MAKING AI EASY

BY MAKING
SOFTWARE INTELLIGENT

Q2 FY2021 Earnings August 2021

Appier

Our Mission

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



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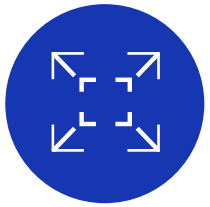
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Key Achievements in Q2



Accelerated Revenue Growth

- Revenue increased by **50%** YoY and hit a historical high to **2.8 B** JPY .
- Gross profit significantly grew by **77%** compared to the same period last year.
- Strong top-line expansion despite of lower season across APAC.
- Upward revision full year forecast from 10.9B JPY to 11.7B JPY **(7%+)**



Strong Execution to Expand Margin

- We achieved **positive operating income in June** and a **historically high EBITDA margin in FY21 Q2** to almost breakeven. It's a positive sign for our future profitability.
- EBITDA margin improved by **24** p.p. compared to the same period last year.
- Operation margin improved by **22** p.p. compared to the same period last year.



Positive Trend across Business Metrics

- LTM NRR expanded to **120.2%** achieving a historically high level.
- Customer churn rate improved to **0.78%**, the lowest level in our history.
- Net new customers increased by **66** to 943 with **7.5%** QoQ growth - also our historical high organic incremental increase of customers.

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Financial Overview

Q2 Highlights (JPY)

Revenue

JPY 2.8B

LTM NRR (2)

120.2%

ARR(4)

JPY 10.8B

Revenue YoY Growth(1)

+50%

Gross Profit YoY Growth (3)

+77%

ARR YoY Growth (5)

+38%

(1) Revenue Growth from FY2020 Q2 to FY2021 Q2.
(2) We calculate NRR by dividing (i) total revenue calculated in U.S. dollars from the last 12 months from customers that used one of our solutions during the same period in the prior year, by (ii) total revenue calculated in U.S. dollars from such customers during the same period of the prior year.
(3) Gross Profit Growth from FY2020 Q2. to FY2021 Q2.
(4) ARR is conducted as the sum of the per-solution ARR. (i) For AIQUA, AiDeal, AIXON and BotBonnie, 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.
(5) ARR Growth from 2020 Jun. to 2021 Jun.

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Q2 Highlights (USD)

Revenue

USD 25.6M

LTM NRR (2)

120.2%

ARR(4)

USD 100.3M

Revenue YoY Growth(1)

+48%

Gross Profit YoY Growth (3)

+73%

ARR YoY Growth (5)

+38%

(1) Revenue Growth from FY2020 Q2 to FY2021 Q2.
(2) We calculate NRR by dividing (i) total revenue calculated in U.S. dollars from the last 12 months from customers that used one of our solutions during the same period in the prior year, by (ii) total revenue calculated in U.S. dollars from such customers during the same period of the prior year.
(3) Gross Profit Growth from FY2020 Q2. to FY2021 Q2.
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(5) ARR Growth from 2020 Jun. to 2021 Jun.

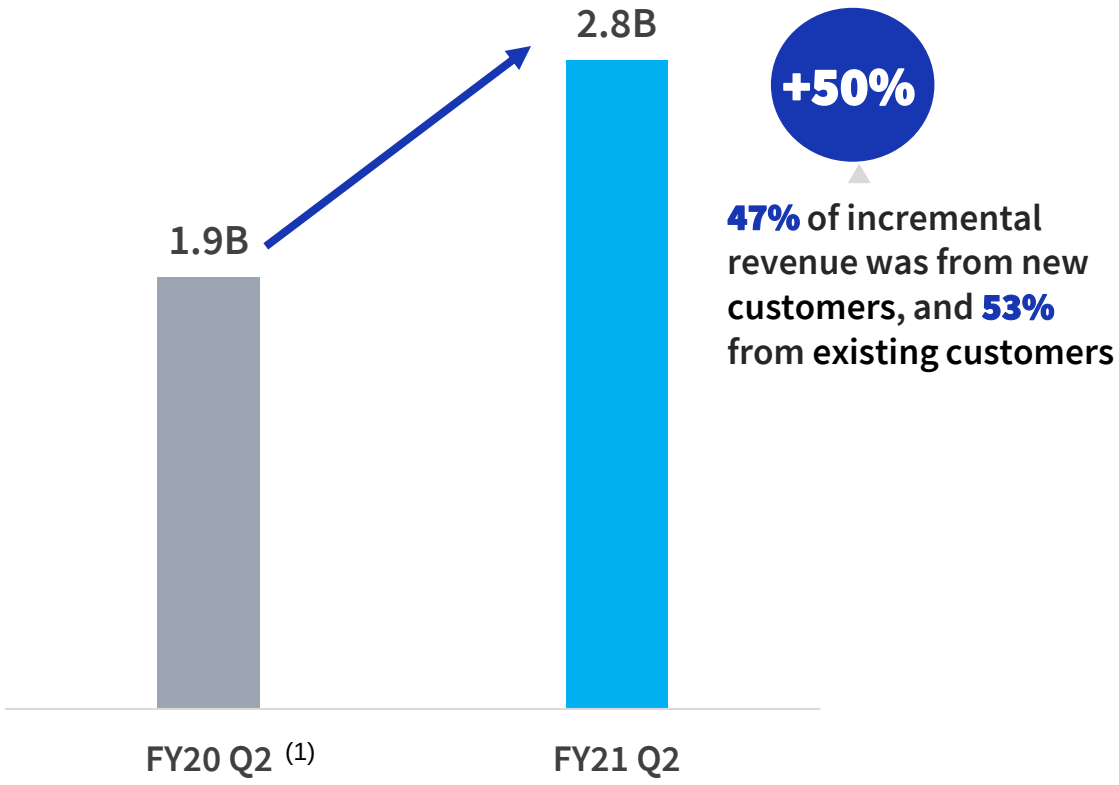
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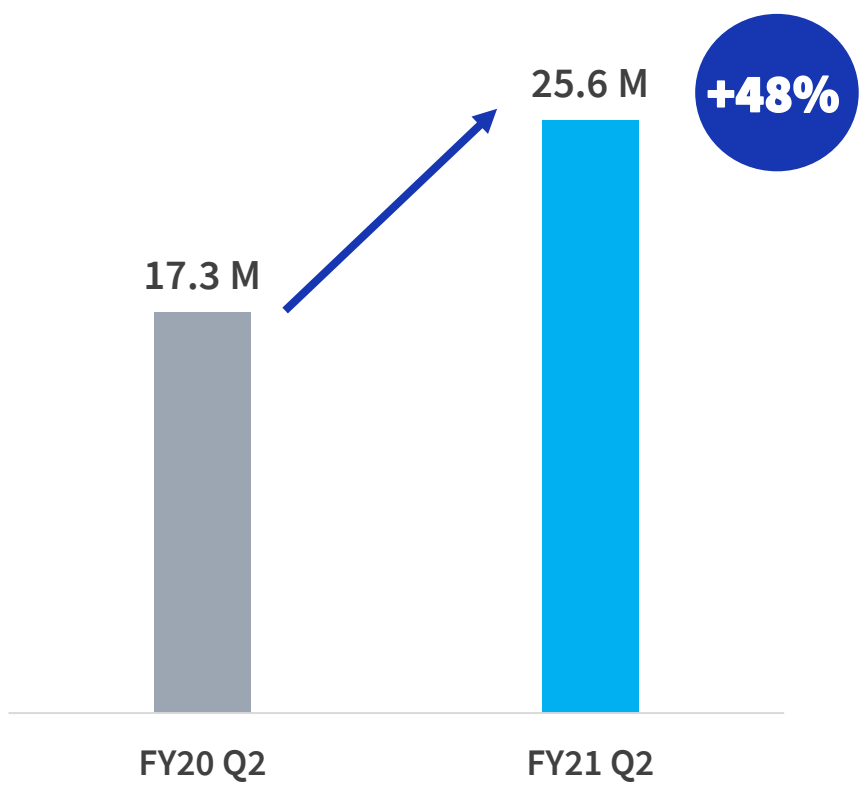
Revenue Trends

Our revenue has grown by 50% YoY in FY21 Q2 and such growth is driven by significantly improved sales productivity, with more than 50% YoY increase. Quarterly NRR from existing customers also increased to 126.6%.

Revenue (JPY)



Revenue (USD)



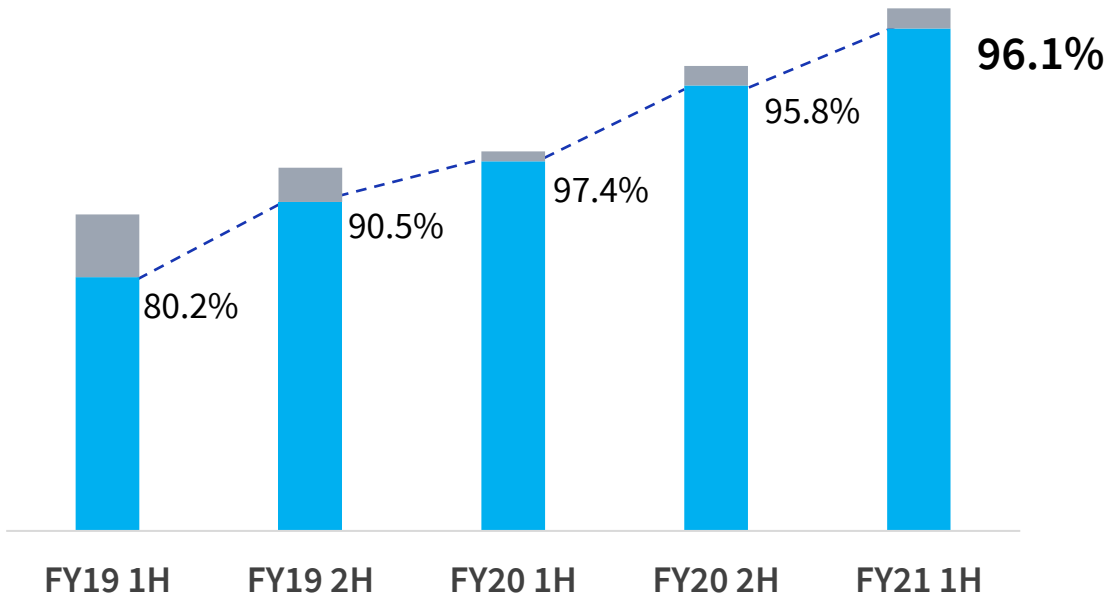
(1) 7% revenue impact from COVID-19; 1% has recovered so far. The unrecovered part is mainly travel vertical.

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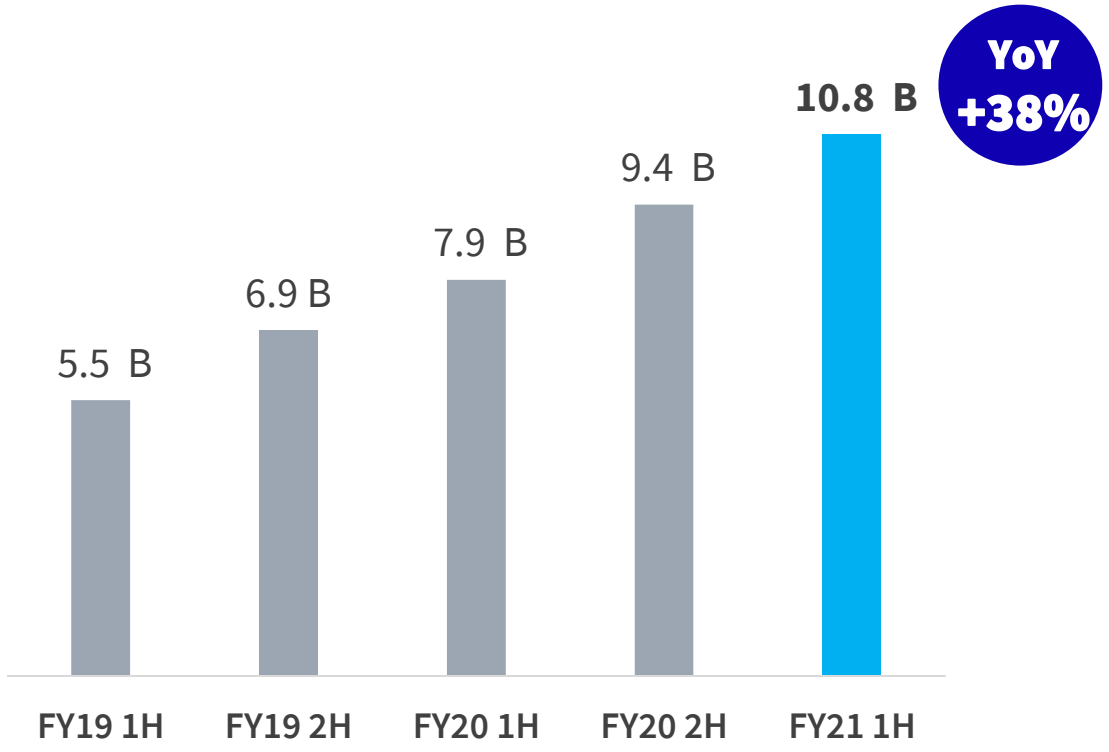
Solid Recurring Revenue Base

The recurring revenue ratio stabilized at 95%+, providing good visibility for future revenue streams.

