MAKING AI EASY

BY MAKING
SOFTWARE INTELLIGENT

Q3 FY2021 Earnings November 2021

Appier

Our Mission

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



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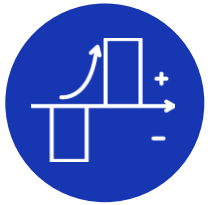
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Key Achievements in Q3



Further Accelerated Business Growth

- Revenue increased by **50%** YoY and hit a historical high to **3.2 B** JPY.
- Revenue growth YoY of 50% has expanded from a high comp in FY20 Q3, with growth expanded by **18 p.p.** QoQ.
- Gross profit significantly grew by **62%** YoY.
- Upward revision full year forecast again from 11.7B JPY to **12.3B** JPY **(5.5%+)**



Simultaneous Momentum of Growth & Profitability

- **FY21 Q3 marks our first quarter of positive EBITDA margin in our company's history.**
- EBITDA margin improved by **16** p.p. YoY to **2%**.
- Operating margin improved by **14** p.p. YoY.



Business Momentum & Industry Tailwind Led to Historical Highs in all Metrics

- LTM NRR further expanded to **126.2%**, a historically high.
- Customer churn rate decreased to **0.76%**, the lowest level in our history.
- Net new customers increased by **73** to 1,016 with **7.7%** QoQ growth - also our historical high organic incremental increase of customers.
- The privacy-safe market trend and geographical expansion drove customer acquisition.

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Financial Overview

Q3 Highlights (JPY)

Revenue

JPY 3.2B

LTM NRR (2)

126.2%

ARR(4)

JPY 11.7B

Revenue YoY Growth(1)

+50%

Gross Profit YoY Growth (3)

+62%

ARR YoY Growth (5)

+48%

(1) Revenue Growth from FY2020 Q3 to FY2021 Q3.
(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 Q3. to FY2021 Q3.
(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 Sep. to 2021 Sep.

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Q3 Highlights (USD)

Revenue

USD 29.1M

LTM NRR (2)

126.2%

ARR(4)

USD 106.9M

Revenue YoY Growth(1)

+44%

Gross Profit YoY Growth (3)

+56%

ARR YoY Growth (5)

+44%

(1) Revenue Growth from FY2020 Q3 to FY2021 Q3.
(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.
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(5) ARR Growth from 2020 Sep. to 2021 Sep.
(6) USD-based revenue YoY growth rate is lower compared to JPY-based due to weaker KRW

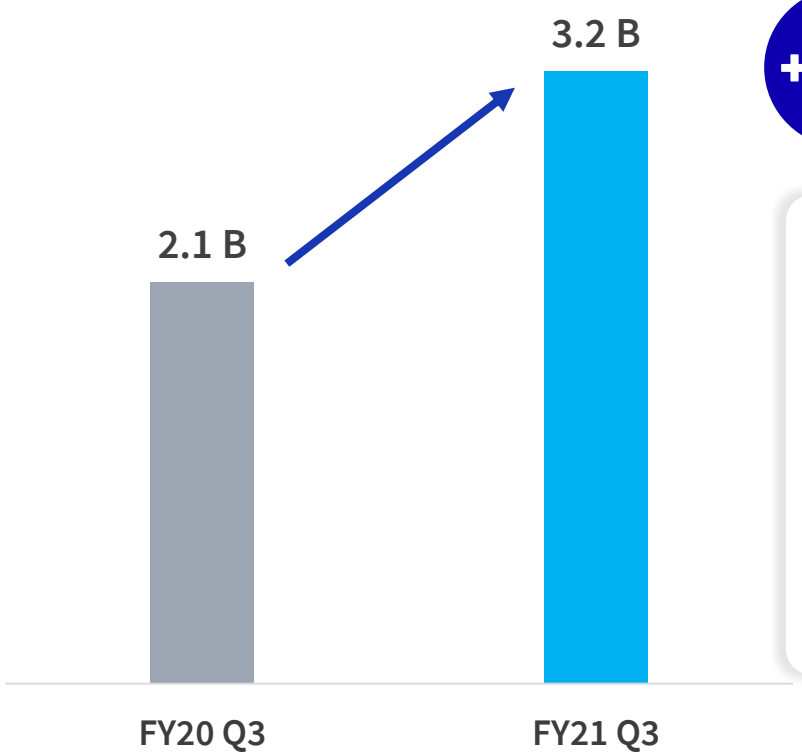
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Revenue Trends

Our revenue has grown by 50% YoY in FY21 Q3, driven by continuously improved sales productivity and increasing usage from existing customers. We also see that our AI technology plays an even more important role in the current privacy-safe market trend that led to a tailwind in our business expansion.

Revenue (JPY)



+50%

38% of incremental revenue was from new customers, and **62%** from existing customers

