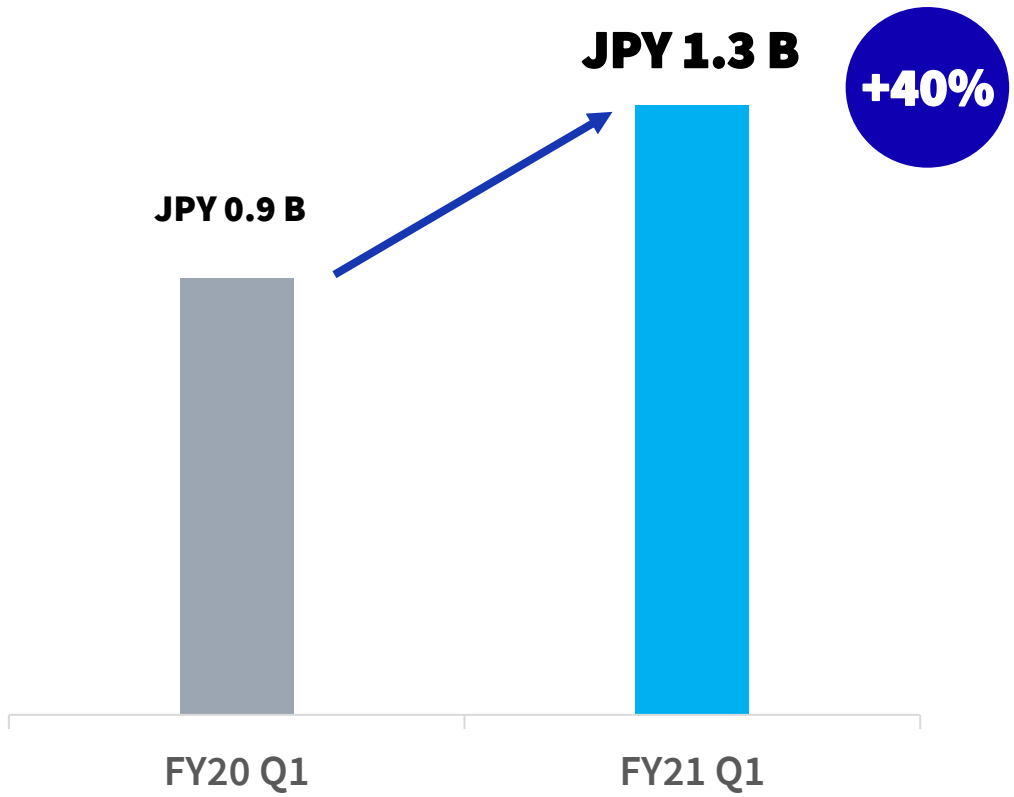
Gross Profit

Our growth profit growth rate has outpaced our revenue growth rate and reached 44% due to gross margin improvements. We expect this trend to continue.

Gross Profit (USD)



Gross Profit (JPY)

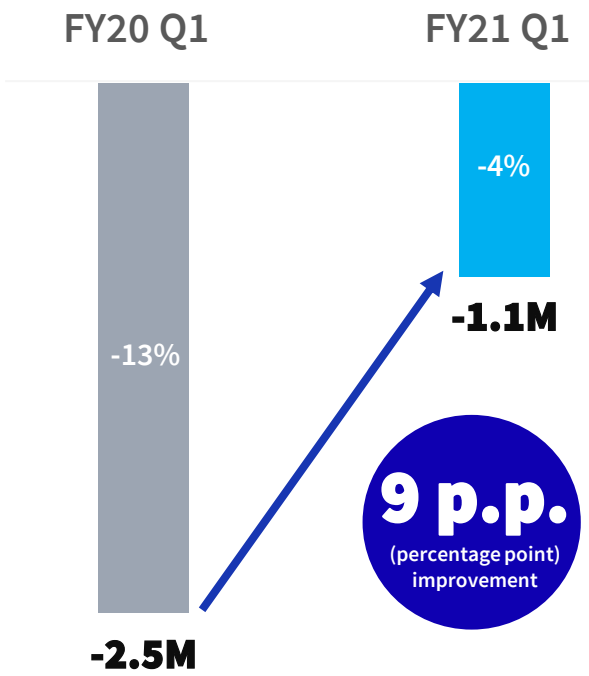


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EBITDA

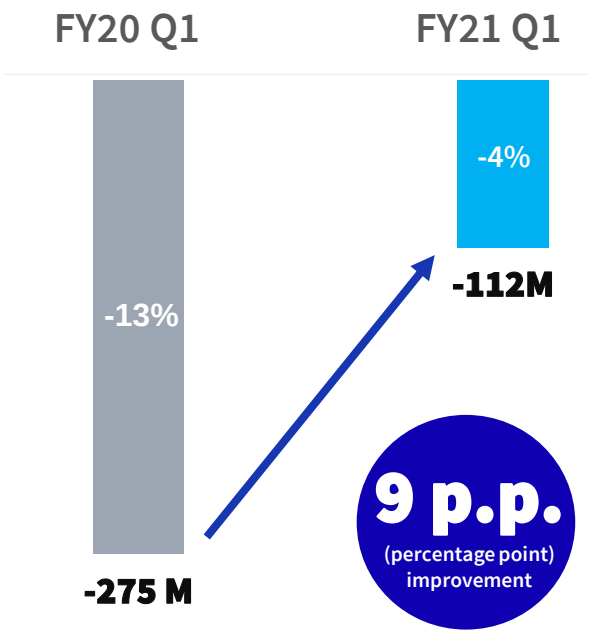
We have improved by 9% compared to the same time last year due to revenue growth and margin improvements.

EBITDA & Margin(USD)



*EBITDA excluded IPO-related expenses

EBITDA & Margin(JPY)



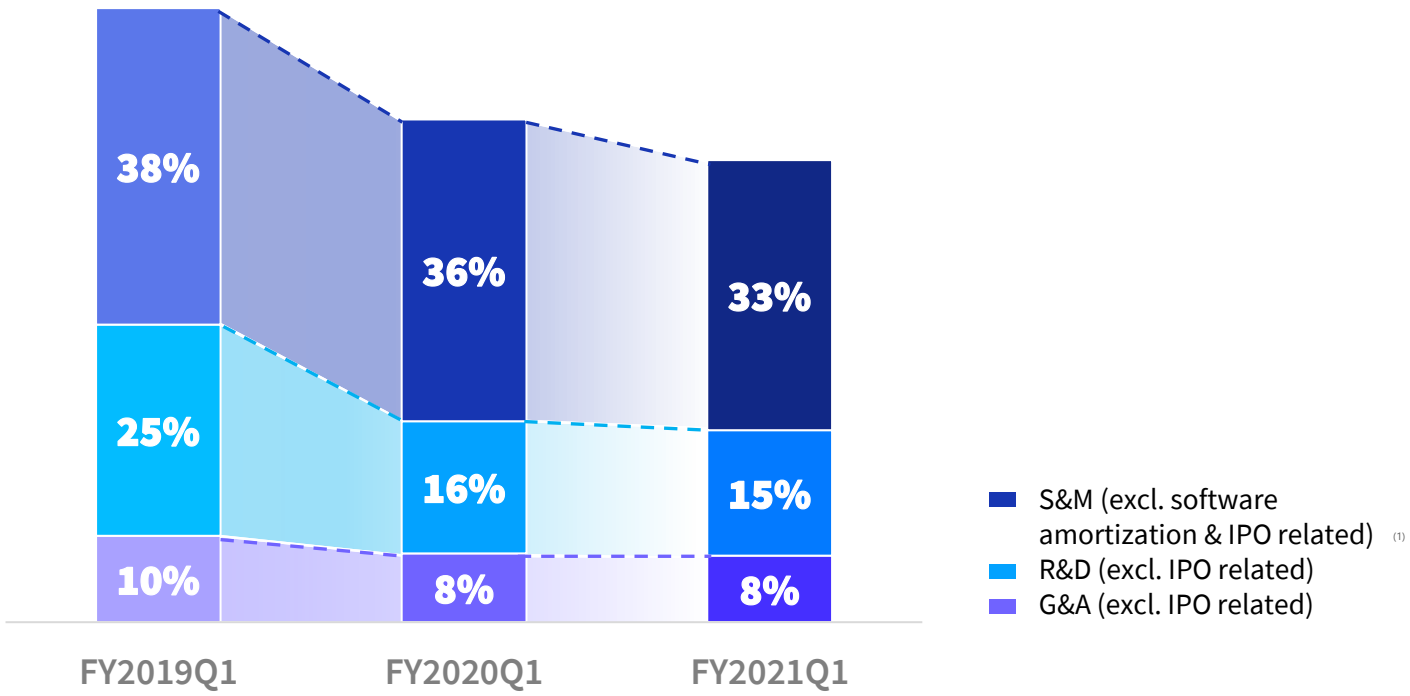
*EBITDA excluded IPO-related expenses

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Cost Structure

Our operation has demonstrated strong leverage and improvement.

Historical Cost Structure (% Revenue)

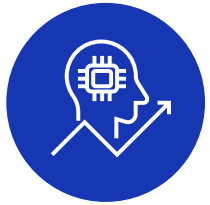


(1) Our Sales and Marketing Expenses includes amortization of software. We started software capitalization in FY2020.