Recurring Revenue Ratio[(1)]



ARR[(2)] (JPY)



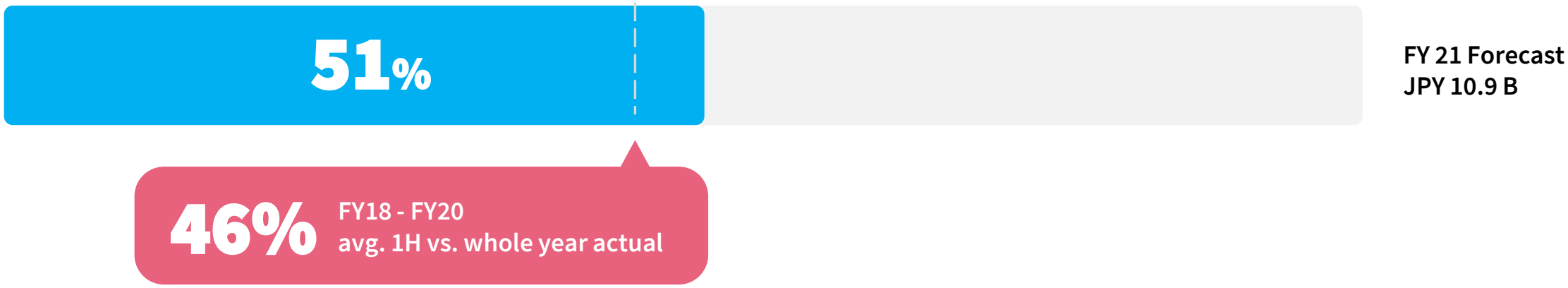
(1) Recurring Revenue Ratio: Revenue in U.S. dollars from recurring customers divided by total revenue in U.S. dollars for the period
(2) ARR is conducted as the sum of the per-solution ARR. (i) For AIQUA, AiDeal , AIXON and BotBonnie, which are offered on a subscription basis, we calculate ARR as of 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.

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Forecast Progress

We have made good progress so far in FY21 and have reached 51% of our initial FY 21 forecast. During FY18-FY20, our average 1H sales progress vs. that of the whole year was 46%. We are approximately 10% ahead of the initial FY21 forecast.

Forecast Progress in Revenue

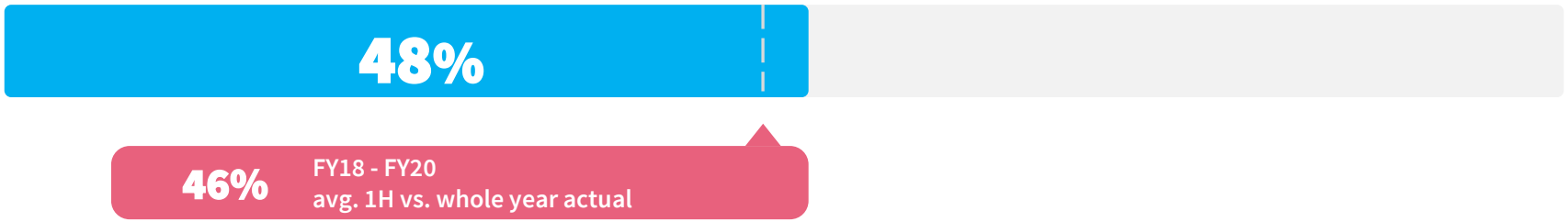


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Forecast Upward Revision

In FY21 1H, we have done better than expected for new customer acquisition, and expansion on existing customers, thus outperformed our original target. Therefore, we made the first upward revision on our FY2021 forecast. Our new forecast continues to serve as a conservative revenue estimation.

	FY2021		
	Revised Forecast	Previous announced Forecast	Difference
Revenue	**11,661M**	10,943M	**+6.6%**
Operating Income	**-1,302M**	-1,551M	**-**
Net Income	**-1,425M**	-1,674M	**-**



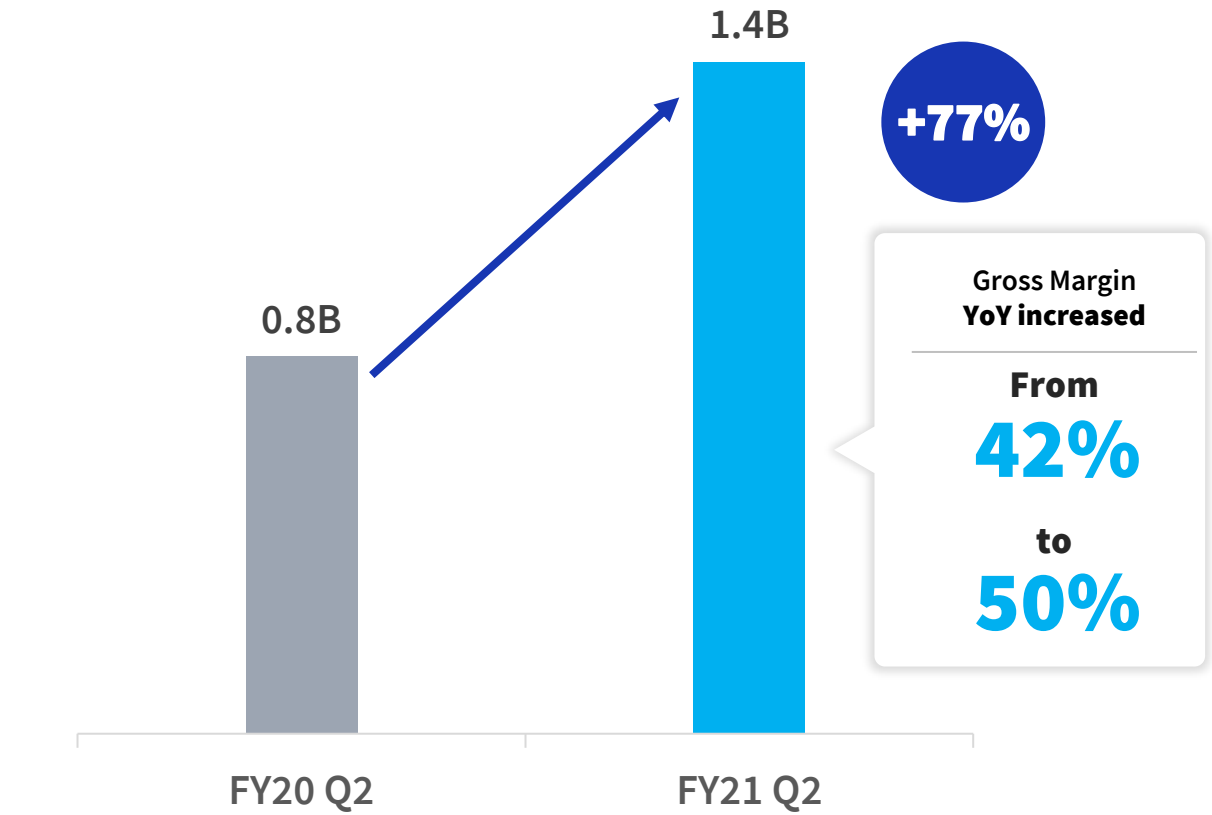
FY 21 Revised Forecast
JPY 11,661M

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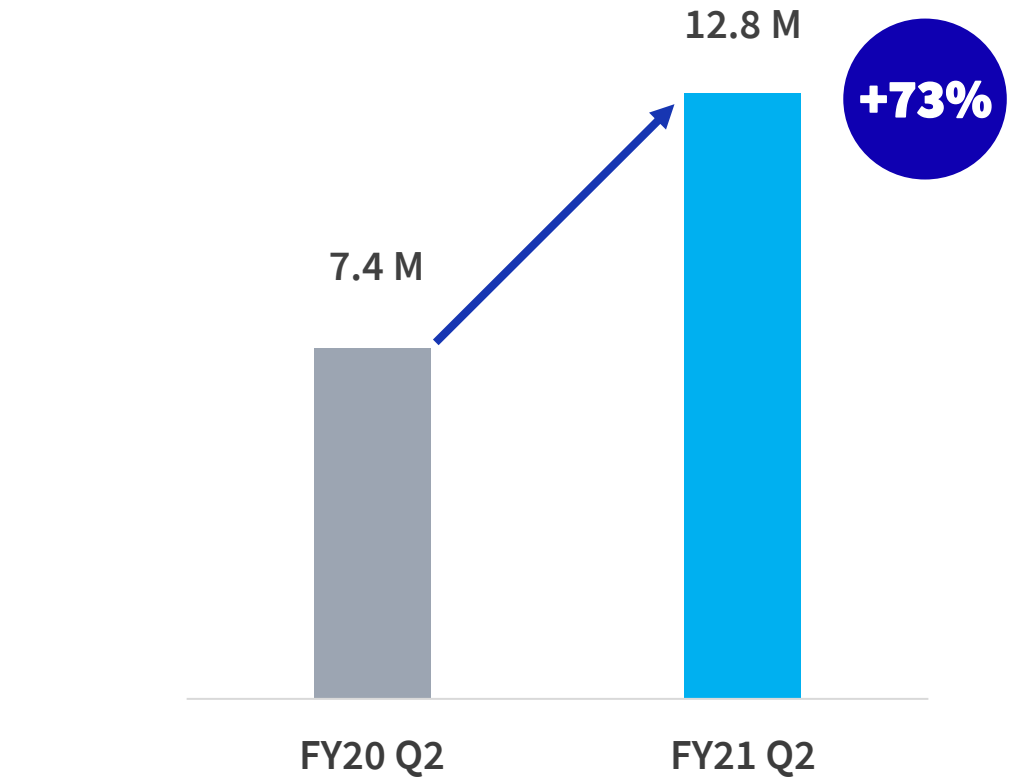
Gross Profit

Our gross profit growth rate has outpaced our revenue growth rate and reached 77% YoY. This is mainly due to both gross margin improvement and revenue growth acceleration.

Gross Profit (JPY)



Gross Profit (USD)

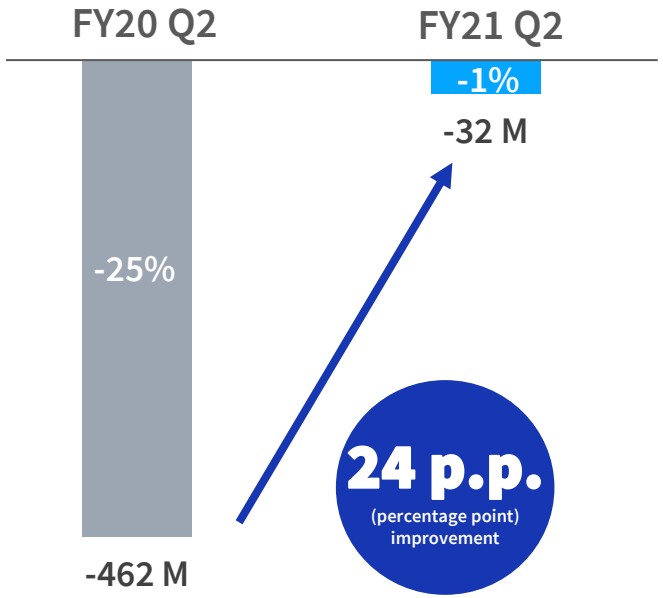


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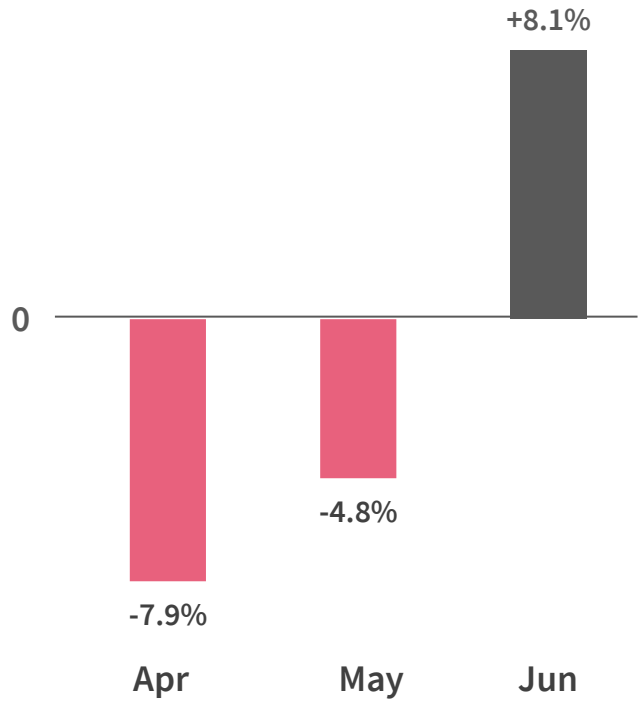
EBITDA

Our EBITDA margin has improved by 24 p.p., compared to the same period last year, to a historical high level and reached close to breakeven. In June, our EBITDA margin reached a record high of 8.1%. This is mainly driven by accelerated revenue growth and margin improvement.