Additional Factors Drive QoQ Revenue Growth

+3.0%
of Total Revenue

AI technology cope with privacy-safe market trend

+2.6%
of Total Revenue

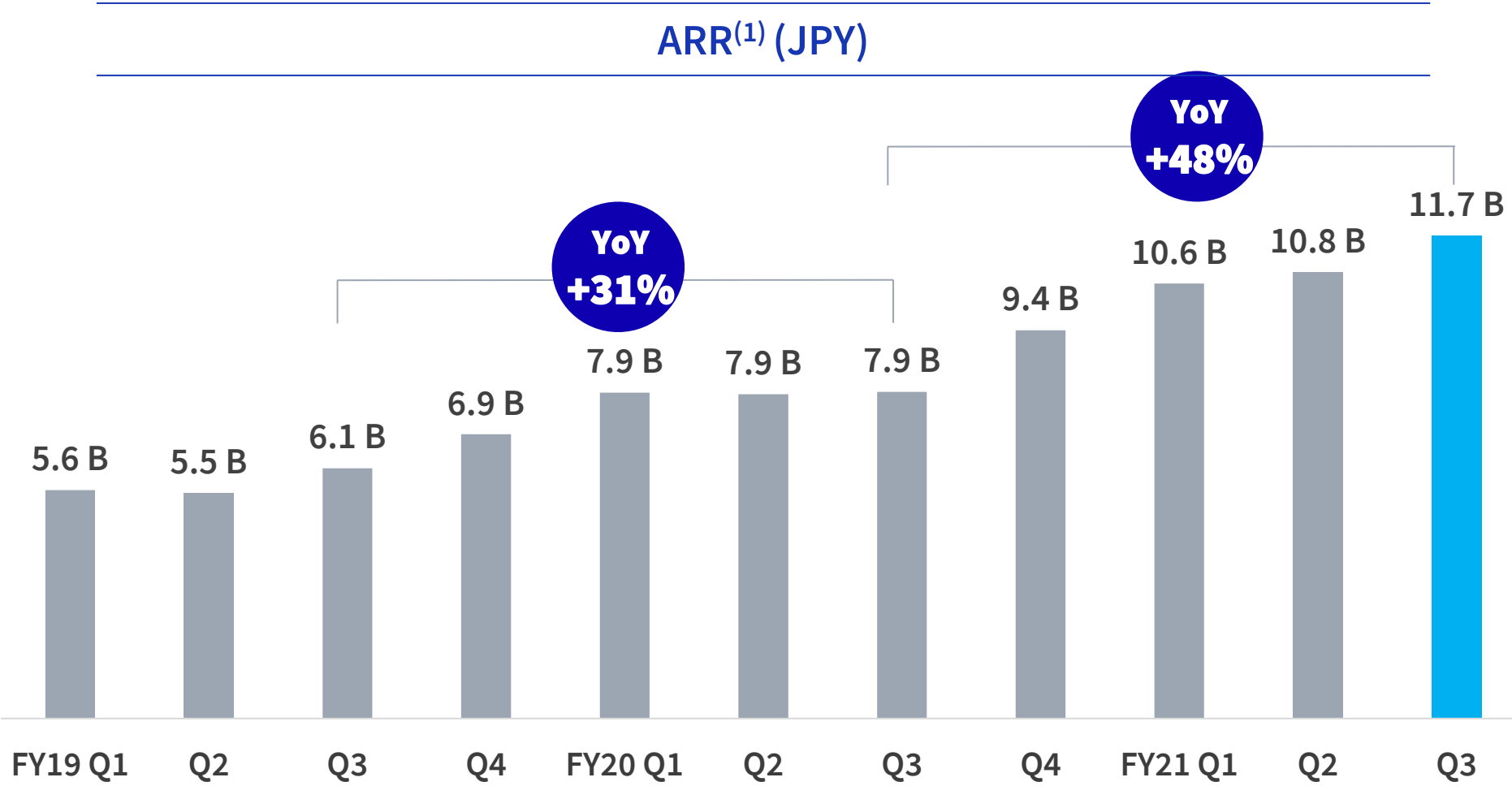
Geographical Development→ Further business penetration in US and China

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Annual Recurring Revenue Quarterly Trends

The YoY growth rate of annual recurring revenue further accelerated driven by our strong business expansion. Compared to last year, this year's momentum has accelerated, and the YoY growth rate increased by 17 p.p.

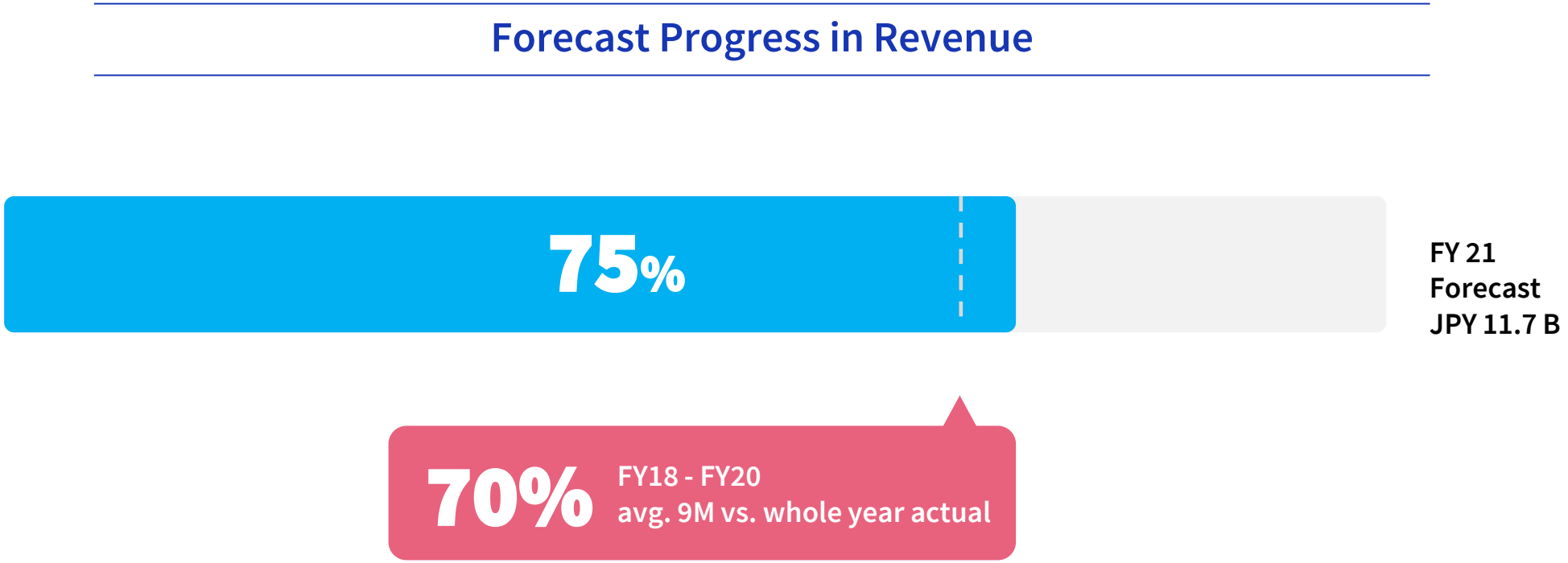


(1) ARR is conducted as the sum of the per-solution ARR. (i) For AIQUA, AiDeal , AIXON and BotBonnie, which are offered on a subscription basis, we calculate ARR as of a certain date as the monthly recurring revenue converted in JPY during the one-month period ending on such date, multiplied by 12. (ii) 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 75% of our previous revised FY 21 forecast. During FY18-FY20, our average 9-month sales progress vs. that of the whole year was 70%.

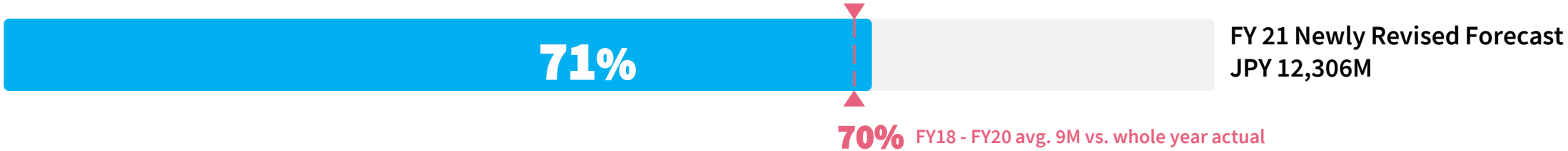


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Forecast Upward Revision

In FY21 Q3, we have done better than expected in new customer acquisition and expansion on existing customers with the industry tailwind, thus outperforming our original target. Therefore, we made another upward revision on our FY2021 forecast. Our new forecast mainly reflects our outperforming in FY21 Q3 and continues to serve as a conservative revenue estimation.