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Market and Product Overview

Industry Trends are in Our Favor



AI is becoming crucial for enterprises

73% enterprises surveyed plan to deploy AI in the next 12-36 months (1)



Low AI adoption creates a large untapped market

Only **19%** of enterprises surveyed had adopted AI (1)



Talent shortages lead to SaaS opportunities

56% enterprises surveyed cited talent shortage as a challenge (the most common of those cited) (2)



Digital data growth speeds up AI scaling

26% CAGR (2020-2024) for digital data growth (3)



Predictivity at the core of marketing & sales investment

AI makes it possible to forecast results and predict returns



Automation brings efficiency and precision in marketing

AI provides excellent solutions for optimal decision making & resource allocation

(1) Source: Gartner CIO Survey 2020
(2) Source: Gartner – Three Barriers to AI Adoption

(3) Source: IDC Global Data Sphere, 20201H edition

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Solutions Developed to Address Business Challenges

Challenges Faced by Most Businesses



Scattered & fragmented data



AI/ML talent shortage



Hard to develop applications to drive business impact

Appier's Solutions Address These Challenges



Data unification and processing automation



Automated AI model building



Easy-to-configure software platform

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Applying Our Technology in the Real World

1 Data unification across comprehensive channels

Looked up a **foundation product**

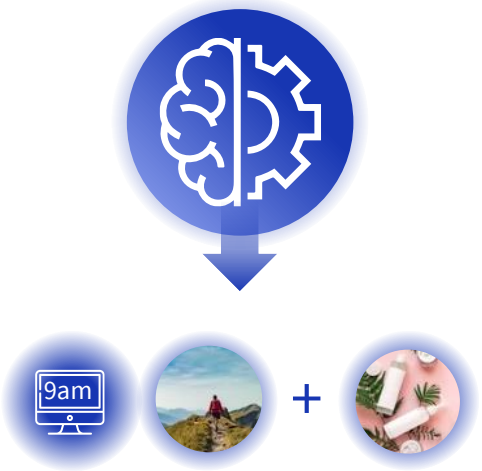


Selected a **lipstick product** on app

Checked a **makeup remover** review

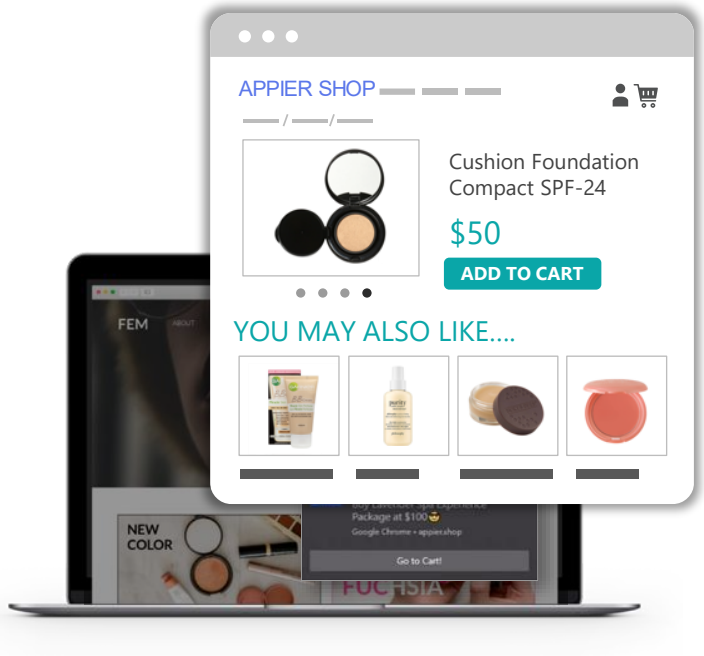
Unified and comprehensive user view

2 Automated AI model building and prediction



AI models that learn and predict what end users will buy

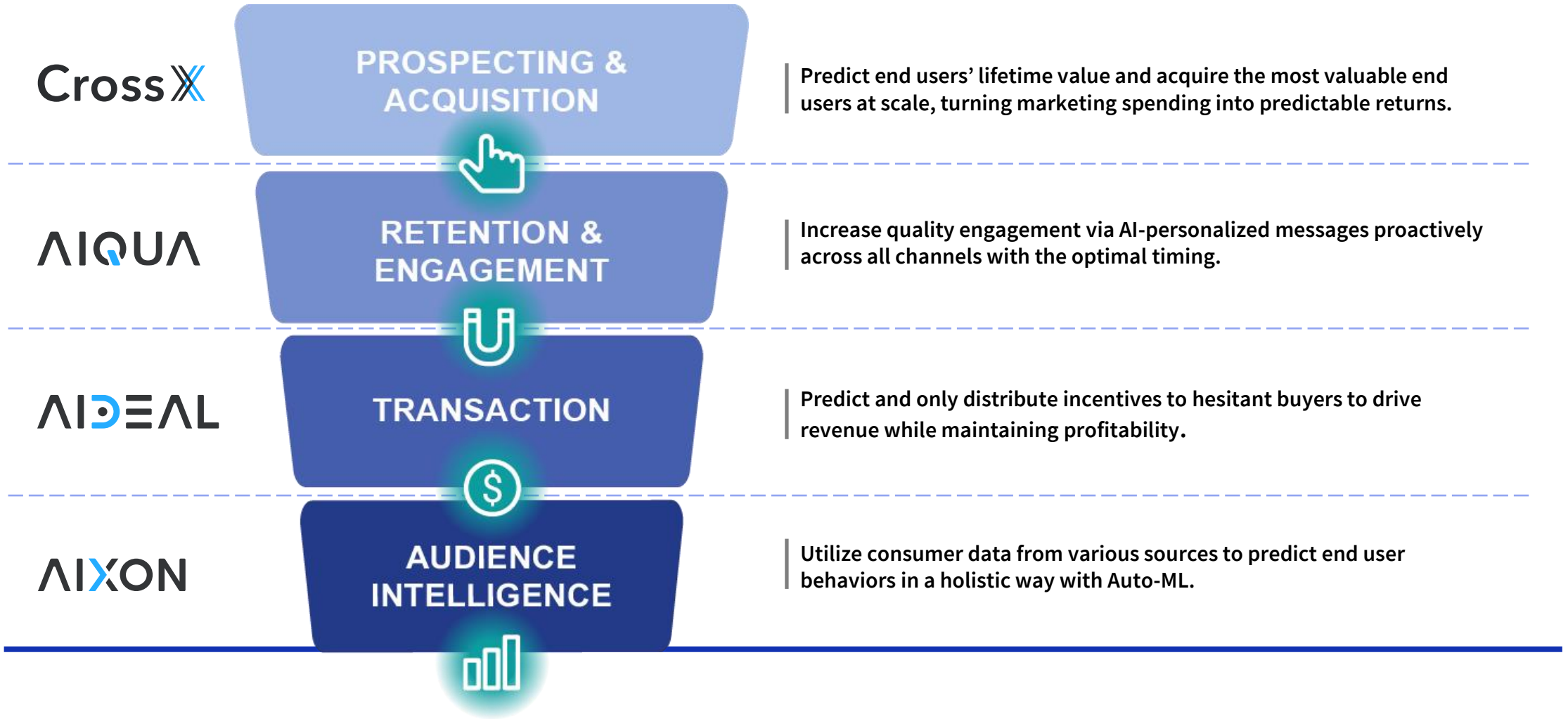
3 Instant deployment with real-time result delivery



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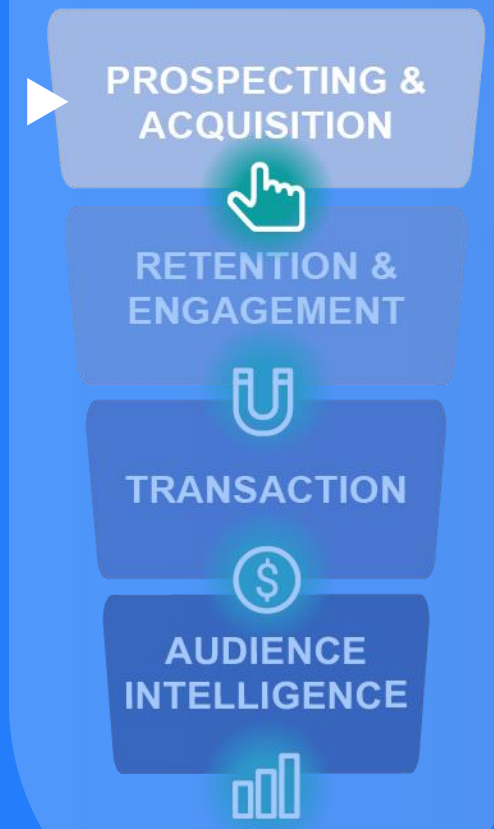
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Comprehensive AI-Powered Solutions Across the Funnel



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CrossX



CrossX enables businesses to use Machine Learning and Deep Learning to predict users' lifetime value and acquire the most valuable end users at scale, allowing businesses to turn marketing spending into predictable returns.

Machine Learning and Deep Learning to Predict High Life-time Value End Users

Acquire The Most Valuable End Users at Scale

Provide Predictable Return

AIXPERT “Self-Driving” for Marketing

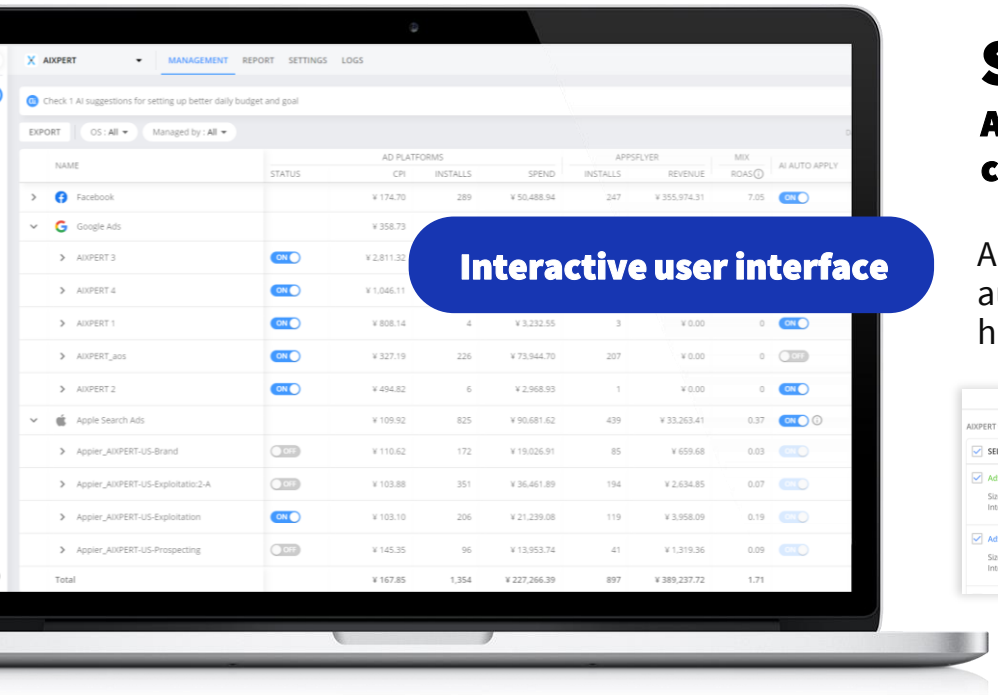
Recurring revenue model with net revenue recognition.