EBITDA(1) & Margin(JPY)



Monthly EBITDA Margin(2)



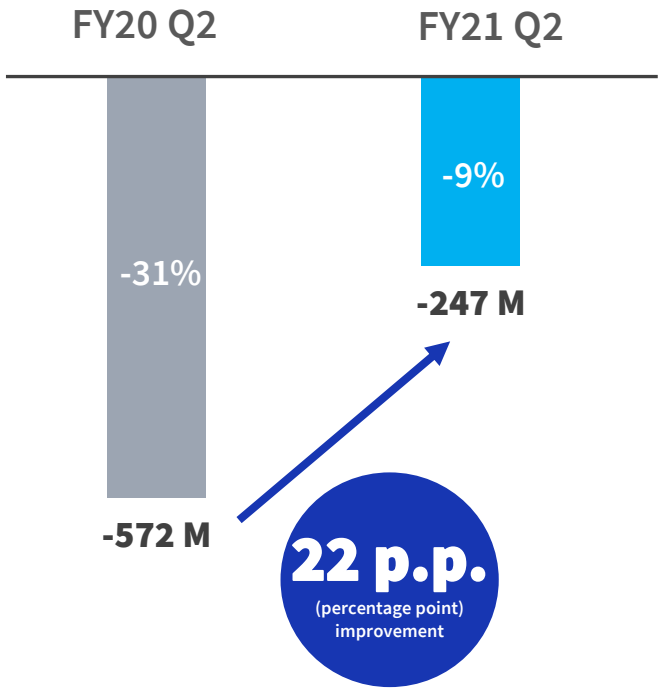
(1) EBITDA = operating income + depreciation and amortization + tax expenses included in operating expenses
(2) Monthly EBITDA margin is based on internal management report

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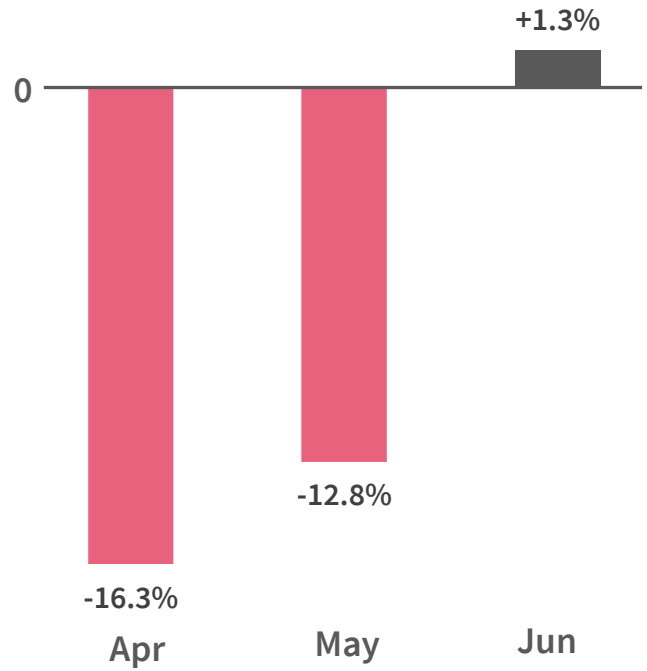
Operating Income

We have achieved positive operating income with 1.3% operating margin in June and it is an important milestone for our company. We also improved the operating margin by 22 p.p. compared to the same period last year. This is driven by historical high revenue, margin, and strong operating leverage. It is a positive sign for our future profitability.

Operating Income (JPY)



Monthly Operating Margin(1)



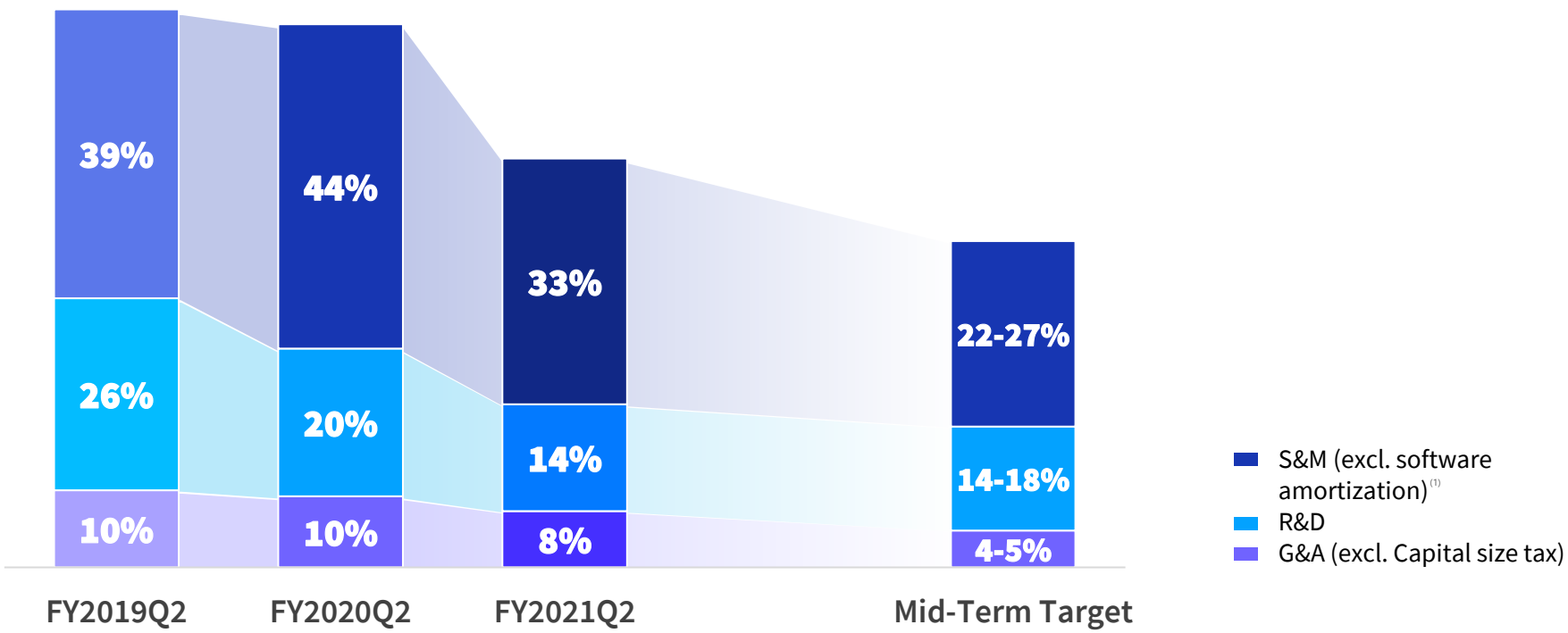
(1) Monthly operating margin is based on internal management report

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Cost Structure

Our operation has demonstrated strong leverage and improvement. This allows us to simultaneously accelerate revenue growth and profitability growth.

Historical Cost Structure & Mid-Term Margin Target (% Revenue)



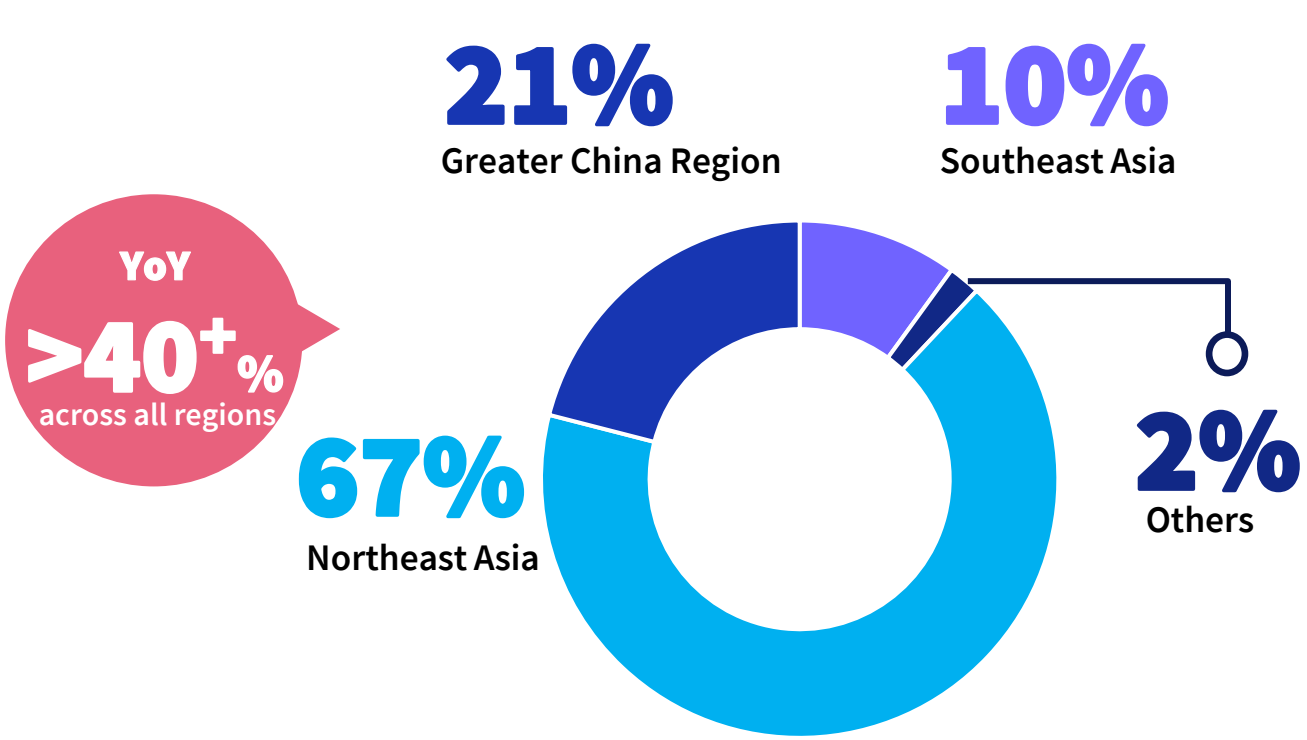
(1) Our Sales and Marketing Expenses includes amortization of software. We started software capitalization in FY2020.