	FY2021		
	Revised Forecast	Previous revised Forecast	Difference
Revenue	**12,306M**	**11,661M**	**+5.5%**
Operating Income	**-1,154M**	**-1,302M**	**-**
Net Income	**-1, 277M**	**-1,425M**	**-**

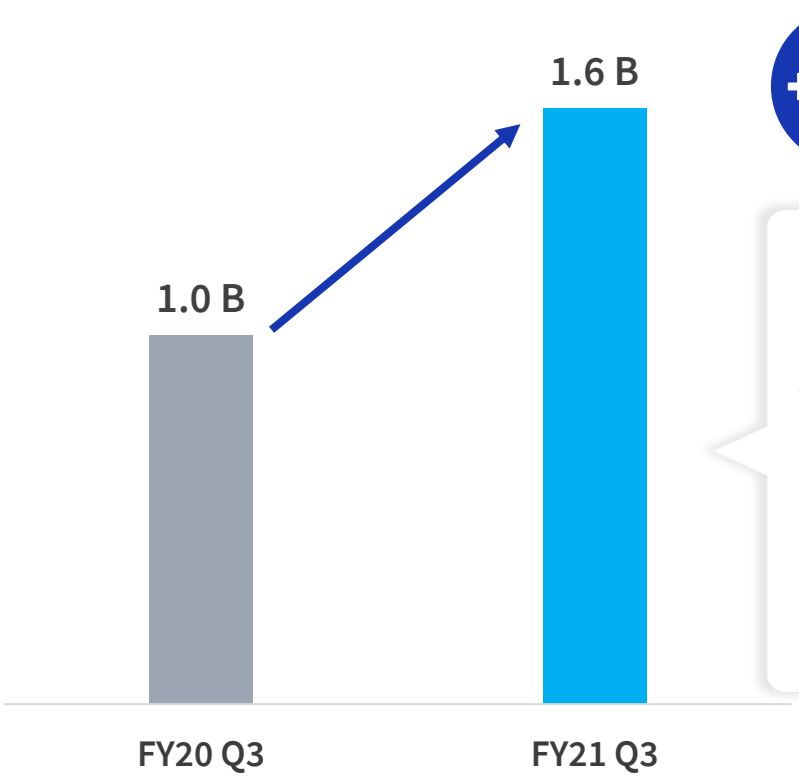


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Gross Profit

Our gross profit growth rate has outpaced our revenue growth rate and reached 62% YoY. This is mainly due to both gross margin improvement and revenue growth acceleration.

Gross Profit (JPY)



Gross Margin increased From **46%** to **50%**

Main Factors that drive YoY Improvement

Improvement of CrossX's gross margin

Better revenue mix from higher gross margin products

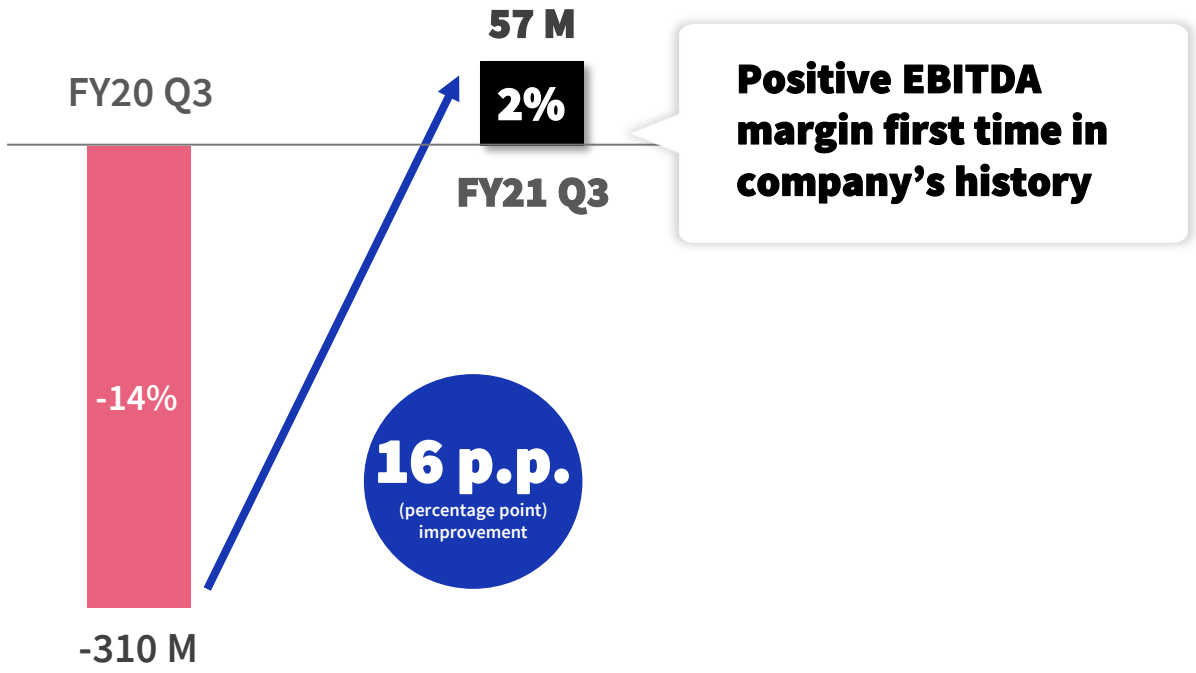
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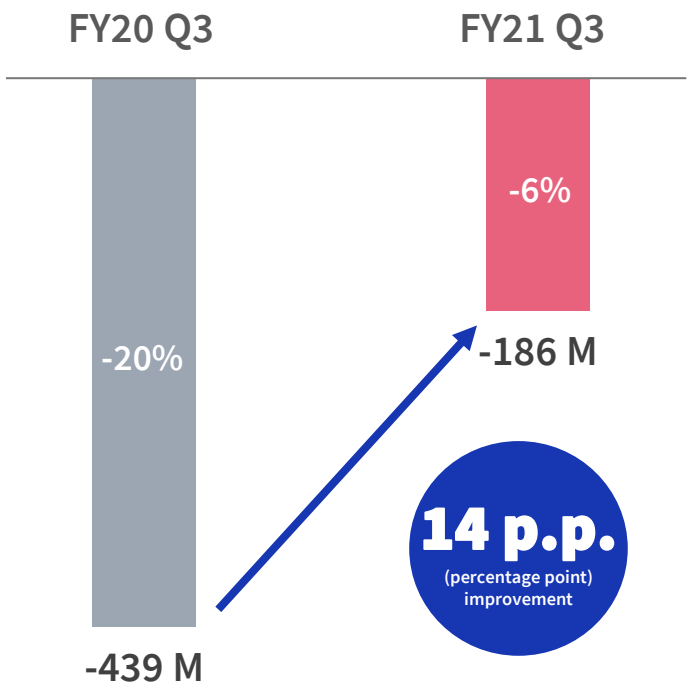
EBITDA & Operating Income

Our EBITDA margin turned positive first time to 2% in company history and reached JPY 57 million. In addition, our EBITDA margin improved 16 p.p. on YoY basis and 3 p.p. on QoQ basis. Our operating margin improved by 14 p.p. on YoY basis and 3 p.p. on QoQ basis. This was mainly driven by accelerated revenue growth and strong operating leverage.