Challenges



It is challenging for humans to achieve precise operation 24/7

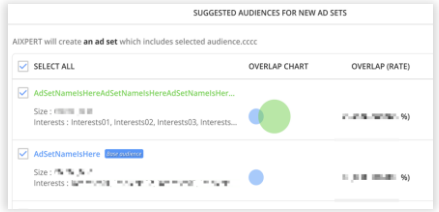
Managing digital marketing campaigns takes tremendous manual effort



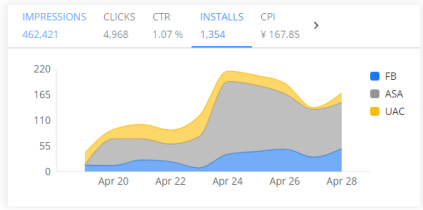
Solutions

AIXPERT platforms use AI to allow marketers to autonomously control all campaigns across all platforms

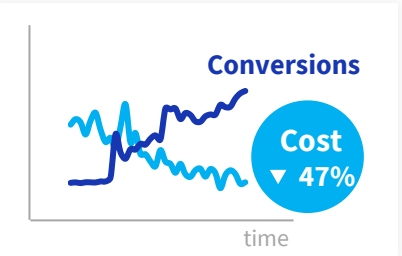
AI discovers and predicts audience settings that humans cannot easily find



AI predicts future performance and operate based on such predictions



Overall marketing performance improved by AI



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PROSPECTING & ACQUISITION

RETENTION & ENGAGEMENT

TRANSACTION

AUDIENCE INTELLIGENCE

AIQUA



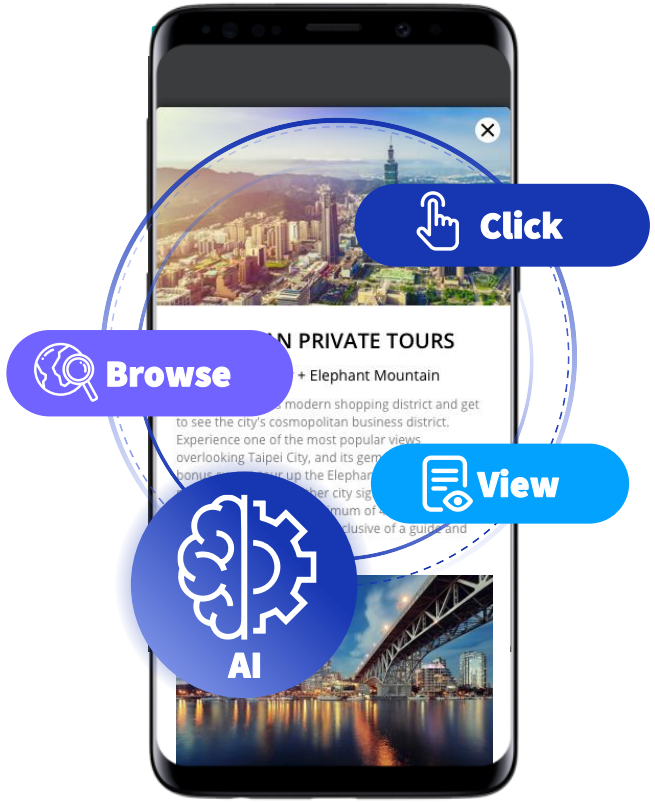
AIQUA enables businesses to increase quality engagement with end users through AI-personalized messages proactively and effectively across all their own communication channels with the optimal timing.

Multichannel Messaging | **AI-generated Messages** | **Send Time Optimization** | **Proactive Actions with Predictive Segments**

AIQUA Tap into content analysis with AI

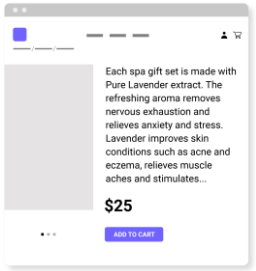
Structured data

Web events



Unstructured data

Text



Each spa gift set is made with Pure Lavender extract. The refreshing aroma removes nervous exhaustion and relieves anxiety and stress. Lavender improves skin conditions such as acne and eczema, relieves muscle aches and stimulates...

- Text recognition analysis AI

Images





- Style recognition AI
- Image Auto-tagging system

Conversation





- Dialogue data re-cognition AI

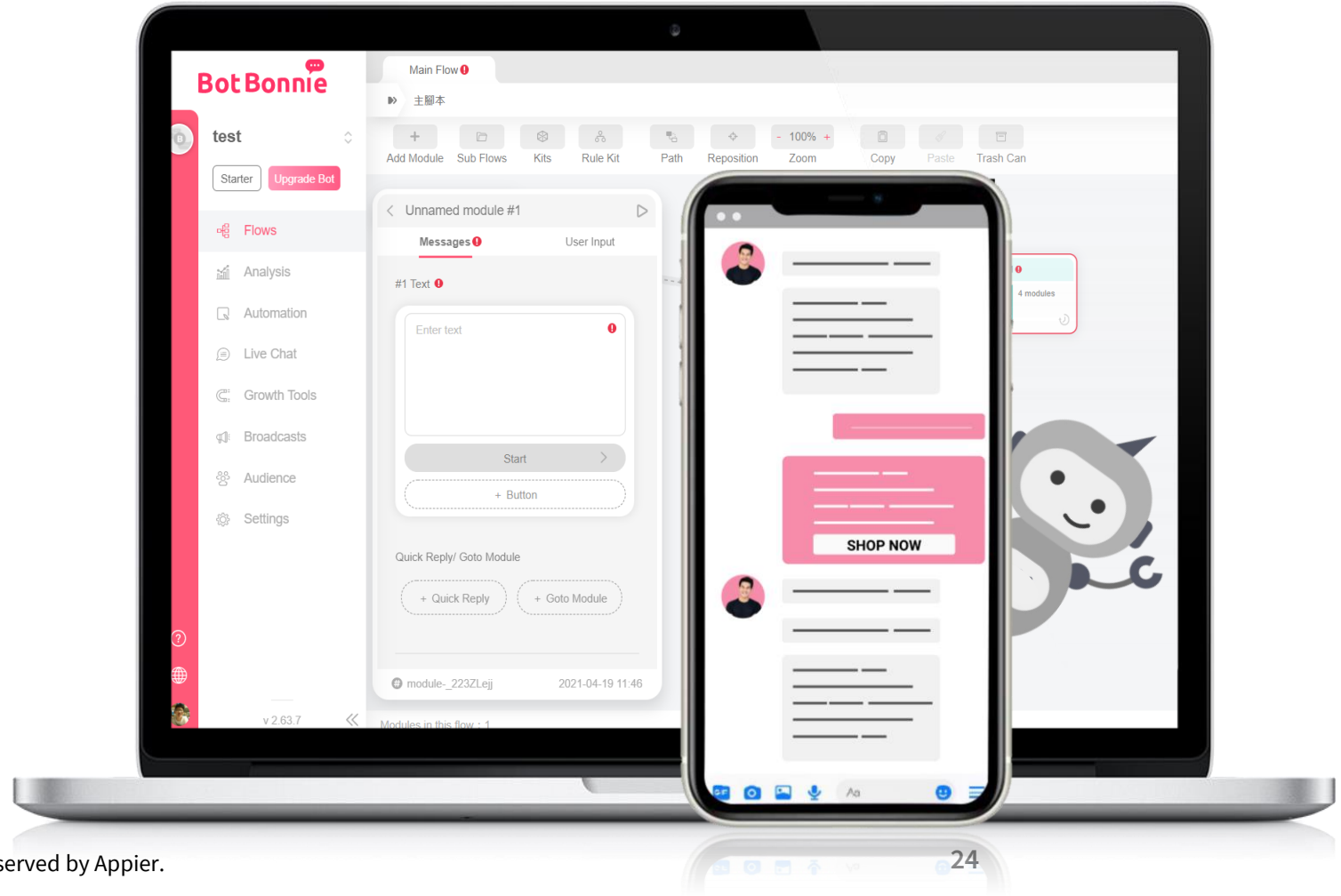
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Bot Bonnie Joins the Appier family

We have entered an acquisition agreement with Bot Bonnie, a SaaS platform that provides conversational engagement service.
The company provides SaaS platforms for companies to build conversation agents to interact with their customers. The product suites can further expand our product offerings to capture conversational interactions and commerce.