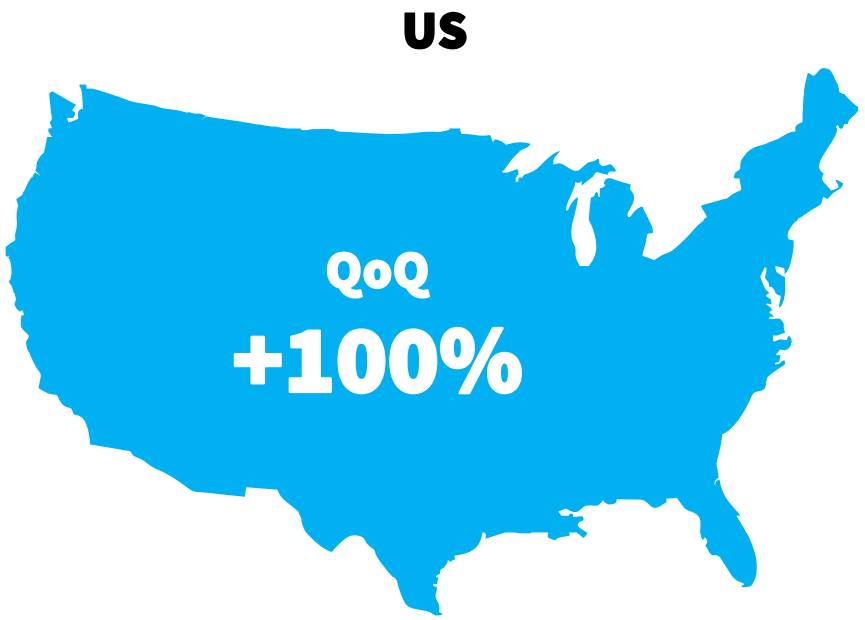
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Business progress and metrics

Diverse Global Revenue Base

FY21Q2 Revenue % by Region

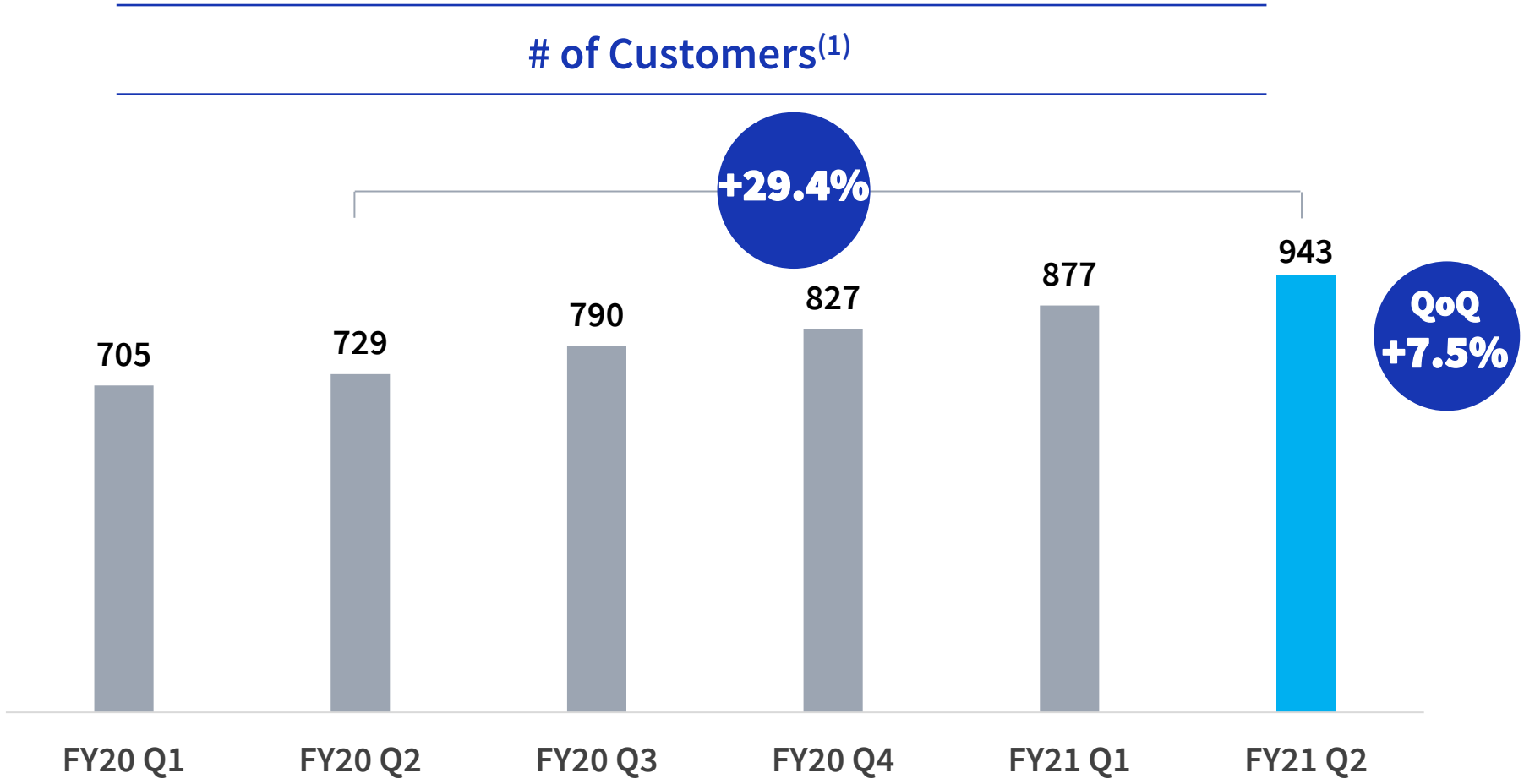




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Quarterly Customer # Trend

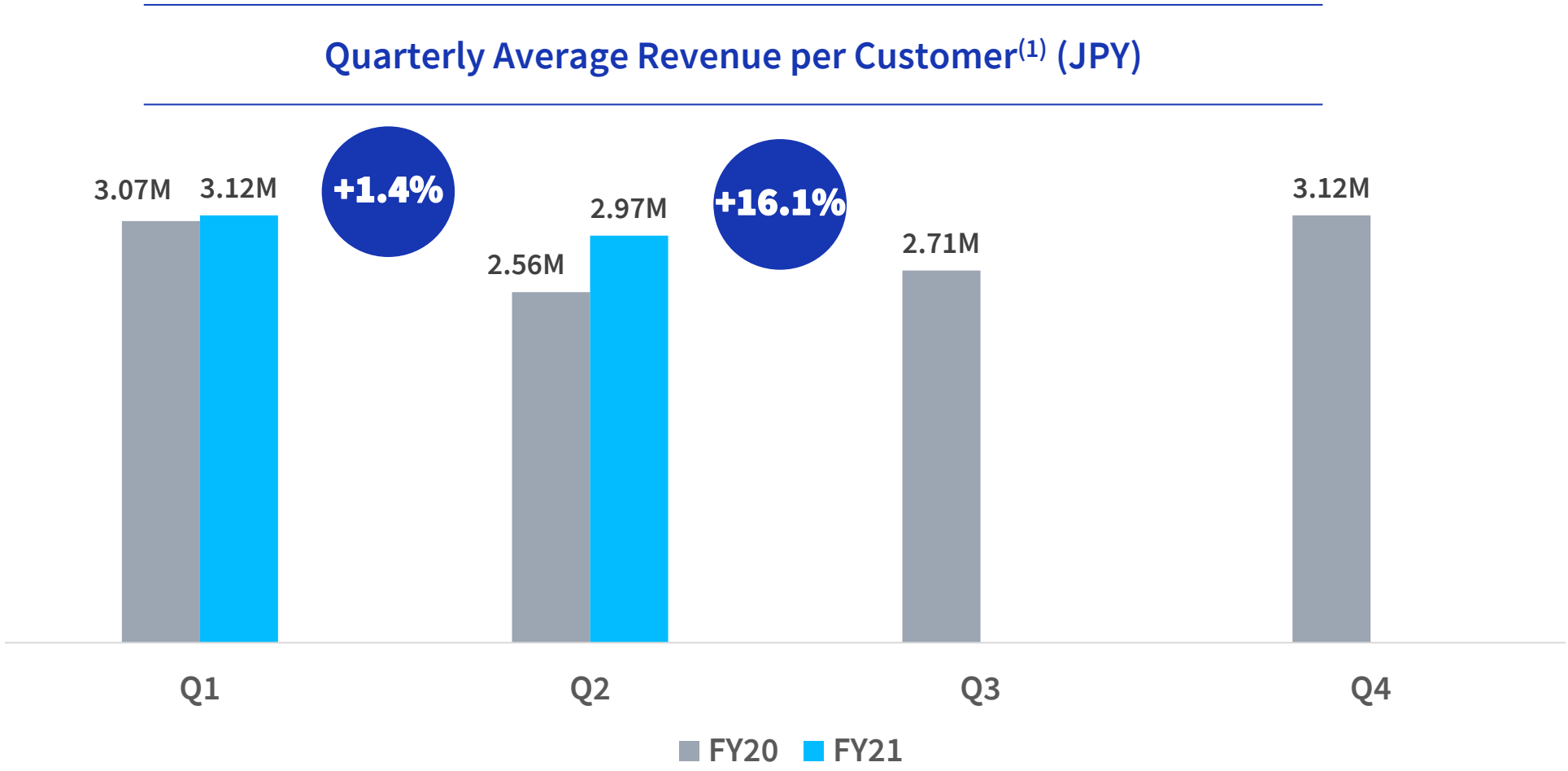
Net new customer number hits historical high with 7.5% QoQ growth and 29.4% YoY growth. We only include the organic growth.



(1) "Customer" refers to a corporate group that has one or more active contracts for our solutions, excluding trial, demo use and inorganic customers. Such corporate group is counted as a separate "customer" with respect to each solution it uses.

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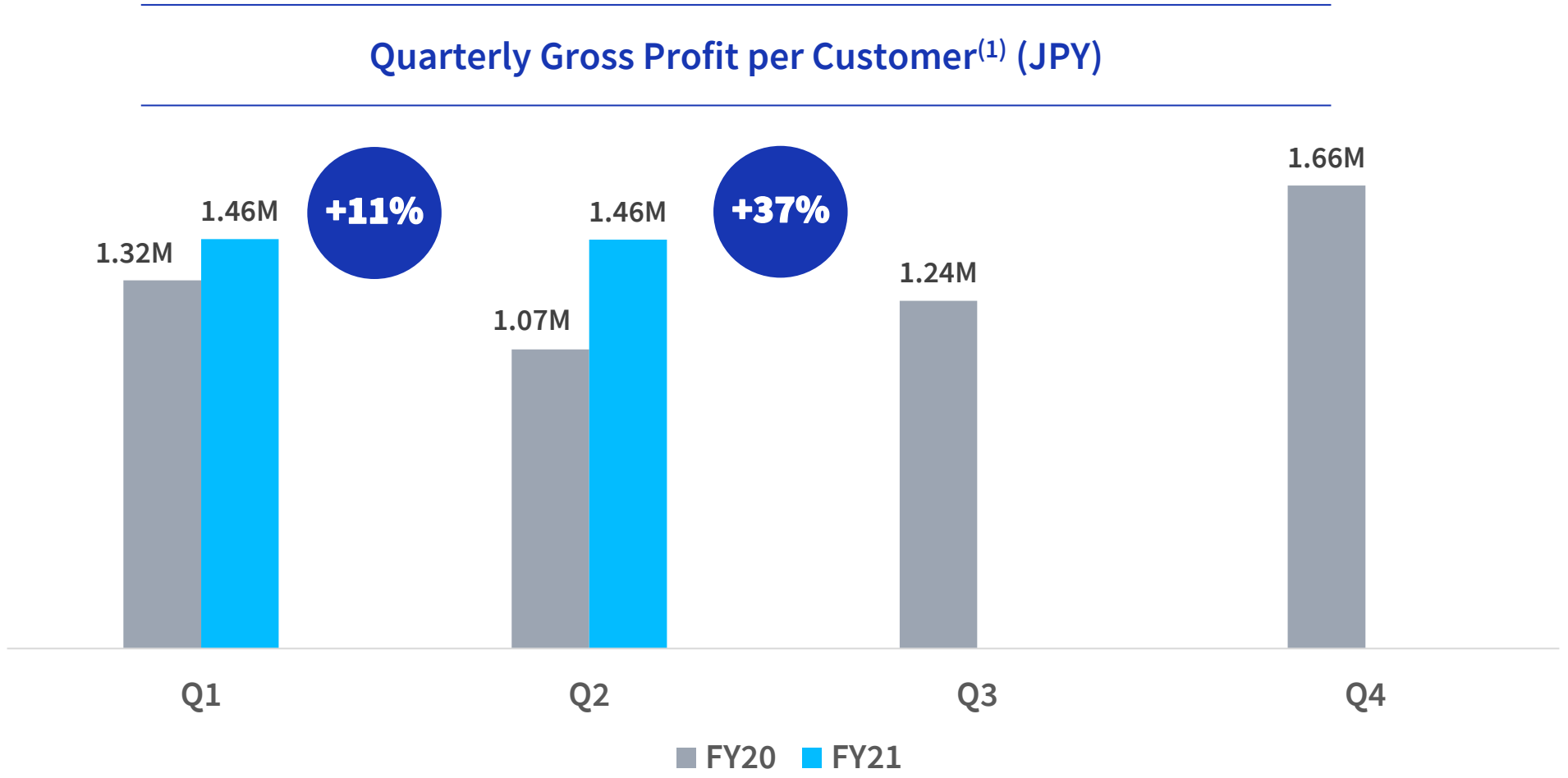
Quarterly Revenue per Customer



(1) “Customer” refers to a corporate group that has one or more active contracts for our solutions, excluding trial, demo use and inorganic customers. Such corporate group is counted as a separate “customer” with respect to each solution it uses.