EBITDA(1) & Margin(JPY)



Operating Income & Margin (JPY)



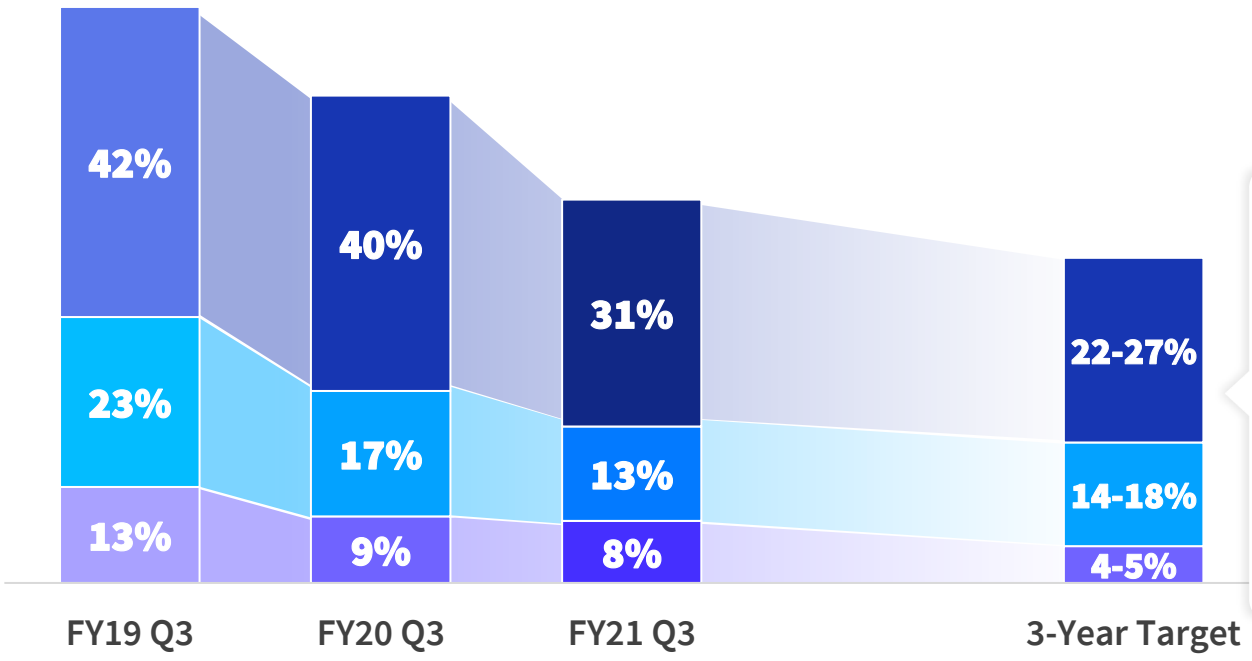
(1) EBITDA = operating income + depreciation and amortization + tax expenses included in operating expenses
(2) EBITDA margin stay positive even with standard calculation

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Cost Structure

Our operation has demonstrated strong leverage and improvement through productivity gains and better scale.

Historical Cost Structure & 3-Year Margin Target (% Revenue)



FY21 Q3 Achieve %[2]

S&M 69% Achieved

R&D 100% Achieved

G&A 25% Achieved

- S&M (excl. software amortization)[1]
- R&D
- G&A (excl. Capital size tax)

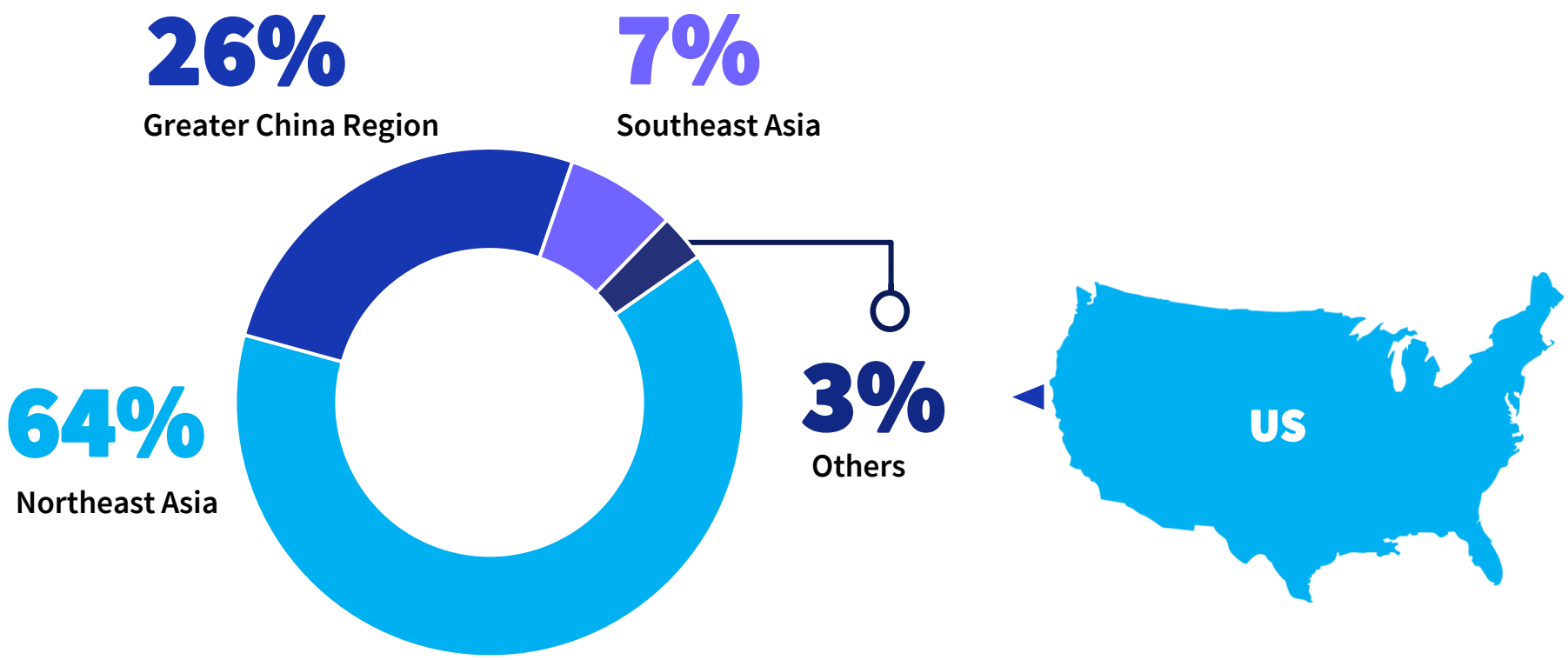
(1) Our Sales and Marketing Expenses includes amortization of software. We started software capitalization in FY2020.
(2) Achieve %= (margin% of FY20 Q3 - margin% of FY21 Q3) / (margin% of FY20 Q3 - 3-Year Target%)