Conversational Engagement Marketing



2017

Founded in Taiwan

200+

brands

RETAIL **AUTOMOBILE**

FMCG **BFSI**

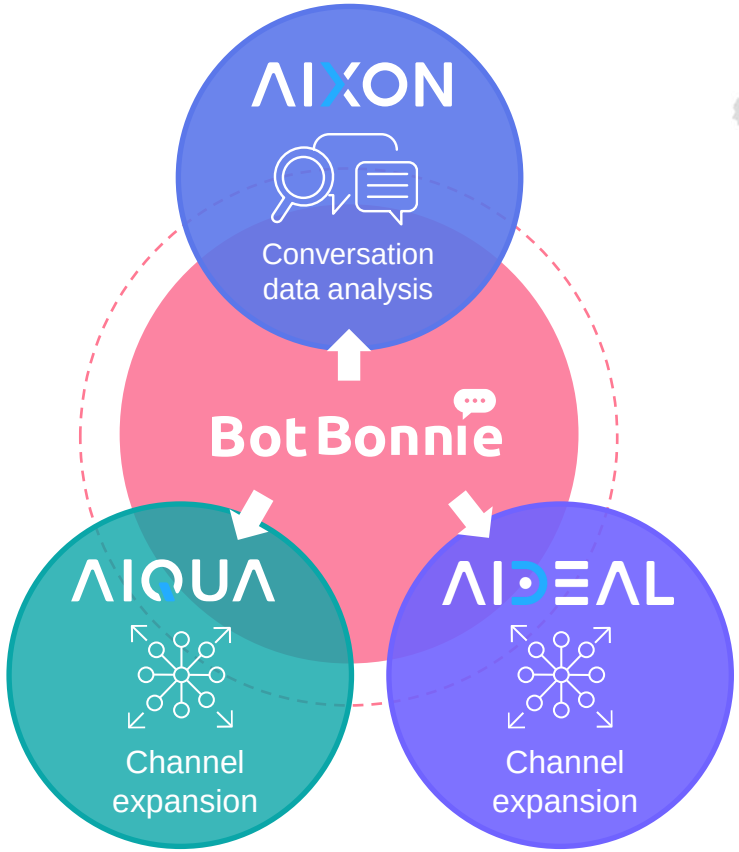
Key verticals

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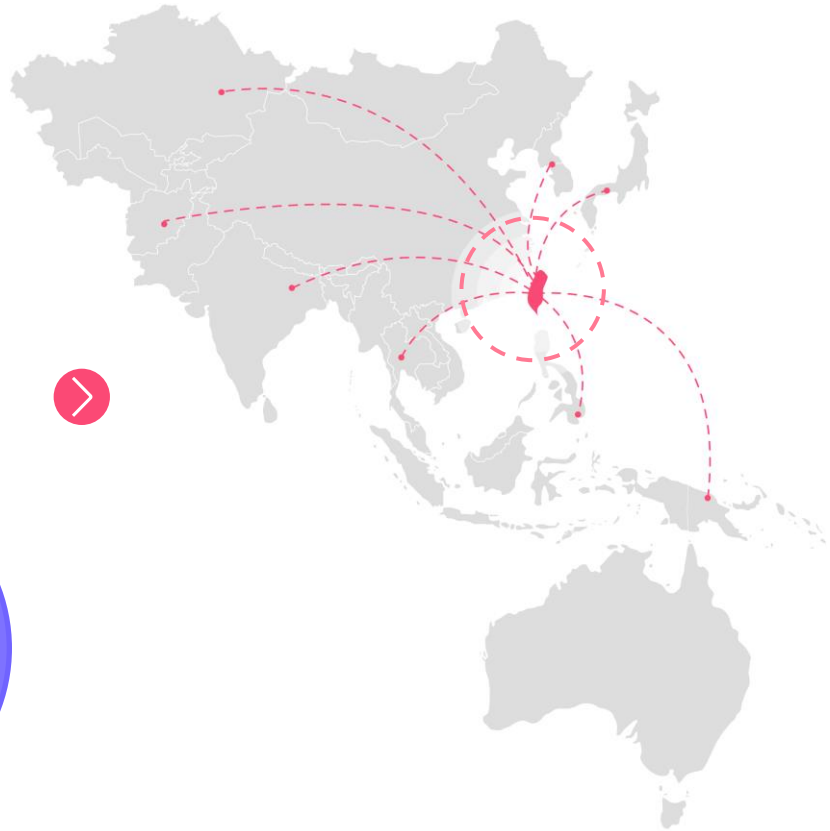
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Bot Bonnie Conversational Engagement Marketing

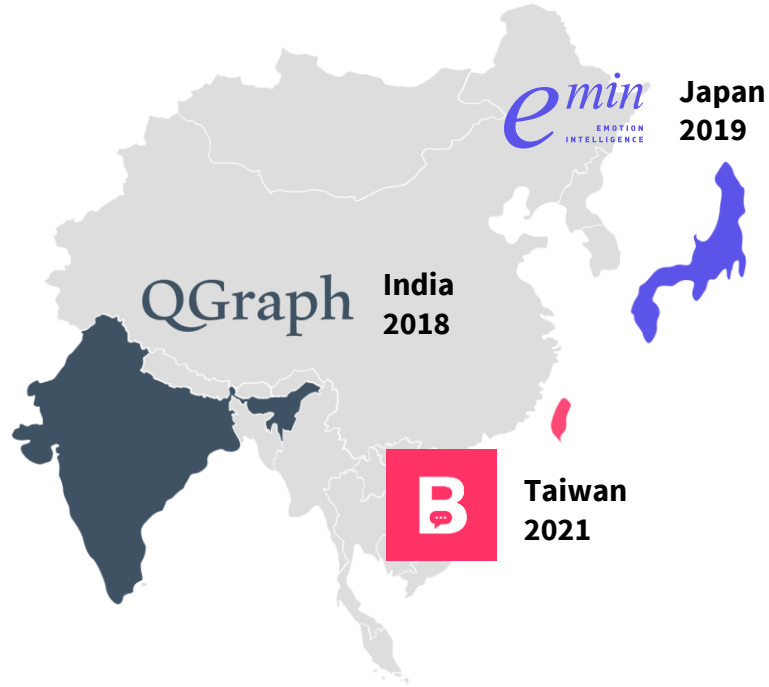
Product synergy



Region expansion

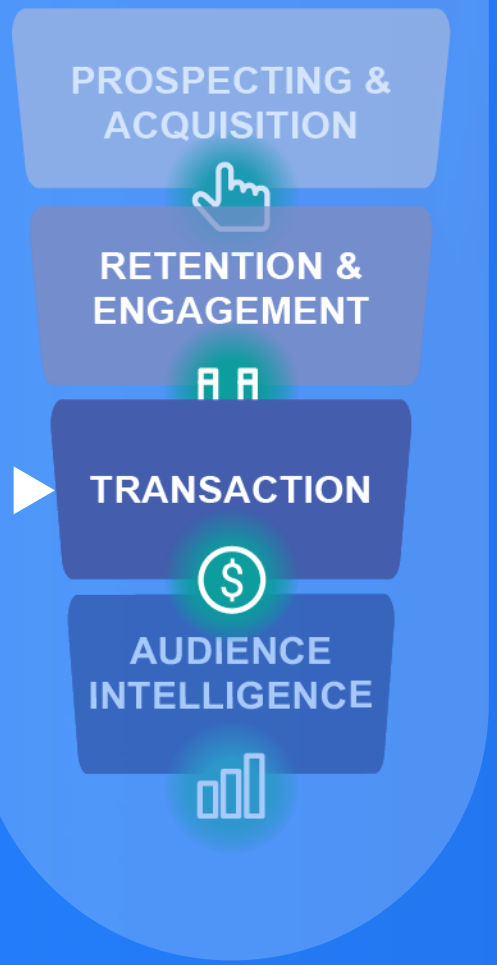


International M&A track record



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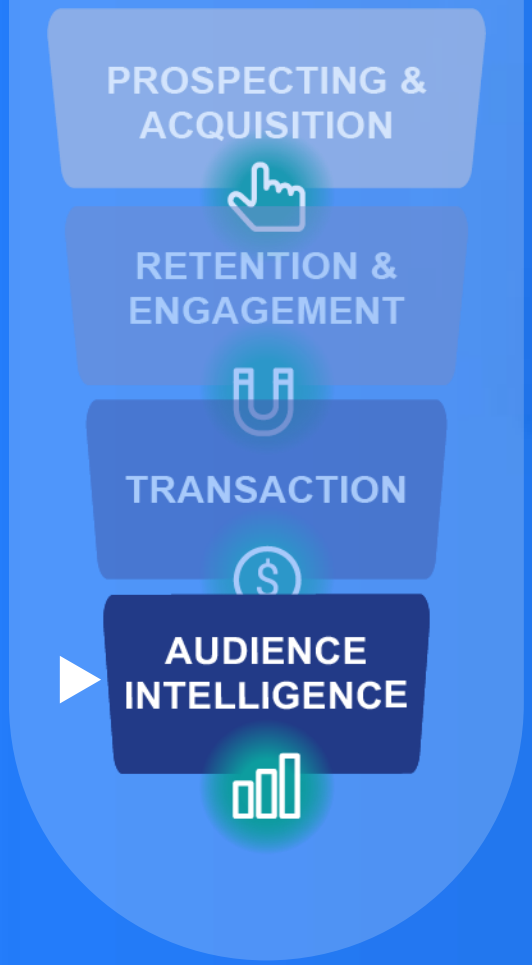


AIDEAL

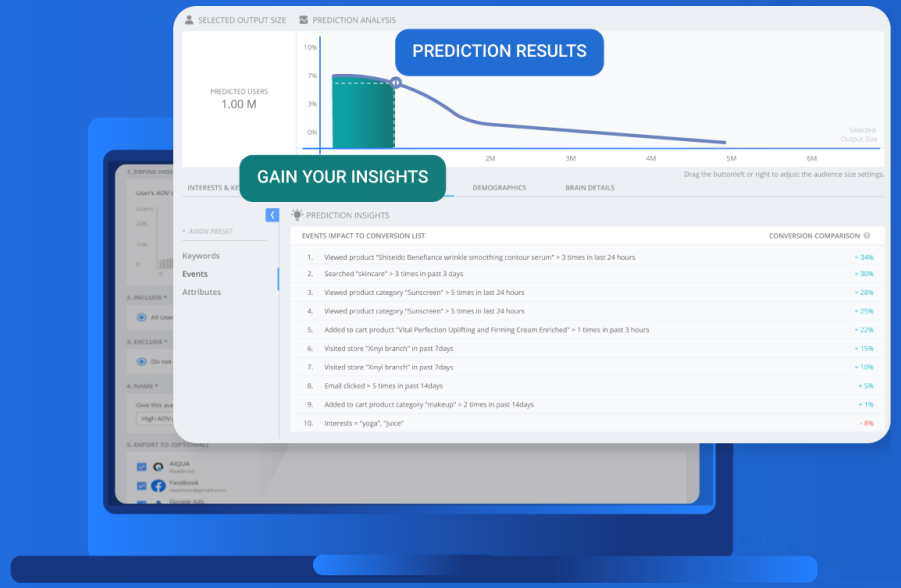


AiDeal enables businesses to use Machine Learning and Deep Learning to predict hesitant buyers through user patterns and only distribute incentives to hesitant users to drive revenue while maintaining profitability.

Predict Purchase Intent with Machine Learning and Deep Learning | **Optimized Incentives with a Sense of Urgency** | **Real-time Analytics**



AIXON



AIXON enables businesses to utilize their own end user data from various sources to predict end user behaviors in a holistic view with Automated ML model building and without the hassle of building an entire AI technology stack in-house.