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Quarterly Gross Profit per Customer



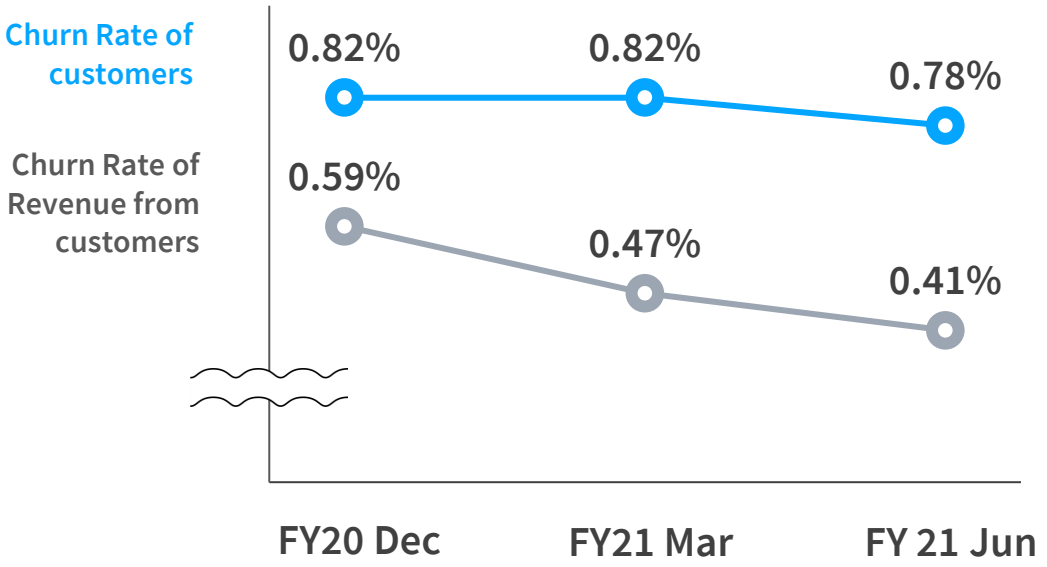
(1) “Customer” refers to a corporate group that has one or more active contracts for our solutions, excluding trial, demo use and inorganic customers. Such corporate group is counted as a separate “customer” with respect to each solution it uses.

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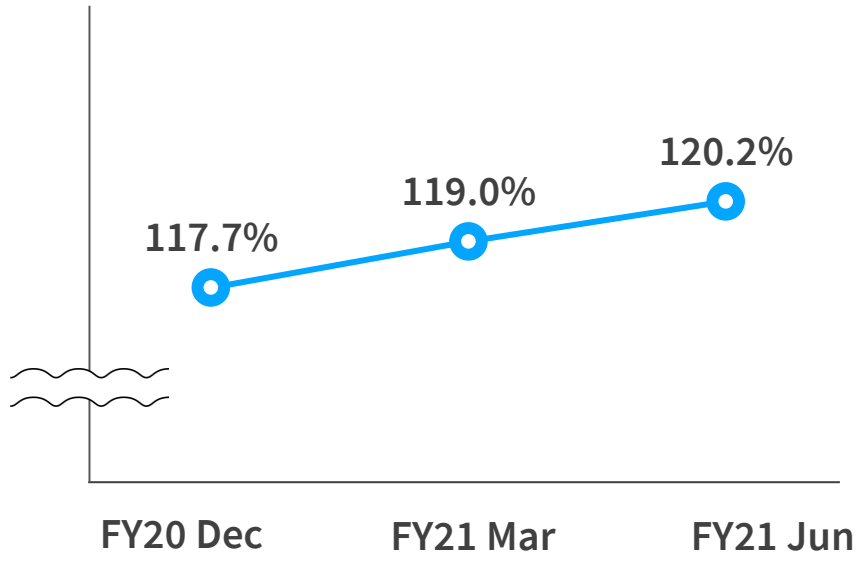
Business Metrics Are Trending Positively

We have successfully reduced our churn rate and improved LTM NRR. Both metrics have reached historical best levels.

LTM Churn Rate of customers (1) and Churn Rate of Revenue from customers (2)



LTM Net Revenue Retention (3)

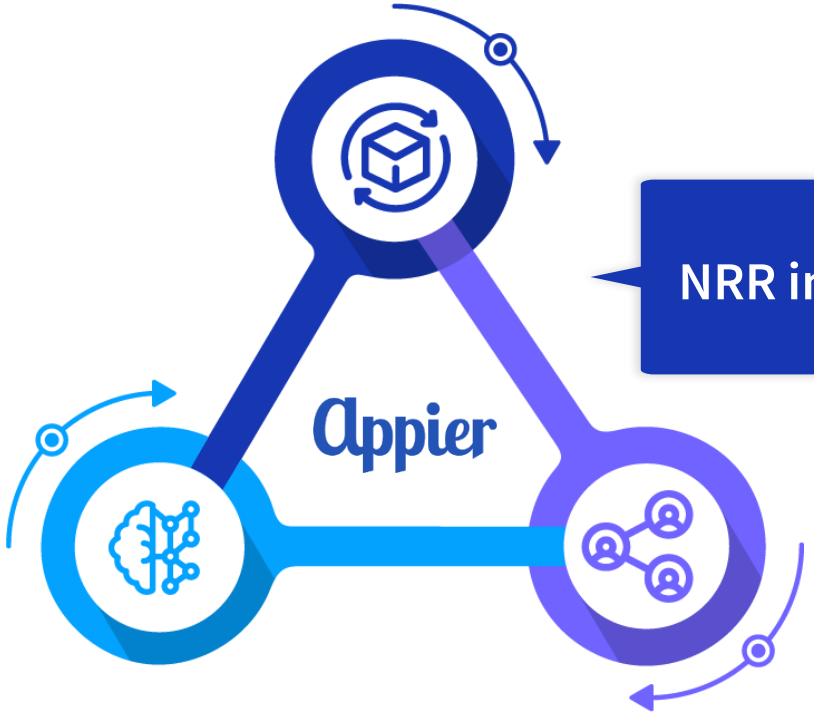


(1) Churn Rate of customers = The number of customers that terminated their relationship with us during the month divided by the number of all customers as of the end of the month.
(2) Churn Rate of Revenue from customers = Revenue calculated in U.S. dollars from customers that terminated their relationship with us during the month, divided by revenue calculated in U.S. dollars from all customers
(3) We calculate NRR by dividing (i) total revenue calculated in U.S. dollars from the last 12 months from customers that used one of our solutions during the same period in the prior year, by (ii) total revenue calculated in U.S. dollars from such customers during the same period of the prior year.
(4) Above calculation does not include BotBonnie's customers.

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Appier's Strong Network Effects Drive Platform Value

Complementary and Relevant Products

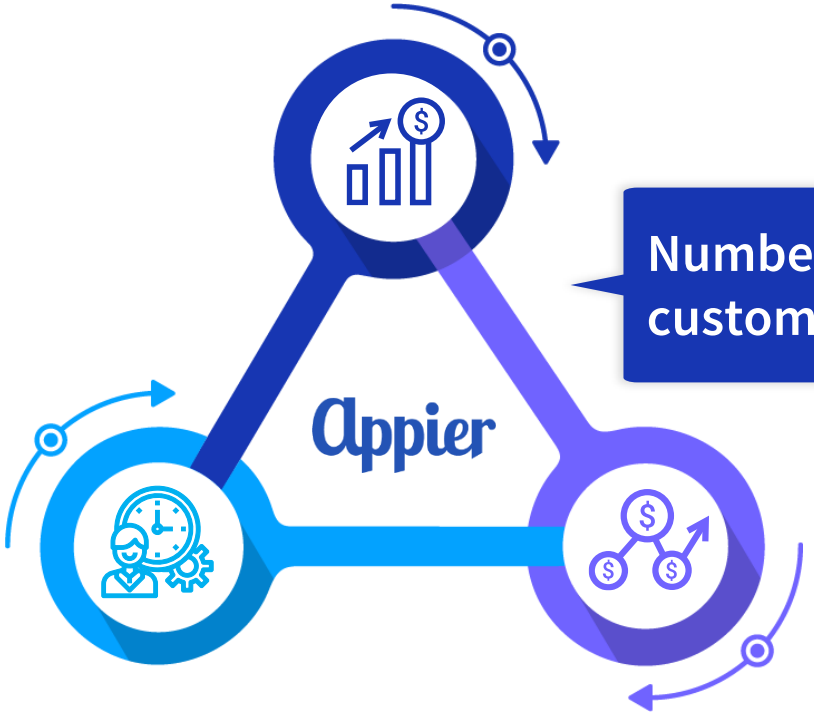


NRR increases

AI Model Learning & Improvement

Data Synergy Across Products

Higher sales productivity



Number of new customers rising

Higher ROI for S&M investment

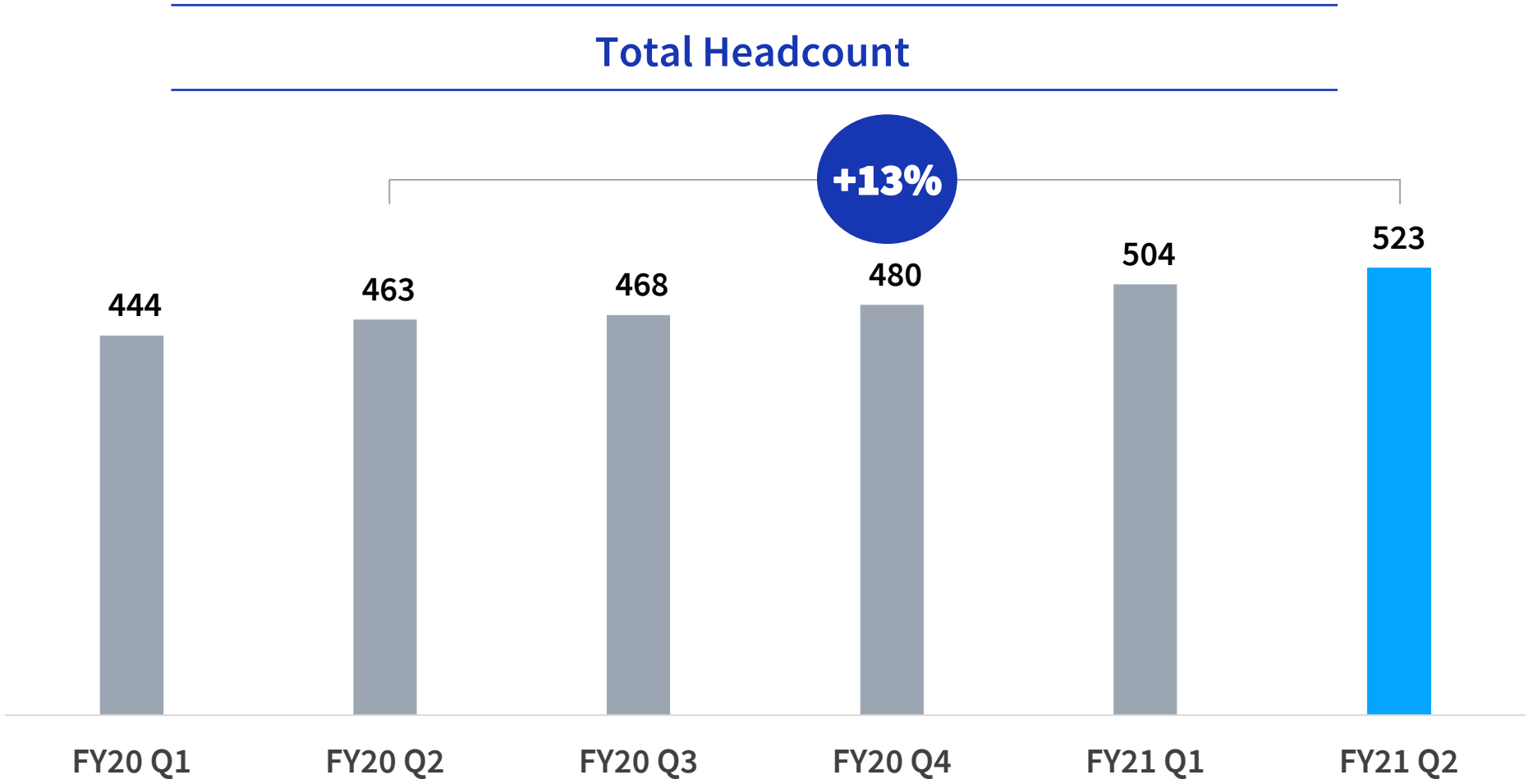
Higher gross profit per customer

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Hiring to scale our opportunities