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Business progress and metrics

Diverse Global Revenue Base

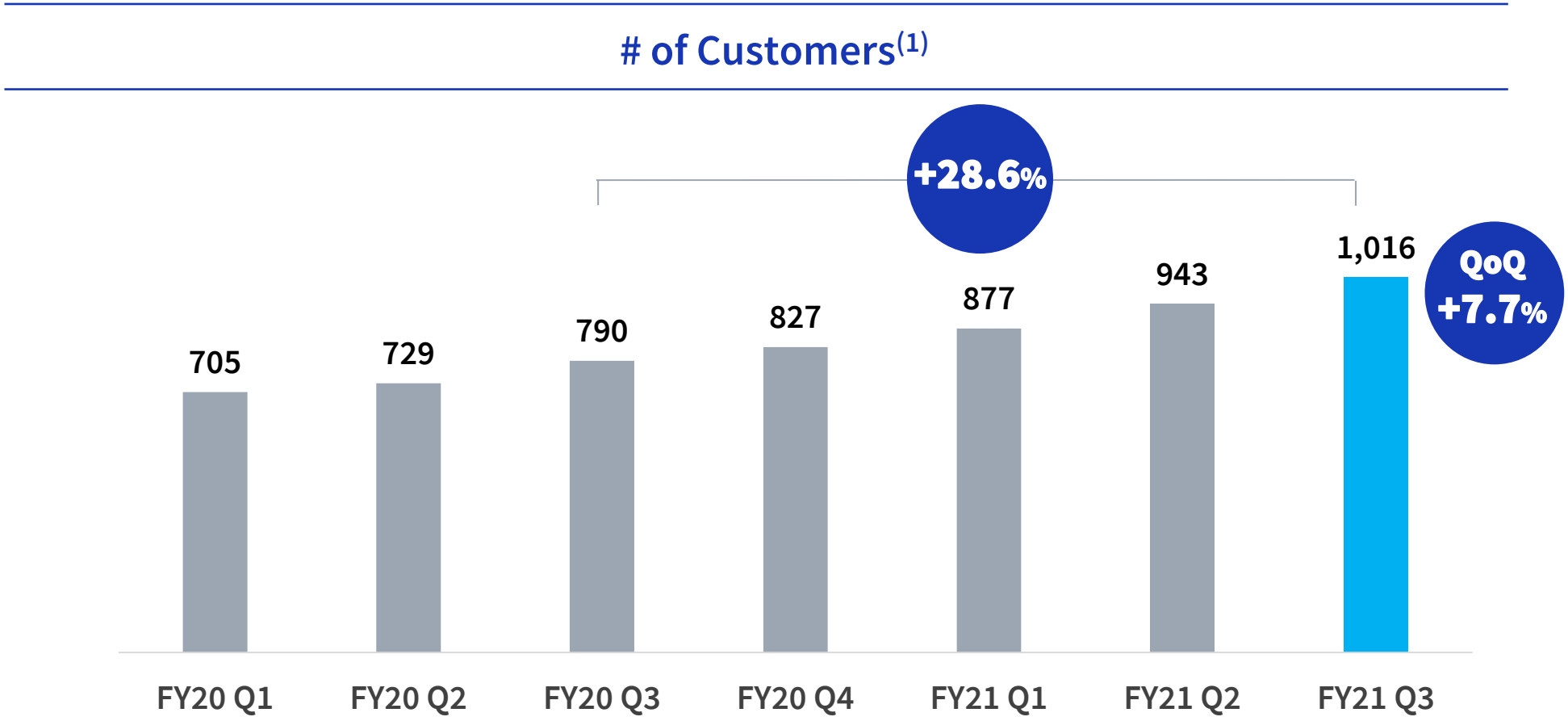
FY21 Q3 Revenue % by Region



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Quarterly Customer # Trend

Net new customer number hits historical high with 7.7% QoQ growth and 28.6% YoY growth. This the second quarter in a row that we achieved a historical high number of newly added customers. New customers added in FY21 Q3 were mainly from e-commerce (32% of total new customers) and digital content (22% of total new customers).

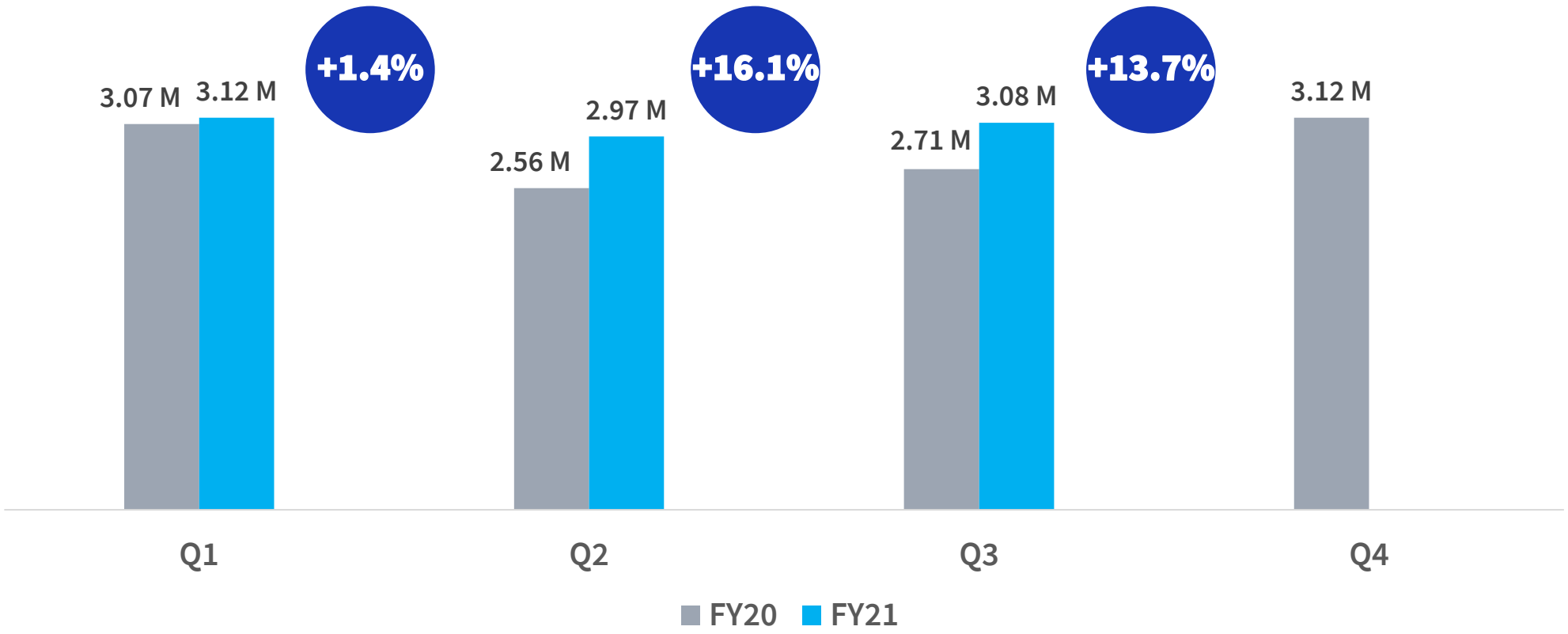


(1) "Customer" refers to a corporate group that has one or more active contracts for our solutions, excluding paid or unpaid trial, demo use and customers acquired through business acquisitions. Such corporate group is counted as a separate "customer" with respect to each solution it uses.