Data Unification and Auto-processing | **Scenario-based Prediction with Automated ML models** | **Explainable AI**

AIXON

A Unified User Interface and seamless synergy between AIXON and AIQUA drives business value with AI predictive capabilities and campaign execution. Such integrations would also potentially increase cross-sales of the products

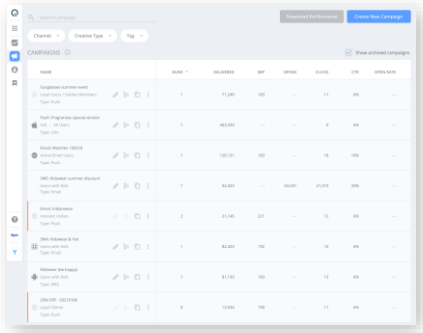
AIXON

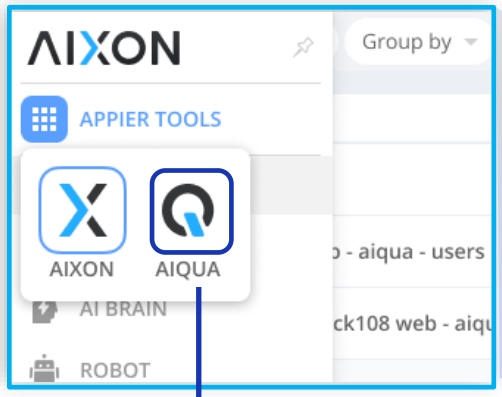
AI Prediction Models

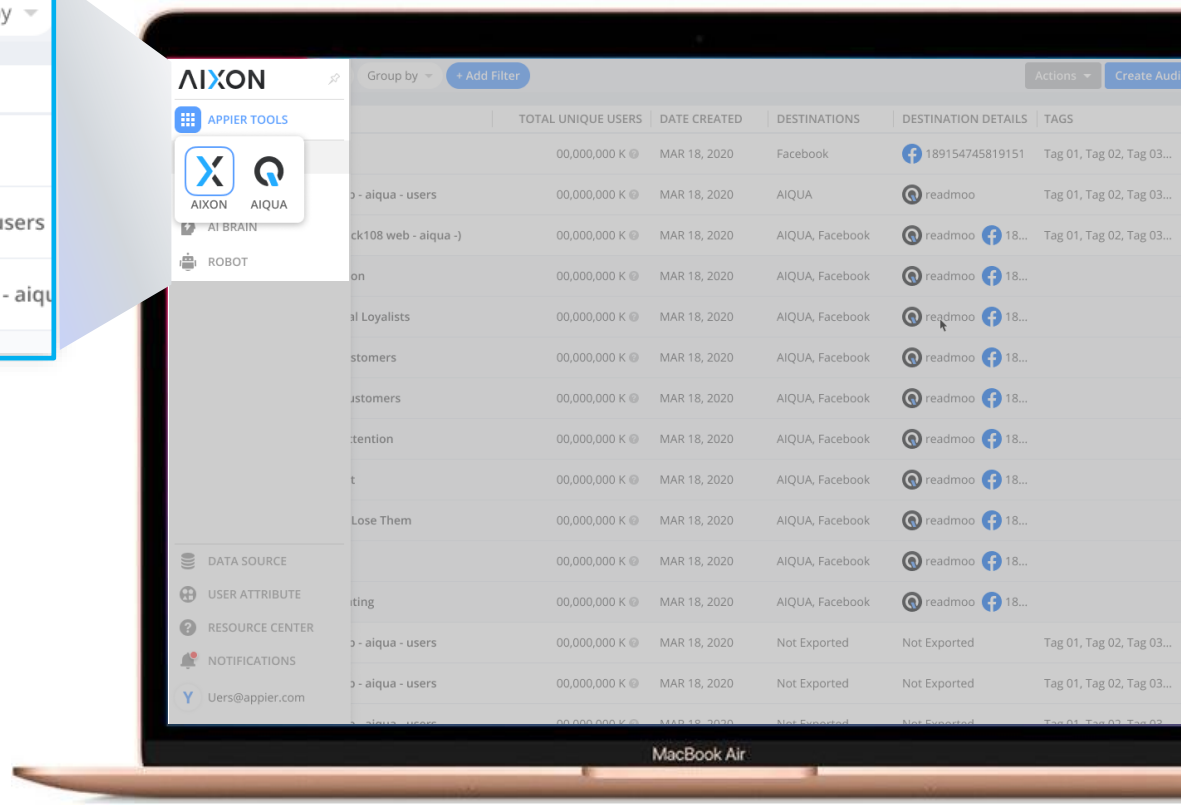


AIQUA

Omni-channel Engagement



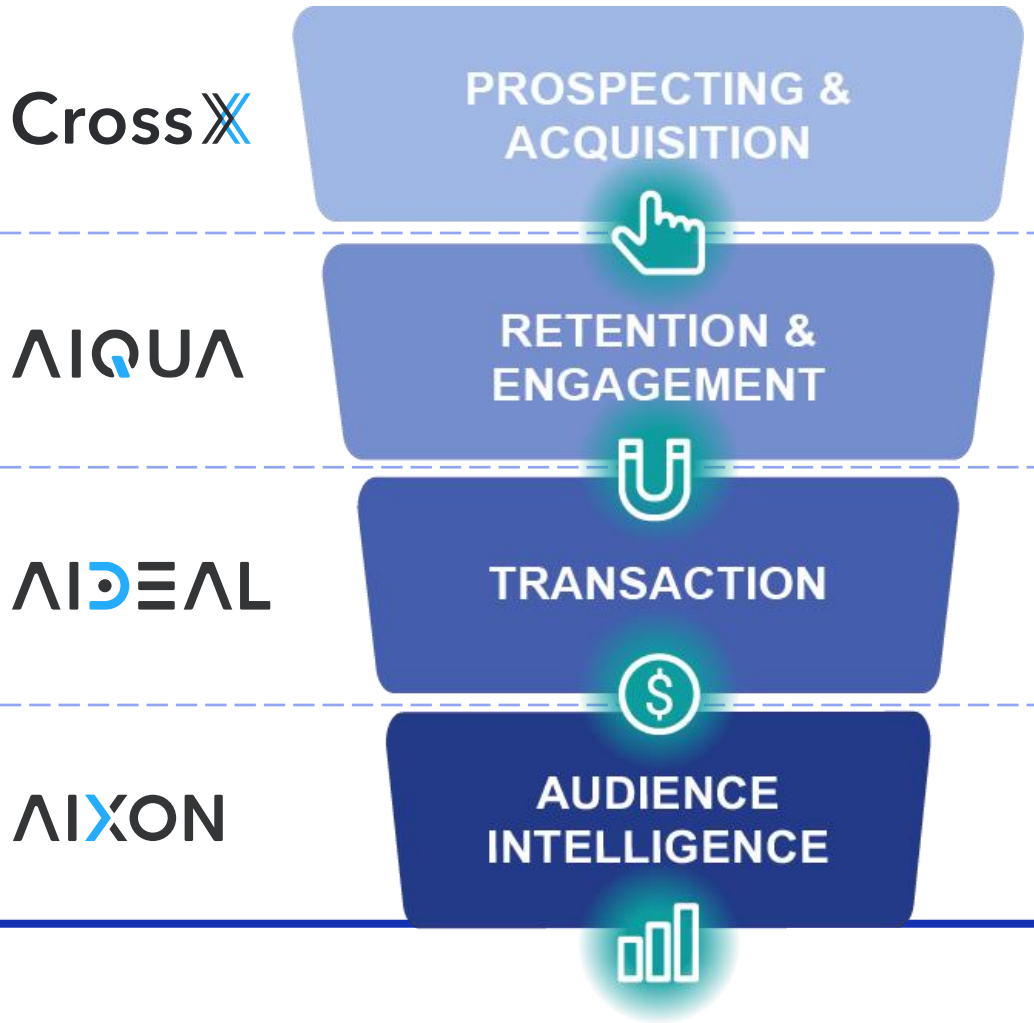




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Comprehensive AI-Powered Solutions Across the Funnel



CrossX

Predict end users' lifetime value and acquire the most valuable end users at scale, turning marketing spending into predictable returns.

Consumption-based pricing

AIQUA

Increase quality engagement via AI-personalized messages proactively across all channels with the optimal timing.

Subscription pricing

AIDEAL

Predict and only distribute incentives to hesitant buyers to drive revenue while maintaining profitability.

Subscription pricing

AIXON

Utilize consumer data from various sources to predict end user behaviors in a holistic way by Auto-ML.

Subscription pricing

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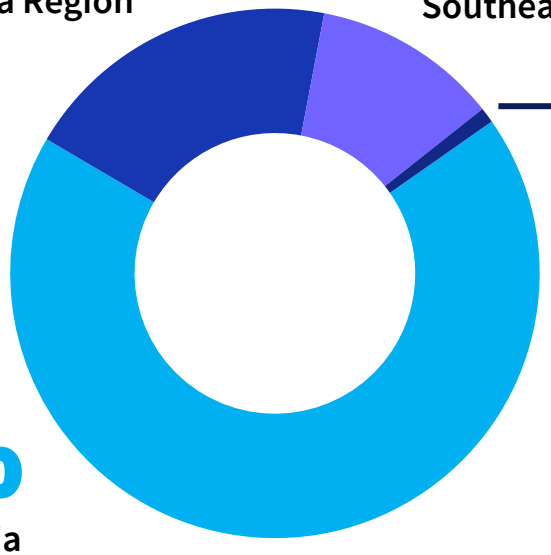
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Business progress and metrics

Diverse Revenue Base Across Geographies

The US region has started to contribute to our growth and has reached 1% of revenue contribution after only two quarters

FY21Q1 Revenue % by Geography



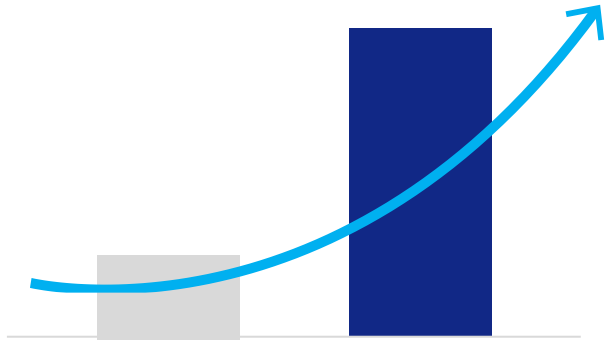
20%
Greater China Region

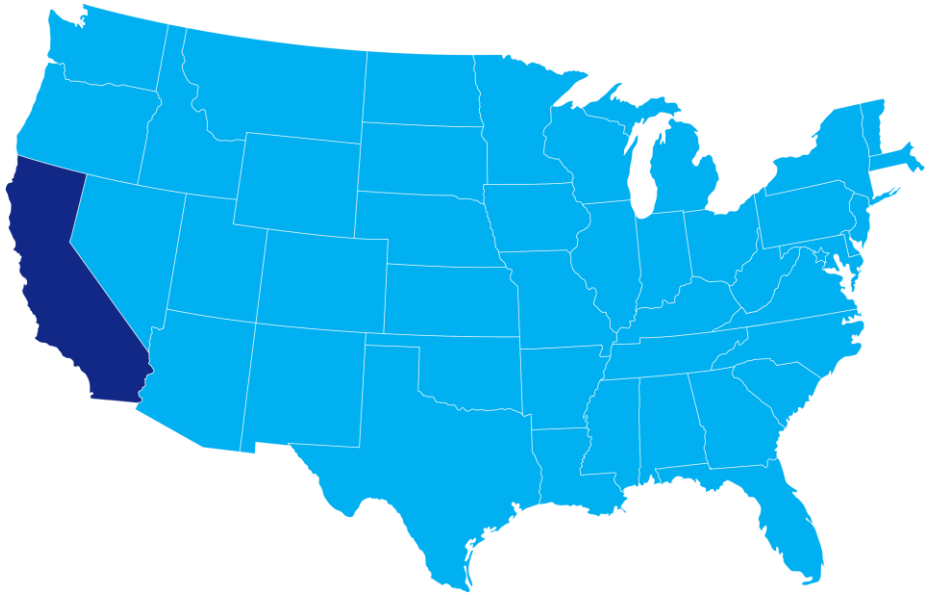
11%
Southeast Asia

1%
Others (mostly US)