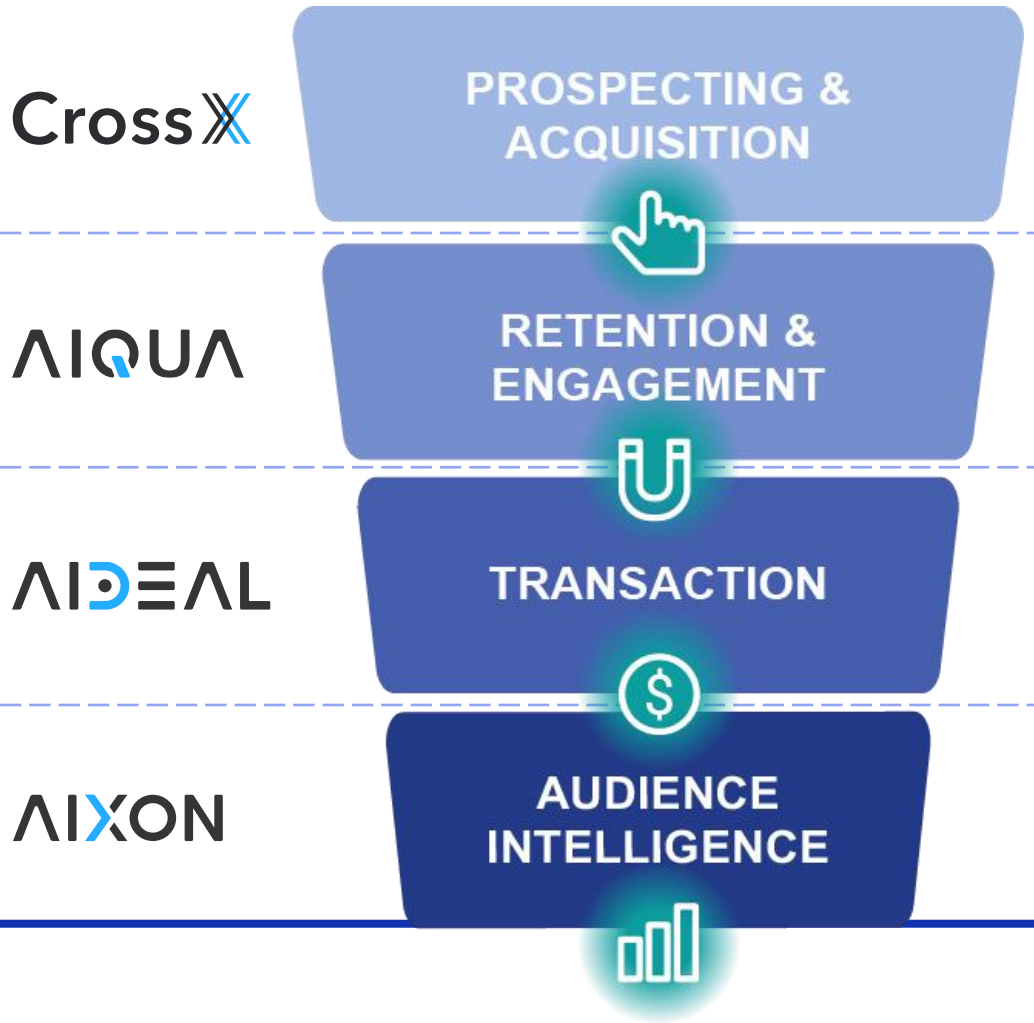
Our headcount increase speed has been stable and we continue to invest in talents.



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Product Updates

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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PROSPECTING & ACQUISITION

RETENTION & ENGAGEMENT

TRANSACTION

AUDIENCE INTELLIGENCE

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

PROSPECTING & ACQUISITION

RETENTION & ENGAGEMENT

TRANSACTION

AUDIENCE INTELLIGENCE

AIQUA



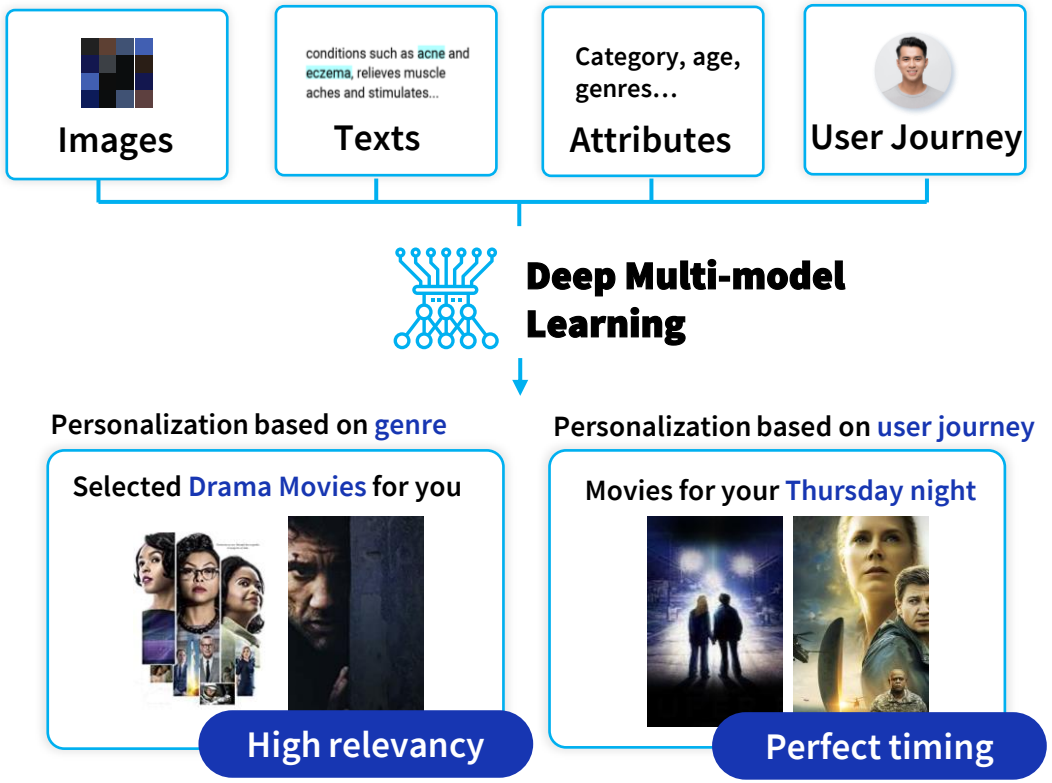
AIQUA enables businesses to increase quality engagement with end users through AI-personalized messages proactively and effectively across all their own communication channels with the optimal timing.

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

Product Breakthroughs

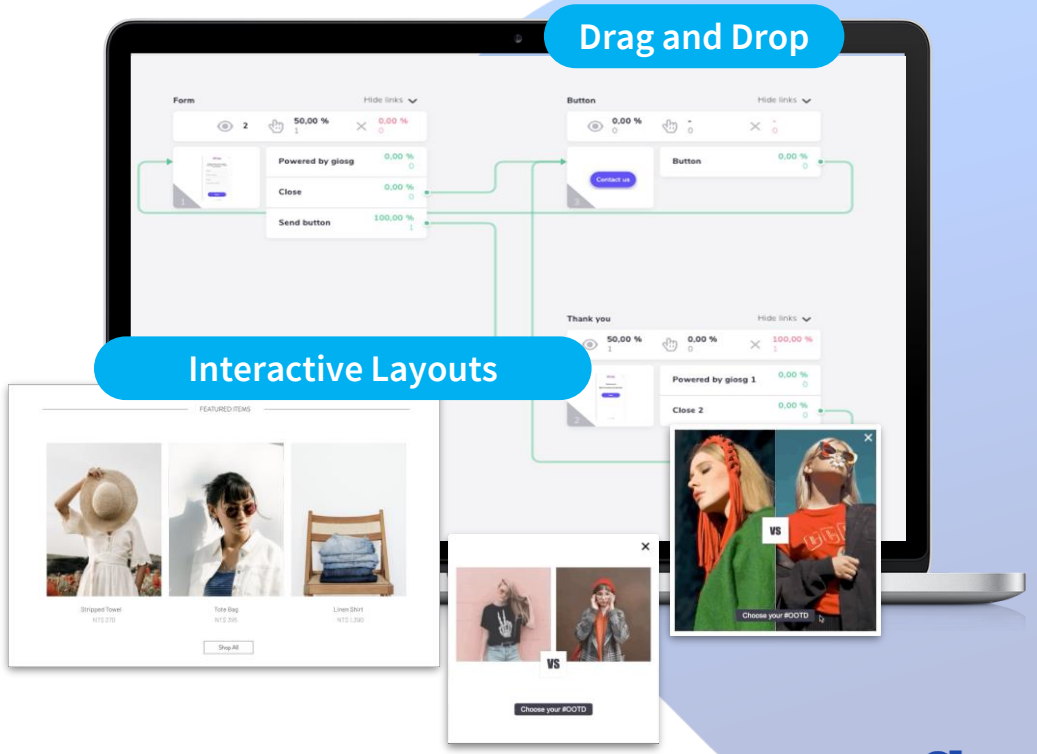
Deep Multi-model Learning: Innovative personalization

Images hybridized with product description, attributes and user journey to create ultimate relevancy.

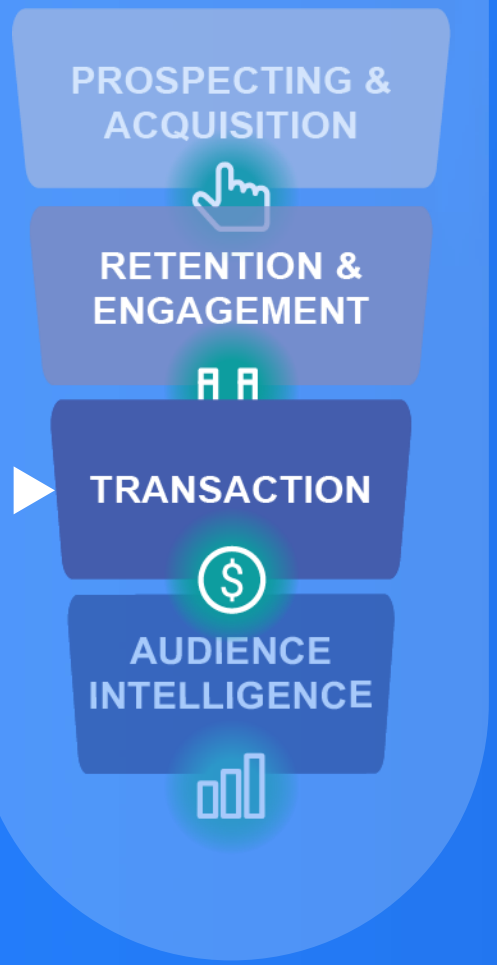


Creative Studio: When Science Meets Art

Create a stellar personalized experience for your customers with a no-code drag-and-drop builder



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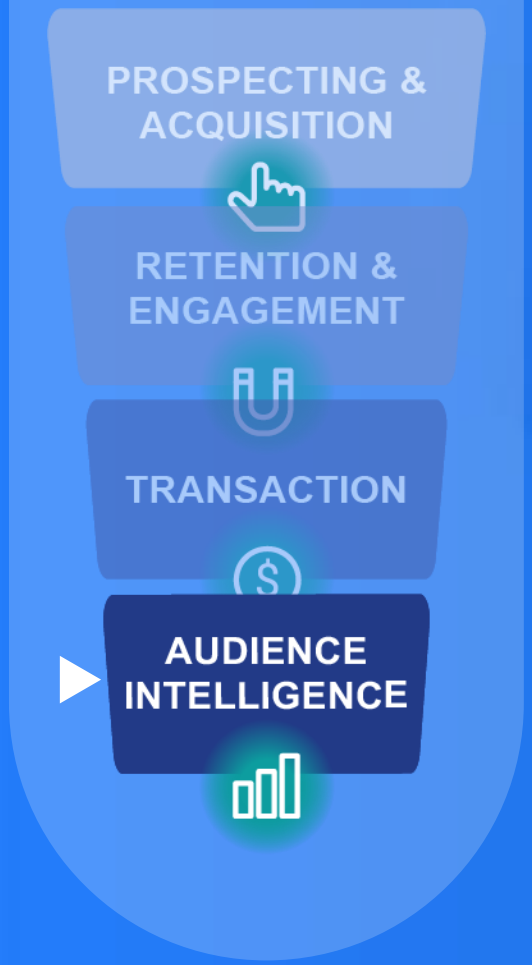


AIDEAL

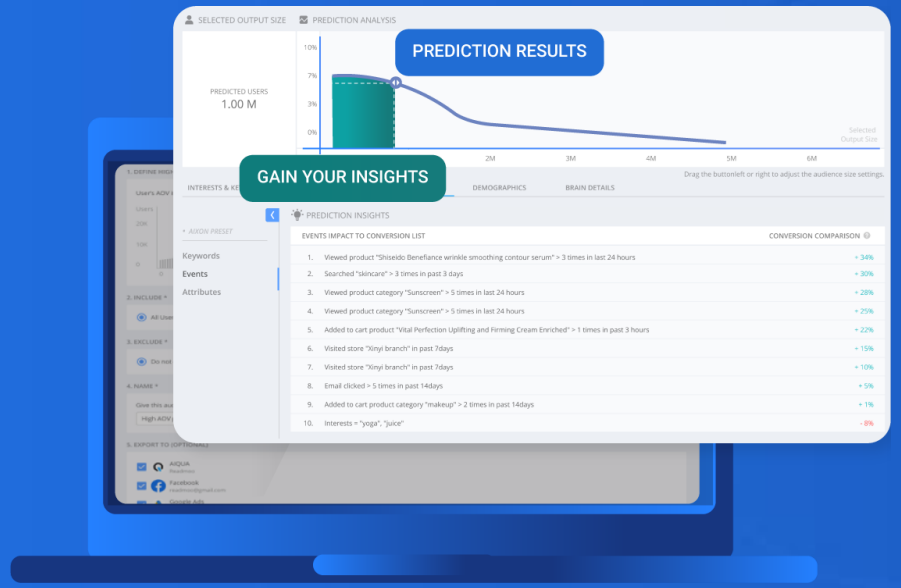


AiDeal enables businesses to use Machine Learning and Deep Learning to predict hesitant buyers through user patterns and only distribute incentives to hesitant users to drive revenue while maintaining profitability.