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Quarterly Average Revenue per Customer

Quarterly Average Revenue per Customer[(1)] (JPY)

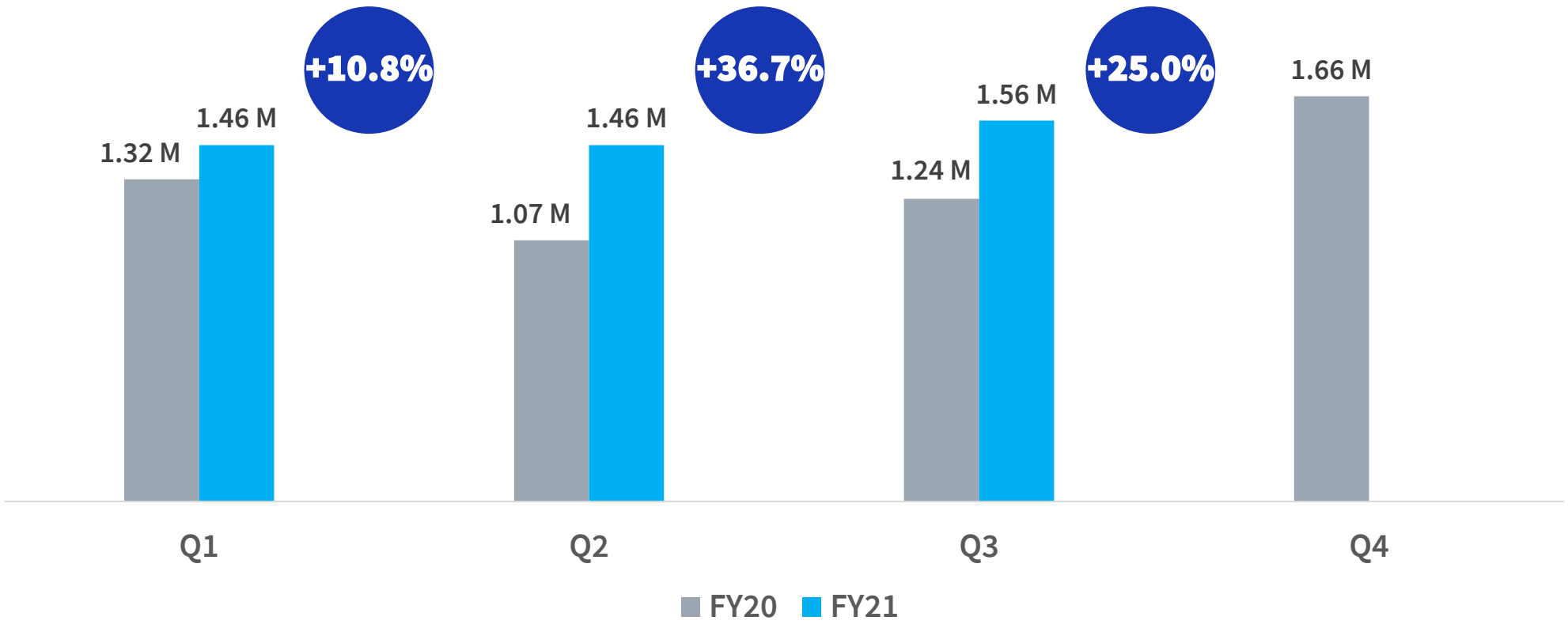


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Quarterly Average Gross Profit per Customer

Quarterly Average Gross Profit per Customer[(1)] (JPY)



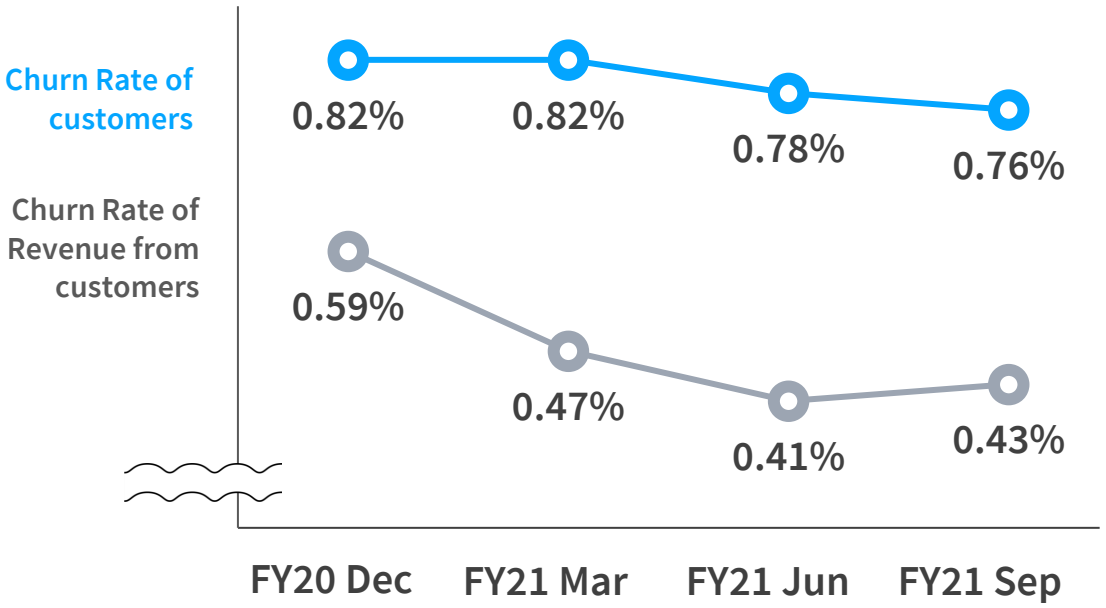
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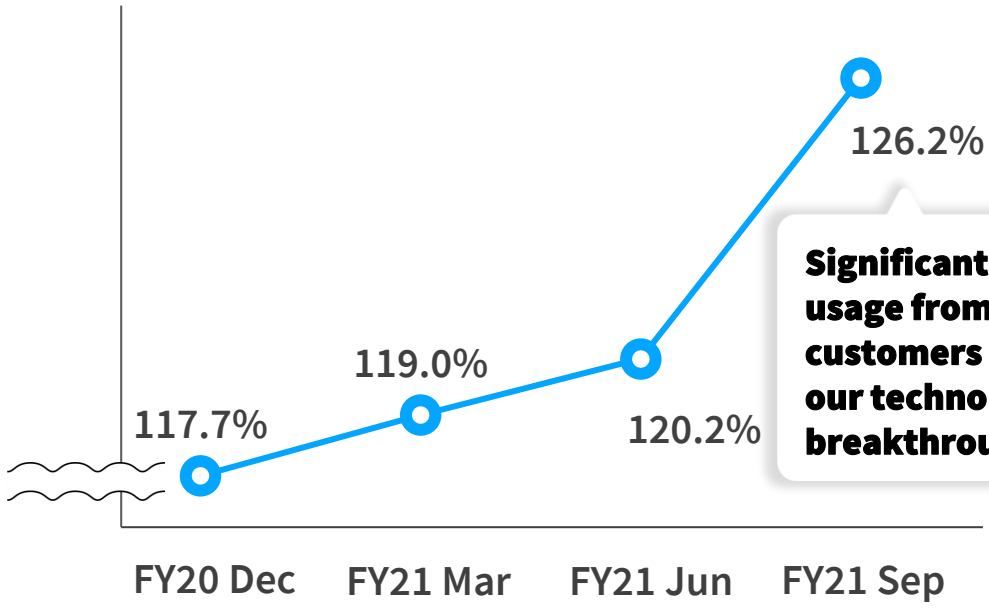
Business Metrics Are Trending Positively