68%
Northeast Asia

Revenue (USD)





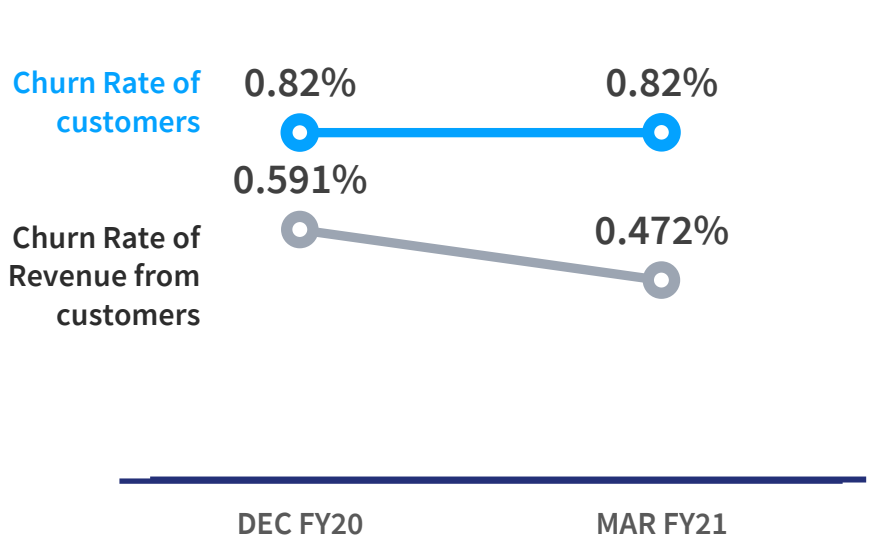
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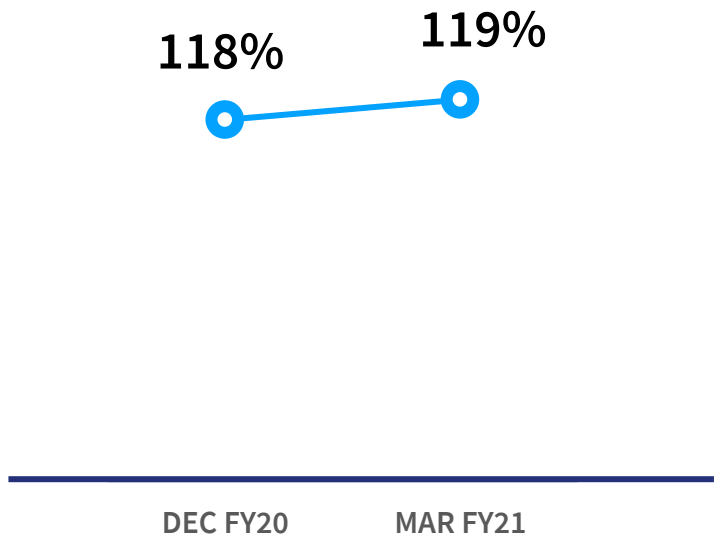
Business Metrics Are in Positive Trends – USD Base

We have successfully reduced our churn rate and improved NRR (LTM) to 119%.

LTM Churn Rate of customers [1] and Churn Rate of Revenue from customers [2]



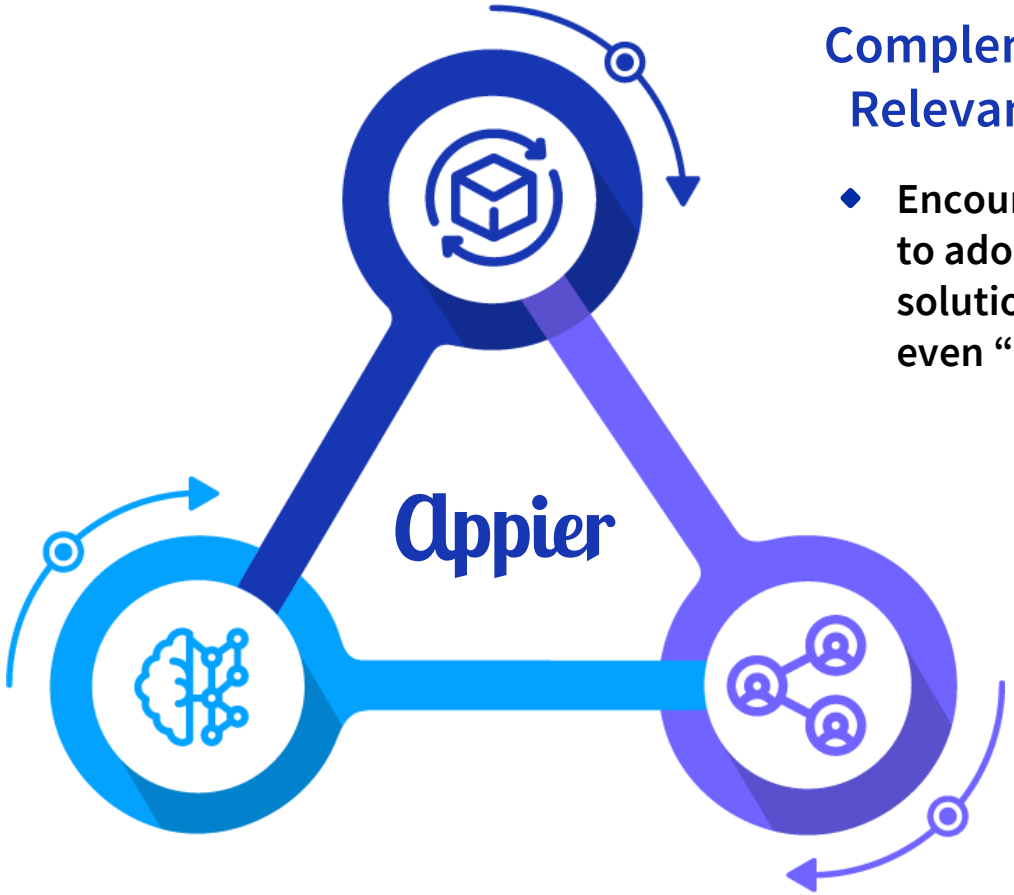
LTM Net Revenue Retention [3]



(1) Churn Rate of customers = The number of customers that terminated their relationship with us during the month divided by the number of all customers as of the end of the month.
(2) Churn Rate of Revenue from customers = The customers contract fees calculated in U.S. dollars from customers that terminated their relationship with us during the month, divided by customers contract fees calculated in U.S. dollars from all customers
(3) We calculate NRR by dividing (i) total customer contract fees calculated in U.S. dollars during the recent 12 months from customers that used one of our solutions during the same period of prior years, by (ii) total customer contract fees calculated in U.S. dollars from such customers during the same period of prior year.

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Appier's Strong Network Effects Drive Platform Value



Complementary and Relevant Products

- Encourage customers to adopt more solutions and become even "stickier"

AI Model Learning & Improvement

- Positive reinforcement for customer stickiness

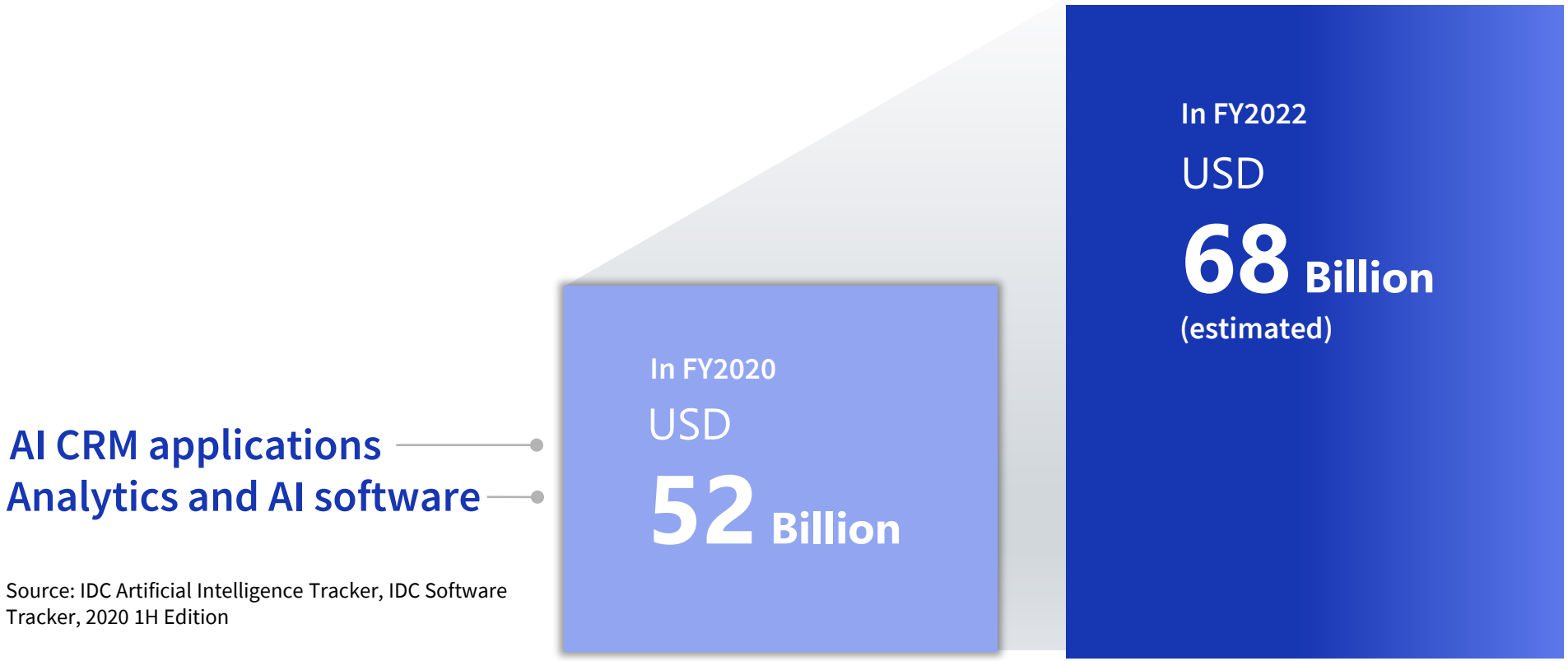
Data Synergy Across Products

- Ease of leveraging a shared data infrastructure allows cross-selling more easily