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**

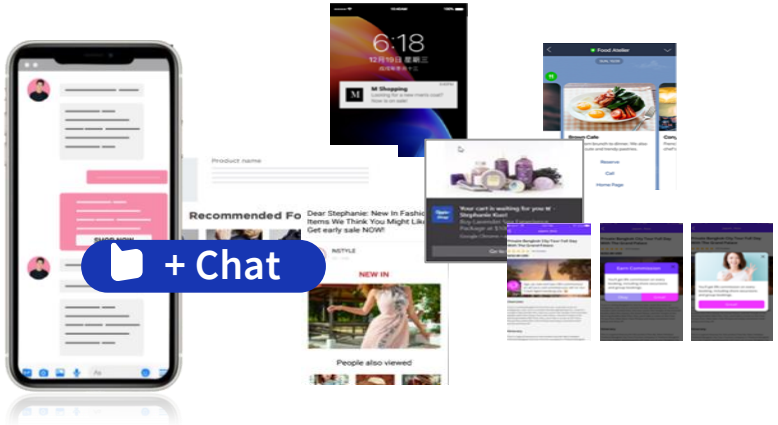
BotBonnie Integration Program



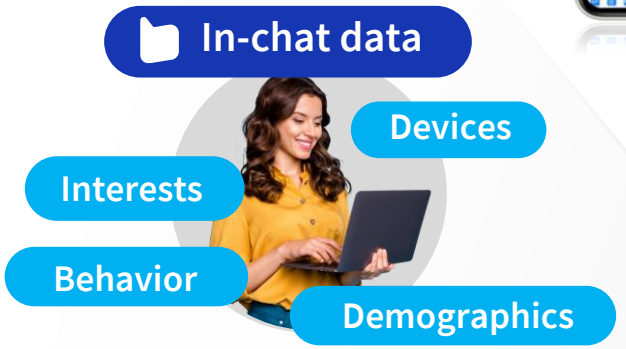
Localized to different languages



Go-To-Market across regions



From proactive marketing to interactive marketing



User Profile

Integrate in-chat data to create a holistic 360-degree user view



Lottery Scratch-Off

Leverage gamified incentives to create engaging user experience

AIQUA

AIXON

BotBonnie

Product synergies

AIDEAL

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Customer Case Studies

MSIG Tripled Website Subscriptions With Appier

Challenges

- Insurance companies had focused on offline business. During the COVID-19 pandemic, online lead generation has become important. However, it is difficult to engage users effectively with limited channels.

Solutions

- Utilize multiple online channels to engage with users and leverage AI models to create a personalized user experience with tailored content.

Results

Website Subscription	Average Order Value
⬆ 3X	⬆ 24%

Appier's AI technologies make customers feel at home when they visit our websites, and significantly improved our conversion rates and the percentage of high-value users. We will continue to work with them to uncover even more marketing opportunities.

Zhi Chang Li, Executive VP,
MSIG Mingtai Insurance



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Shiseido Boosted Online Conversion Rate by 47%

Challenges

- With fierce online competition, Shiseido found it difficult to turn more website visitors into customers. In the meantime, finding balance between driving a higher margin versus more customers was a challenge.

Solutions

- Leverage AI to differentiate new and existing hesitant users, then offer limited-time incentives to only hesitant users to maximize conversion rates while ensuring ROI.

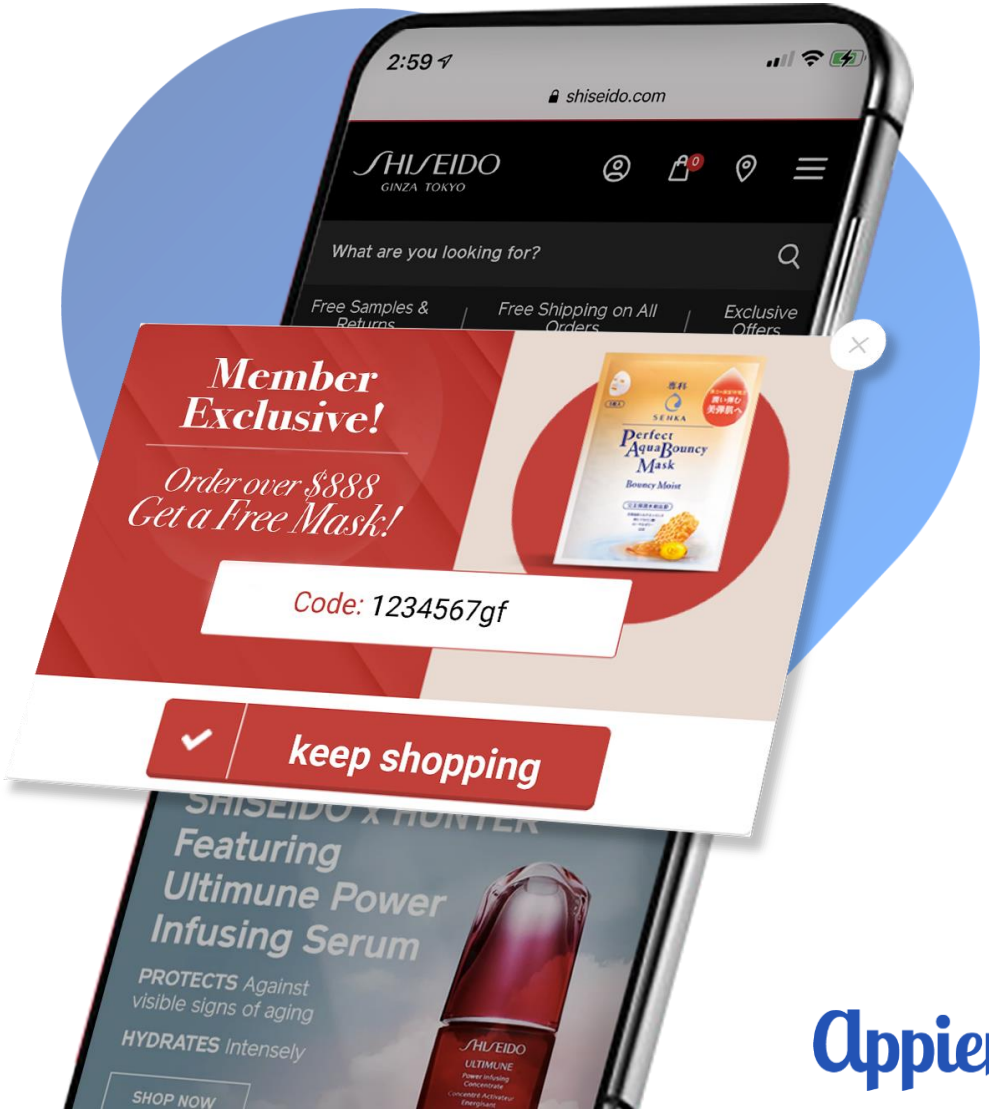
Results

Transaction completion rate

↑ 15%

We worked with Appier to strengthen our digital marketing and online presence to allow customers to easily shop for beauty products that are suitable and authentic, without leaving home.

Rita Chen, Assistant Department Manager, Shiseido Taiwan



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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

Stanford 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

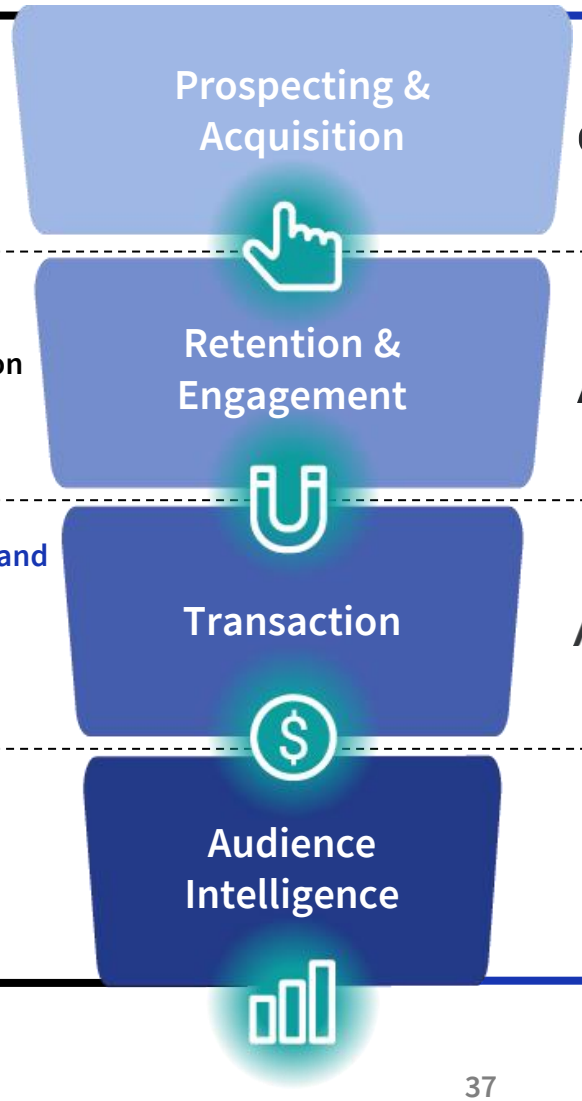
Existing Solutions

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 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

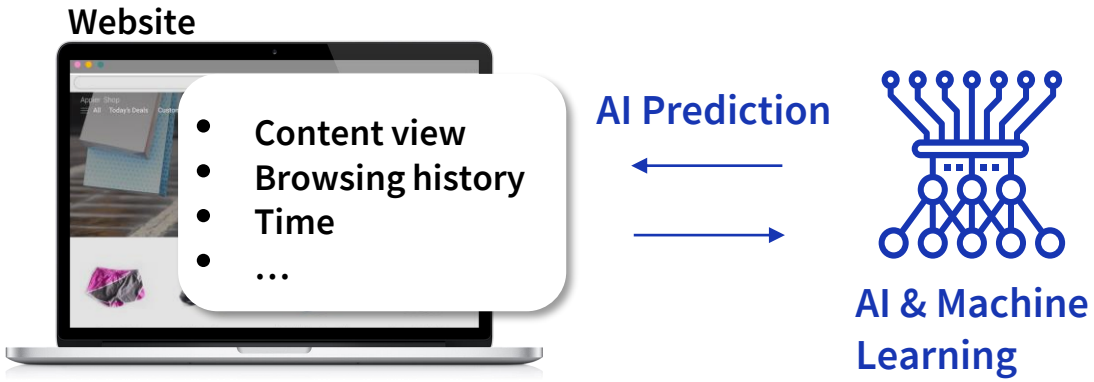
AIXON
- Automated-ML to build differentiated best-in-class AI prediction models through SaaS
- Business users able to leverage AI capabilities without scientists / engineers

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AI and Machine Learning will become more important in First Party Data World