We have successfully reduced our churn rate of customers and improved LTM NRR significantly. Both metrics have reached historical best levels. Significantly improved LTM NRR proves the stickiness of our customers to our solutions.

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



LTM Net Revenue Retention (3)



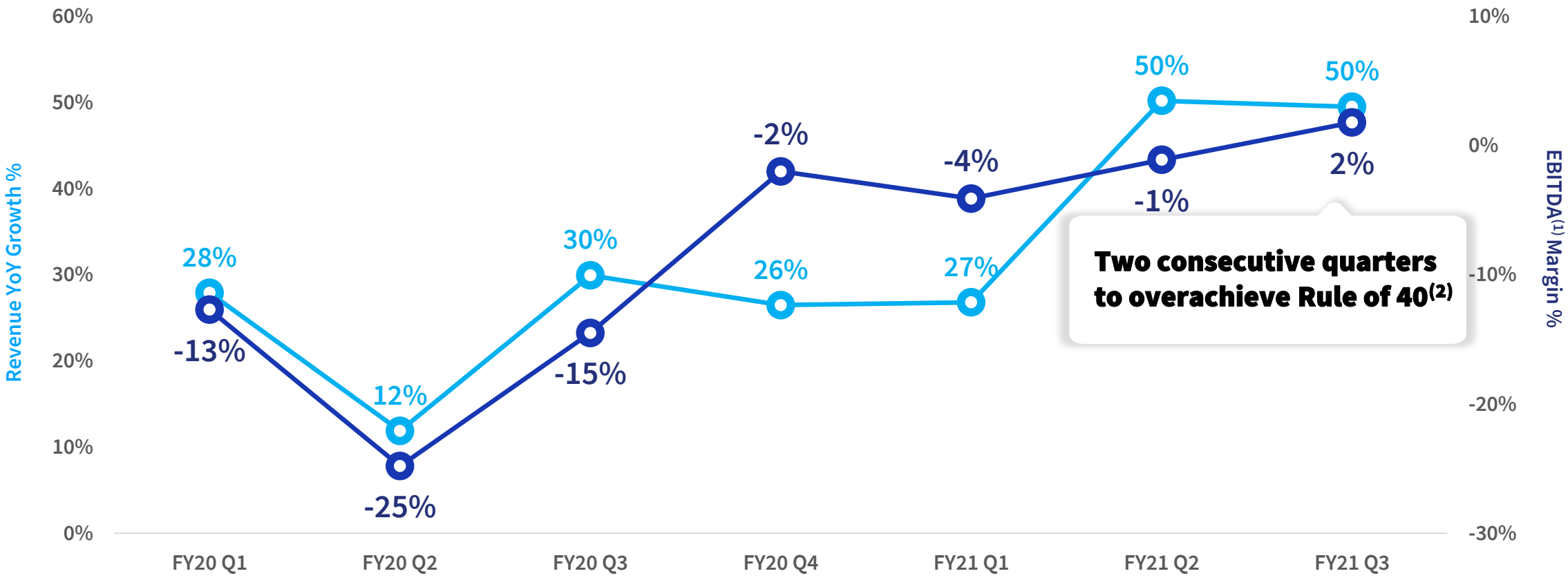
Significant increase of usage from existing customers because of our technology breakthrough

(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.
(5) LTM NRR performance of FY21 Q3 is above our expectation. Although every quarter may vary, we target to keep our LTM NRR above 120%.

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Balancing Growth & Profitability

Continuous sales productivity improvement drives strong new customer acquisition which further shortens the payback cycle of our investment in sales efforts and enables us to eventually achieve sustainable growth of both revenue and profit.



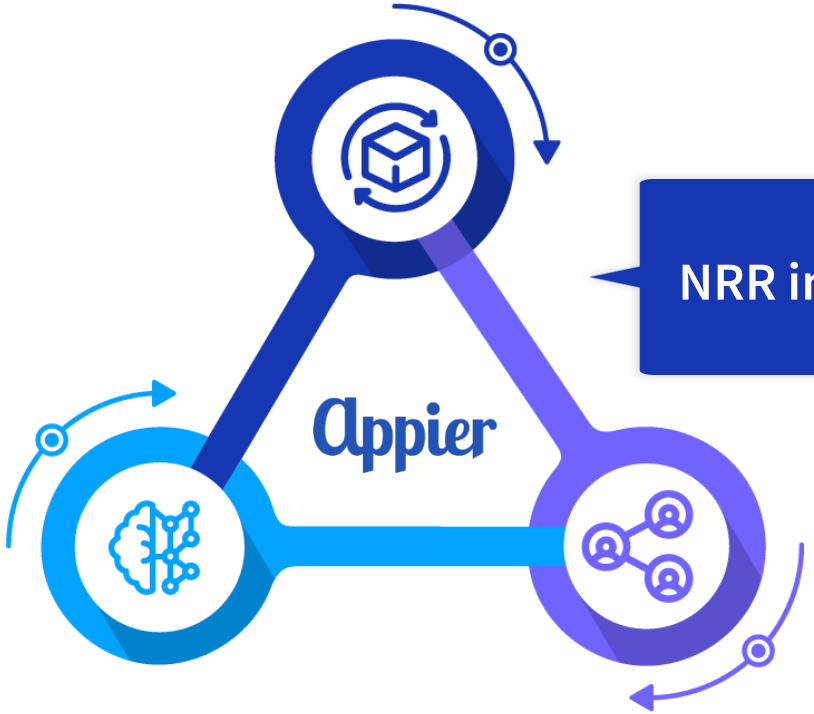
(1) EBITDA = operating income + depreciation and amortization + tax expenses included in operating expenses + IPO related expense