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Large & Fast-growing Market for AI Solutions



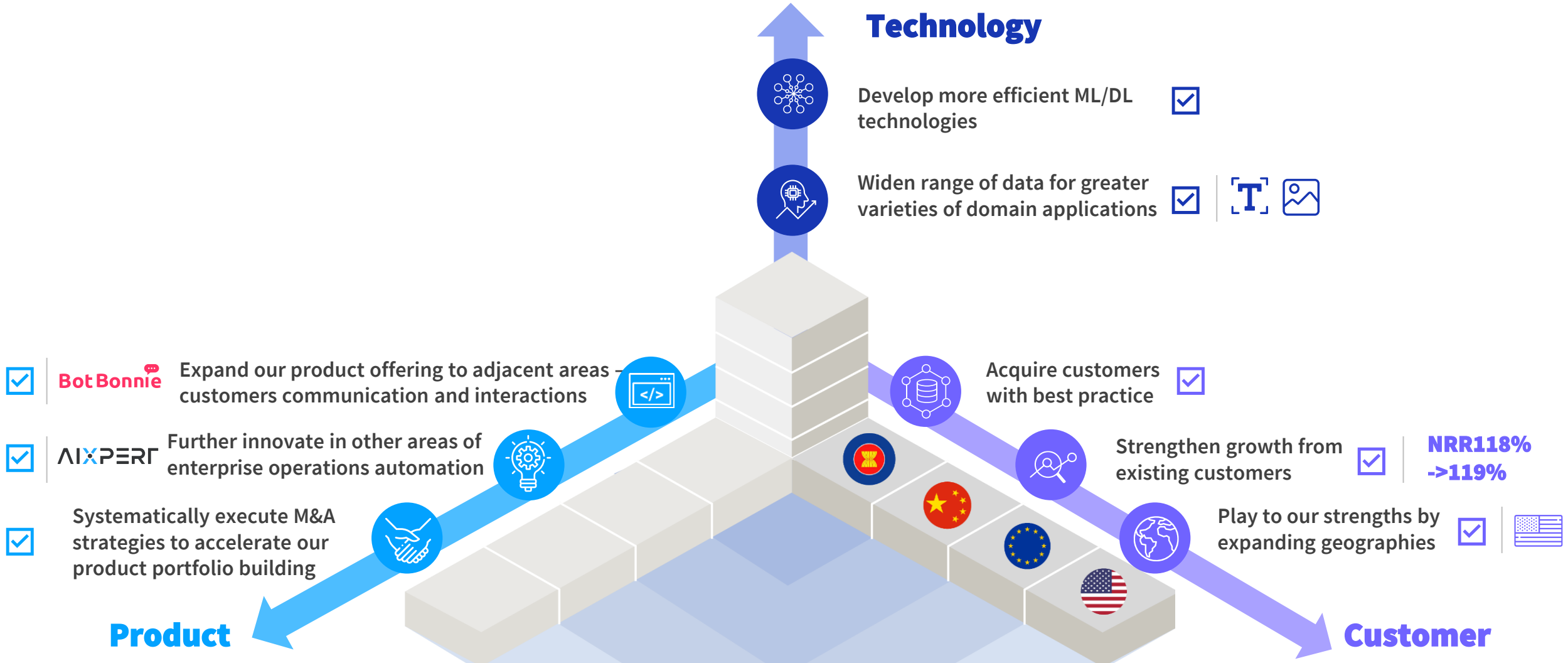
Source: IDC Artificial Intelligence Tracker, IDC Software Tracker, 2020 1H Edition

TAM: Total Addressable Market

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Future Growth Strategy



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Appendix

Founder-led Management of AI & Business Leaders

Founders



Dr. Chih-Han Yu
Chief Executive Officer

Stanford University
Harvard University



Joe Su
Chief Technology Officer

Harvard University



Dr. Winnie Lee
Chief Operating Officer

Harvard University
Washington University

Business leadership



Koji Tachibana
Senior Vice President of Finance

DeNA, NOMURA, METI



Magic Tu
Senior Vice President,
Sales for APAC

HTC, Synopsys



Michelle Wong
Senior Vice President,
Enterprise Business

IBM, Cisco, AT&T

Awards and Recognitions

7 world champions
in data mining contests [1]
(2008 - 2020)

AI100
CB Insights (2017, 2018)

Top 50
AI startups worldwide
(2017)

Cool Vendor in AI
Gartner
(2017)

(1) Championships on which Appier employees were part of the winning team

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Why Appier Wins

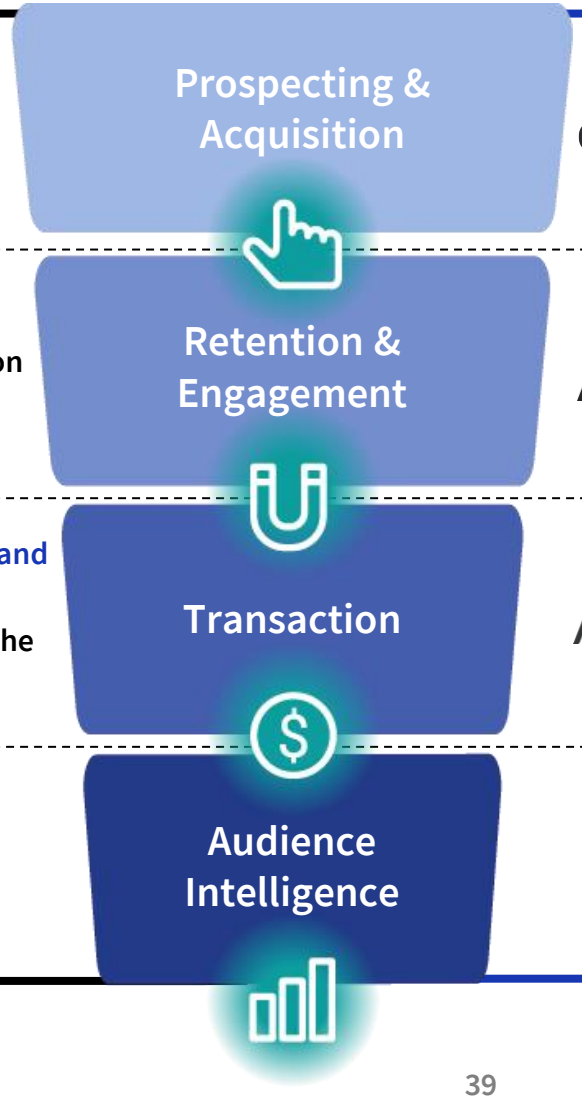
Existing Solutions

Manual A/B testing
- Leading to waste of budget and unlikely to outperform machines

Marketing Cloud solutions
- Mostly based on a reactive approach based on past behaviors

Broadcasting or Segmenting users into groups and providing different incentives
- Waste of coupon subsidies, which damages the profitability, and is unable to fully drive the topline growth

AI vendors or building an inhouse data scientist team
- Potentially hard to scale and more costly



Why Customers Choose Appier

CrossX
- ML modules predict high life-time value end users
- Acquire the most valuable users at scale with predictable return on investment

AIQUA
- Predict end users' potential behaviors and proactively engage them effectively
- Fully automated solutions with tightly integrated AI on all messaging channels

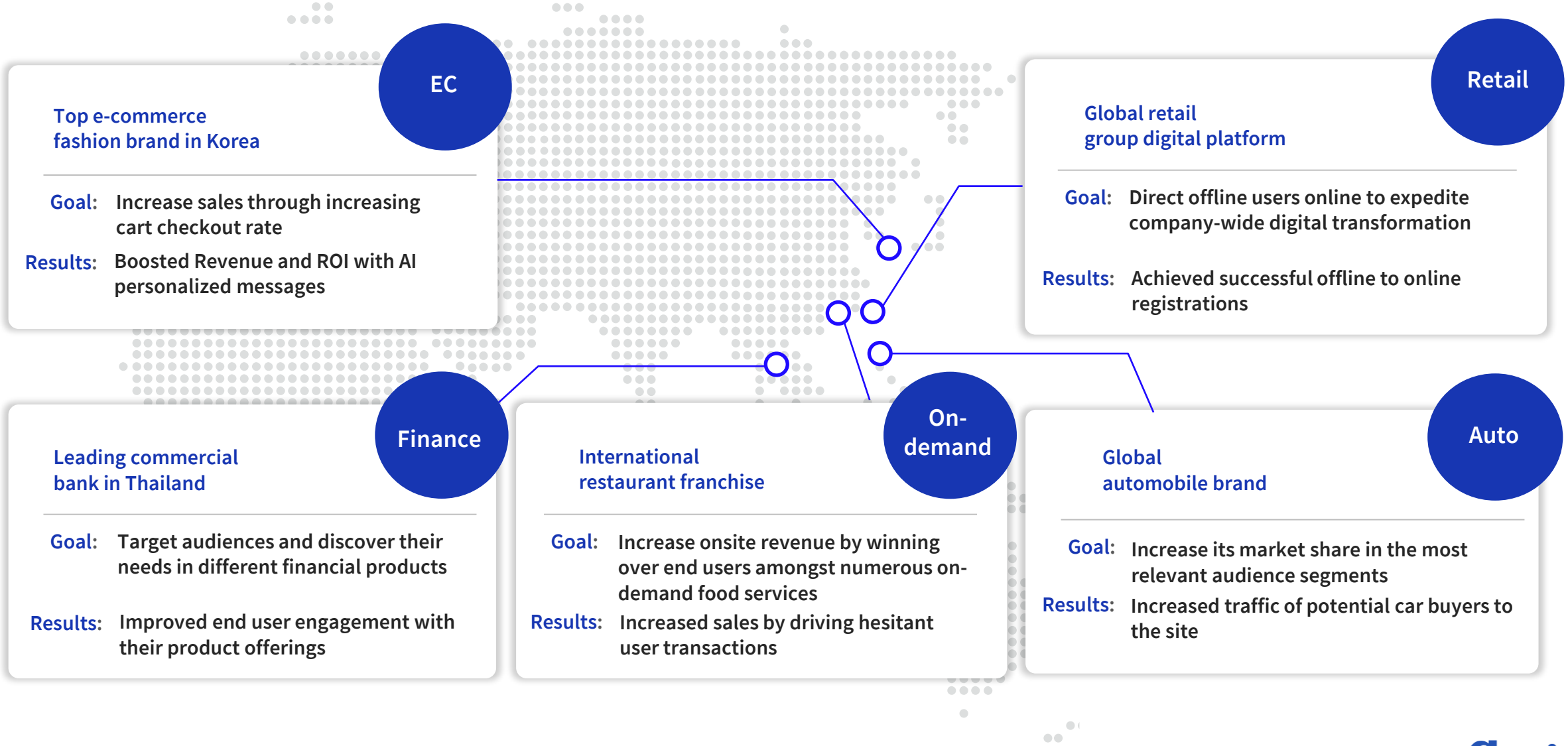
AIDEAL
- AI detects hesitant buyers by identifying end user patterns and distributing incentives only to those hesitant buyers
- Uplift sales while reducing coupon subsidies and costs