With Only First-Party Data

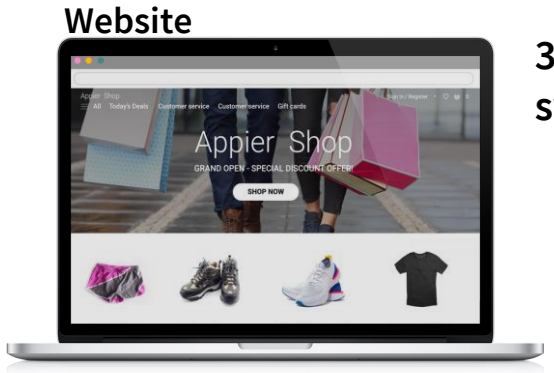


Predicts users' interest and whether they are the right user

7 world champions
in data mining contests

AI100
CB Insights

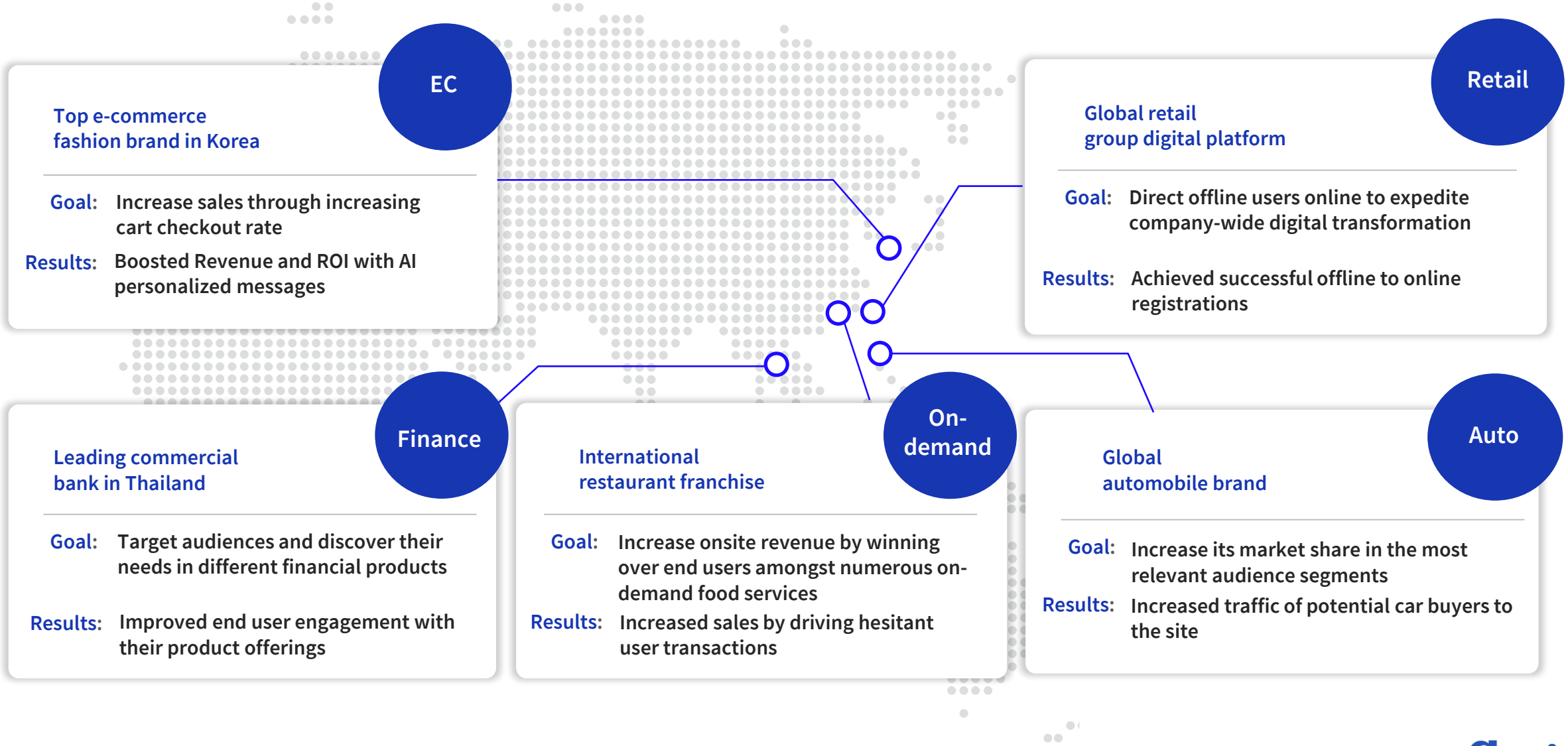
With Third-Party Data



Queries users' interest and whether they are the right user

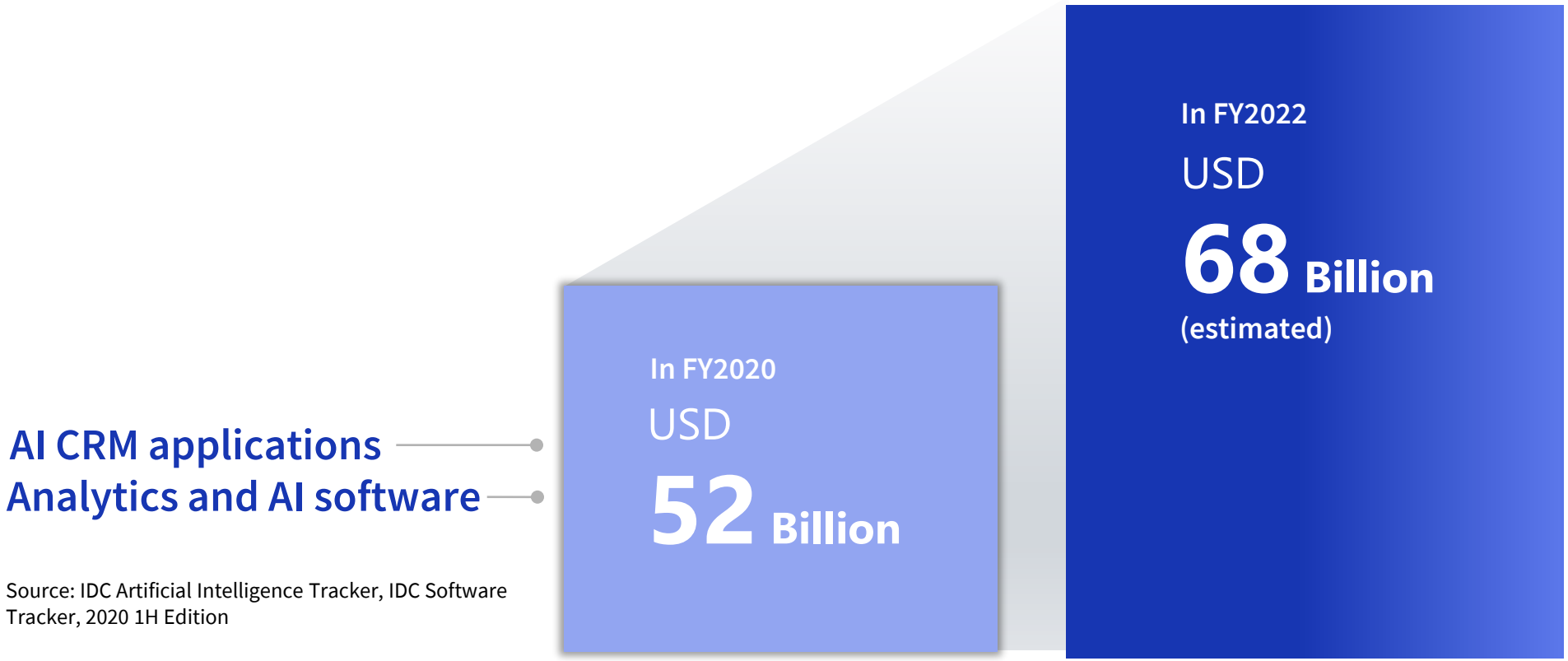
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Best Practices Established Across Industries



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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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Selected Financial Data

(in millions of Yen)

	2019	2020	2020Q2	2021Q2	YoY	2020Q2	2021Q2	YoY
Selected statement of income data:			6 months	6 months		3 months	3 months	
Revenue	**7,220**	**8,970**	**4,032**	**5,550**	**38%**	**1,864**	**2,801**	**50%**
Cost of sales	(4,303)	(4,844)	(2,302)	(2,841)		(1,072)	(1,402)	
Gross profit	**2,916**	**4,126**	**1,730**	**2,709**	**57%**	**792**	**1,398**	**77%**
Gross margin	**40%**	**46%**	**43%**	**49%**		**42%**	**50%**	
Sales and marketing expenses	(2,766)	(3,460)	(1,613)	(2,002)		(824)	(982)	
% of Revenue	*38%*	*39%*	*40%*	*36%*		*44%*	*35%*	
Research and development expenses	(1,776)	(1,491)	(716)	(825)		(371)	(403)	
% of Revenue	*25%*	*17%*	*18%*	*15%*		*20%*	*14%*	
General and administrative expenses	(734)	(808)	(359)	(673)		(179)	(268)	
% of Revenue	*10%*	*9%*	*9%*	*12%*		*10%*	*10%*	
Other income	2	76	13	11		11	7	
Other expenses	(3)	(20)	-	(2)		-	0	
Operating loss	(2,361)	(1,578)	(945)	(783)		(572)	(247)	
One-time IPO related expenses (1)	-	-	-	(278)		-	-	
Operating loss (excl. IPO related)	(2,361)	(1,578)	(945)	(505)		(572)	(247)	
EBITDA (excl. IPO related)	**(1,992)**	**(1,102)**	**(737)**	**(143)**		**(462)**	**(32)**	
EBITDA margin	**-28%**	**-12%**	**-18%**	**-3%**		**-25%**	**-1%**	

(1) One-time IPO related expenses by JPY 278 million was recorded in FY2021Q1

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Selected Financial Data

(in millions of yen)

	2019	2020	2021Q2
Selected balance sheet data:			
Cash and cash equivalents	4,118	1,635	16,016
Total current assets	10,713	10,046	23,761
Total assets	12,137	12,394	26,979
Total liabilities	18,650	4,726	4,823
Total equity	(6,514)	7,668	22,157

(in millions of yen)

	2019	2020	2021Q2
Selected Cash flow data:			
Net cash provided by (used in) operating activities	(1,808)	(840)	(1,023)
Net cash provided by (used in) investing activities	(5,710)	(2,706)	732
Net cash provided by (used in) financing activities	11,103	1,161	14,595
Cash and cash equivalents at the end of year / period	4,118	1,635	16,016

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Selected Financial Data

(in millions of USD)

	2019	2020	2020Q2	2021Q2	YoY	2020Q2	2021Q2	YoY
Selected statement of income data:			6 months	6 months		3 months	3 months	
Revenue	**66.3**	**84.2**	**37.2**	**51.6**	**38%**	**17.3**	**25.6**	**48%**
Cost of sales	(39.5)	(45.4)	(21.3)	(26.4)		(10.0)	(12.8)	
Gross profit	**26.8**	**38.8**	**16.0**	**25.2**	**57%**	**7.4**	**12.8**	**73%**
Gross margin	**40%**	**46%**	**43%**	**49%**		**42%**	**50%**	
Sales and marketing expenses	(25.4)	(32.5)	(14.9)	(18.6)		(7.7)	(9.0)	
% of Revenue	*38%*	*39%*	*40%*	*36%*		*44%*	*35%*	
Research and development expenses	(16.3)	(14.0)	(6.6)	(7.7)		(3.4)	(3.7)	
% of Revenue	*25%*	*17%*	*18%*	*15%*		*20%*	*14%*	
General and administrative expenses	(6.7)	(7.6)	(3.3)	(6.3)		(1.7)	(2.4)	
% of Revenue	*10%*	*9%*	*9%*	*12%*		*10%*	*10%*	
Other income	0.0	0.7	0.1	0.1		0.1	0.1	
Other expenses	(0.0)	(0.2)	-	0.0		-	0.0	
Operating loss	(21.7)	(14.8)	(8.7)	(7.3)		(5.3)	(2.3)	
One-time IPO related expenses (1)	-	-	-	(2.6)		-	-	
Operating loss (excl. IPO related)	(21.7)	(14.8)	(8.7)	(4.7)		(5.3)	(2.3)	
EBITDA (excl. IPO related)	**(18.3)**	**(10.4)**	**(6.8)**	**(1.3)**		**(4.3)**	**(0.3)**	
EBITDA margin	**-28%**	**-12%**	**-18%**	**-3%**		**-25%**	**-1%**	

(1) One-time IPO related expenses by USD 2.6 million was recorded in FY2021Q1

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Selected Financial Data

(in millions of USD)

	2019	2020	2021Q2
Selected balance sheet data:			
Cash and cash equivalents	37.8	15.3	144.9
Total current assets	98.3	94.1	215.0
Total assets	111.4	116.1	244.1
Total liabilities	171.2	44.3	43.6
Total net assets	(59.8)	71.8	200.5

(in millions of USD)

	2019	2020	2021Q2
Selected Cash flow data:			
Net cash provided by (used in) operating activities	(16.6)	(7.9)	(9.5)
Net cash provided by (used in) investing activities	(52.4)	(25.4)	6.8
Net cash provided by (used in) financing activities	101.9	10.9	137.5
Cash and cash equivalents at the end of year / period	37.8	15.3	144.9

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