AIXON
- Automated-ML to build differentiated best-in-class AI prediction models through SaaS
- Business users able to leverage AI capabilities without scientists / engineers

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Best Practices Established Across Industries

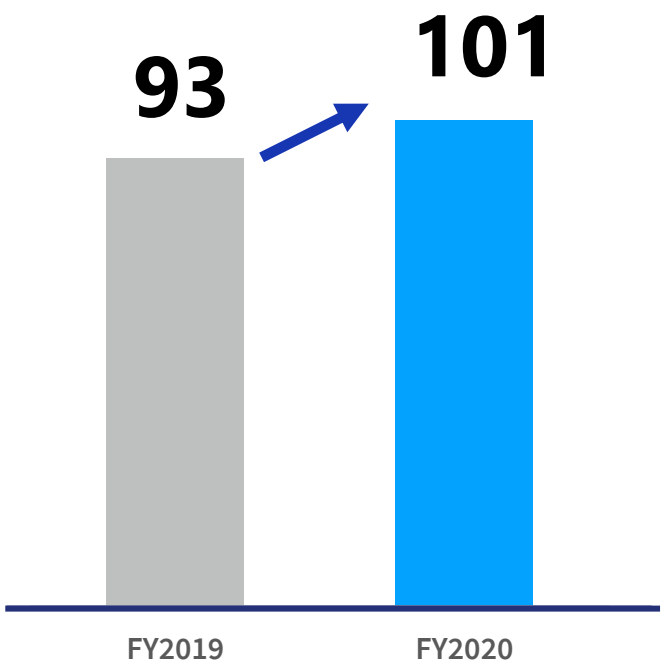


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All Business Metrics Are in Positive Trends – USD Base

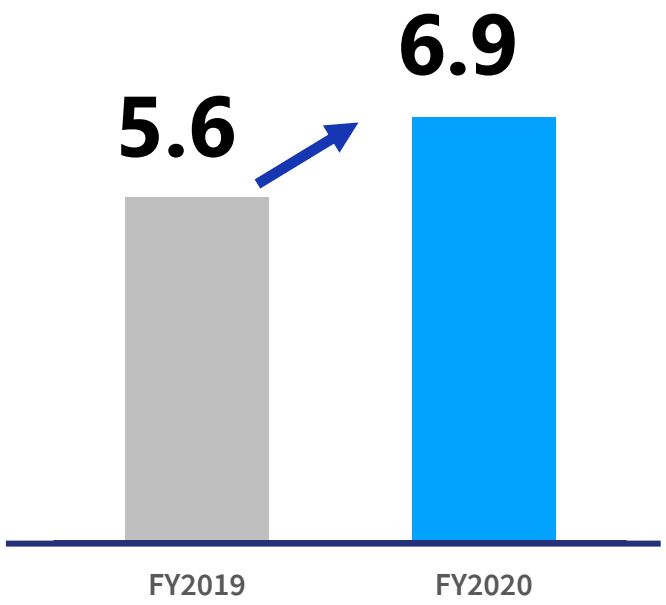
Average Revenue Per customer(1)

(USD Thousands)

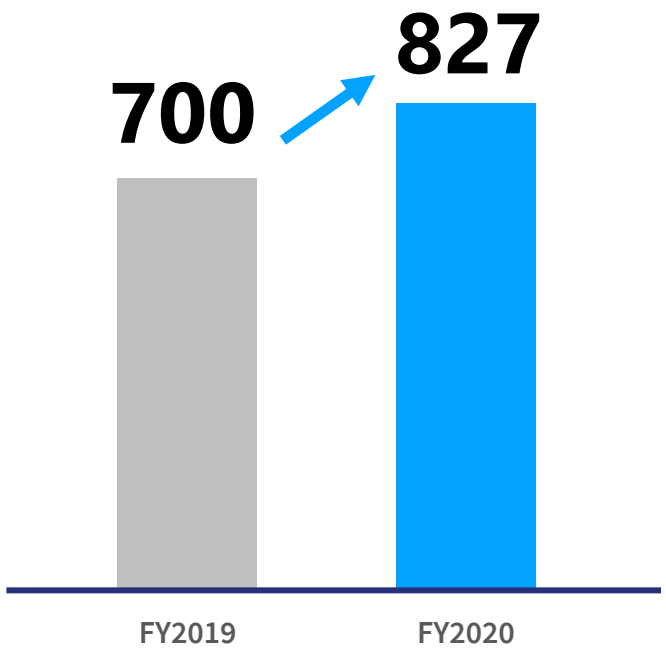


LTV/CAC(2)

(USD basis, Multiple)



of customers (3)



(1) ARPC = Our total customers contract fees calculated in U.S. dollars for the period divided by the number of customers that provided such fees at the end of each period, excluding customers that used a solution for only one month or less
(2) LTV/CAC: LTV (lifetime value) (i) ARPC in a given fiscal year multiplied by gross margin for such fiscal year, divided by (ii) churn rate of revenue from customers for such fiscal year. CAC (customer acquisition cost) (i) fully loaded sales and marketing expenses, including employee salaries and benefits, related to all kinds of customers activities and functions in a given fiscal year calculated at the operating level in U.S. dollars, divided by (ii) the number of new customers acquired in such fiscal year (excluding those acquired through strategic acquisitions).
(3) "Customer" refers to a corporate group that has one or more active contracts for our solutions, excluding trial or demo use. Such corporate group is counted as a separate "customer" with respect to each solution it uses. Number of customers as of the end of December 2019 and December 2020 respectively

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Selected Financial Data

(in millions of USD)

	2019	2020	2020Q1	2021Q1	YoY
Selected statement of income data:					
Revenue	**66.3**	**84.2**	**19.9**	**26.0**	**31%**
Cost of sales	(39.5)	(45.4)	(11.3)	(13.6)	
Gross profit	**26.8**	**38.8**	**8.6**	**12.4**	**44%**
Gross margin	**40%**	**46%**	**43%**	**48%**	
Sales and marketing expenses	(25.4)	(32.5)	(7.2)	(9.6)	
% of Revenue	*38.3%*	*38.6%*	*36.4%*	*37.1%*	
Research and development expenses	(16.3)	(14.0)	(3.2)	(4.0)	
% of Revenue	*24.6%*	*16.6%*	*15.9%*	*15.4%*	
General and administrative expenses	(6.7)	(7.6)	(1.6)	(3.8)	
% of Revenue	*10.2%*	*9.0%*	*8.3%*	*14.7%*	
Other income	0.0	0.7	0.0	0.0	
Other expenses	(0.0)	(0.2)	-	(0.0)	
Operating income (loss)	(21.7)	(14.8)	(3.4)	(5.1)	
One-time IPO related expenses	-	-	-	2.6	
EBITDA	**(18.3)**	**(10.4)**	**(2.5)**	**(1.1)**	
EBITDA margin	**-28%**	**-12%**	**-13%**	**-4%**	

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Selected Financial Data

(in millions of USD)

	2019	2020	2021Q1
Selected balance sheet data:			
Cash and cash equivalents	37.8	15.3	139.5
Total current assets	98.3	94.1	220.7
Total assets	111.4	116.1	245.2
Total liabilities	171.2	44.3	46.8
Total net assets	(59.8)	71.8	198.4

(in millions of USD)

	2019	2020	2021Q1
Selected Cash flow data:			
Net cash provided by (used in) operating activities	(16.6)	(7.9)	(5.9)
Net cash provided by (used in) investing activities	(52.4)	(25.4)	2.3
Net cash provided by (used in) financing activities	101.9	10.9	127.0
Cash and cash equivalents at the end of year / period	37.8	15.3	139.5

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Selected Financial Data

(in millions of Yen)

	2019	2020	2020Q1	2021Q1	YoY
Selected statement of income data:					
Revenue	**7,220**	**8,970**	**2,168**	**2,749**	**27%**
Cost of sales	(4,303)	(4,844)	(1,230)	(1,439)	
Gross profit	**2,916**	**4,126**	**938**	**1,311**	**40%**
Gross margin	**40%**	**46%**	**43%**	**48%**	
Sales and marketing expenses	(2,766)	(3,460)	(789)	(1,021)	
% of Revenue	*38%*	*39%*	*36%*	*37%*	
Research and development expenses	(1,776)	(1,491)	(345)	(422)	
% of Revenue	*25%*	*17%*	*16%*	*15%*	
General and administrative expenses	(734)	(808)	(180)	(405)	
% of Revenue	*10%*	*9%*	*8%*	*15%*	
Other income	2	76	2	4	
Other expenses	(3)	(20)	-	(2)	
Operating income (loss)	(2,361)	(1,578)	(374)	(536)	
One-time IPO related expenses	-	-	-	278	
EBITDA (excl. IPO related)	(1,992)	(1,102)	(275)	(112)	
EBITDA margin	*-28%*	*-12%*	*-13%*	*-4%*	

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Selected Financial Data

(in millions of yen)

	2019	2020	2021Q1
Selected balance sheet data:			
Cash and cash equivalents	4,118	1,635	14,767
Total current assets	10,713	10,046	23,371
Total assets	12,137	12,394	25,962
Total liabilities	18,650	4,726	4,956
Total equity	(6,514)	7,668	21,006

(in millions of yen)

	2019	2020	2021Q1
Selected Cash flow data:			
Net cash provided by (used in) operating activities	(1,808)	(840)	(622)
Net cash provided by (used in) investing activities	(5,710)	(2,706)	247
Net cash provided by (used in) financing activities	11,103	1,161	13,449
Cash and cash equivalents at the end of year / period	4,118	1,635	14,767

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