(2) Rule of 40= revenue YoY growth rate + EBITDA margin (EBITDA= operating income + depreciation and amortization + tax expenses included in operating expenses + IPO related expense)

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Appier's Strong Network Effects Drive Platform Value

Complementary and Relevant Products

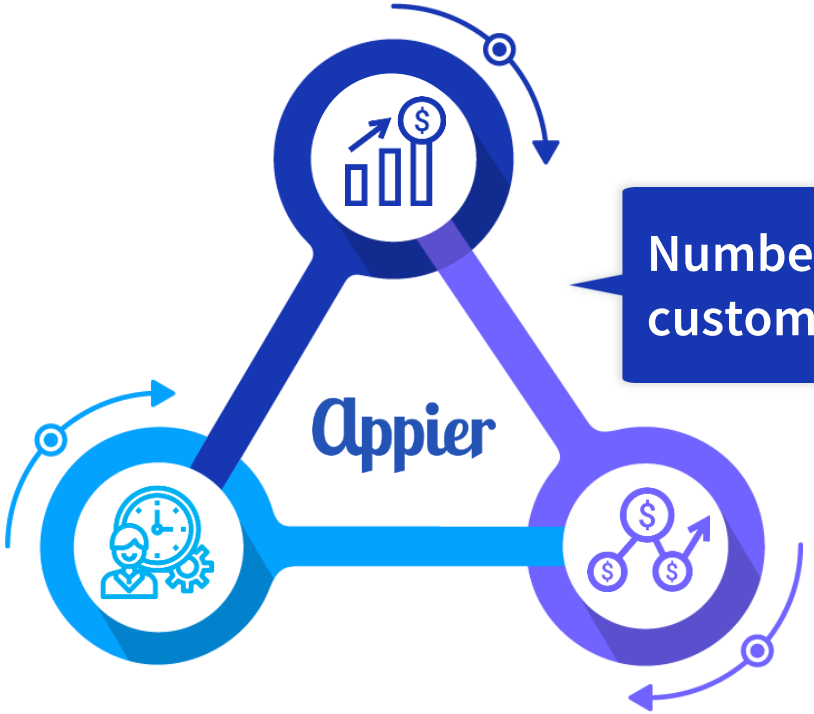


NRR increases

AI Model Learning & Improvement

Data Synergy Across Products

Higher sales productivity



Number of new customers rises

Higher ROI for S&M investment

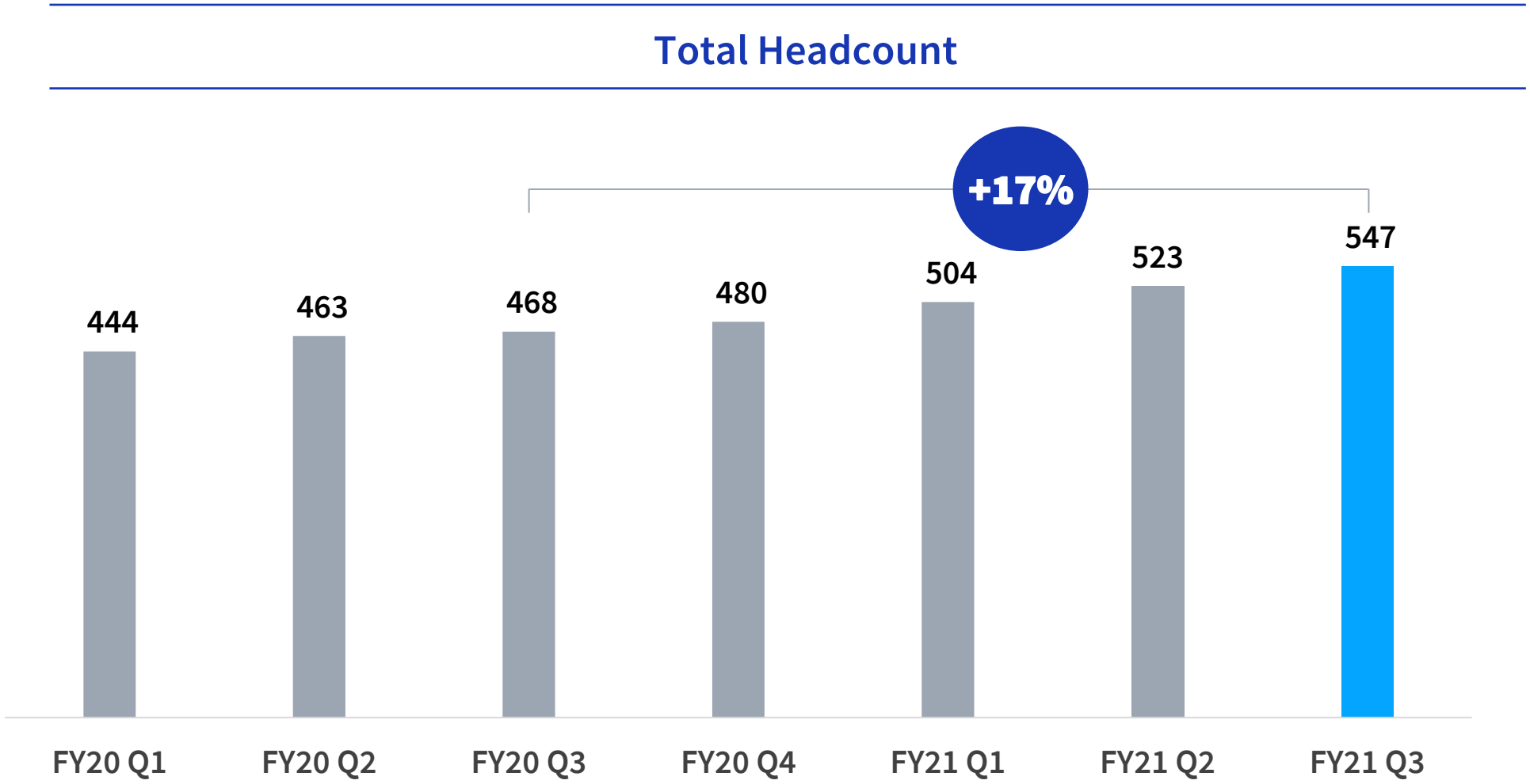
Higher gross profit per customer

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Hiring to scale our opportunities

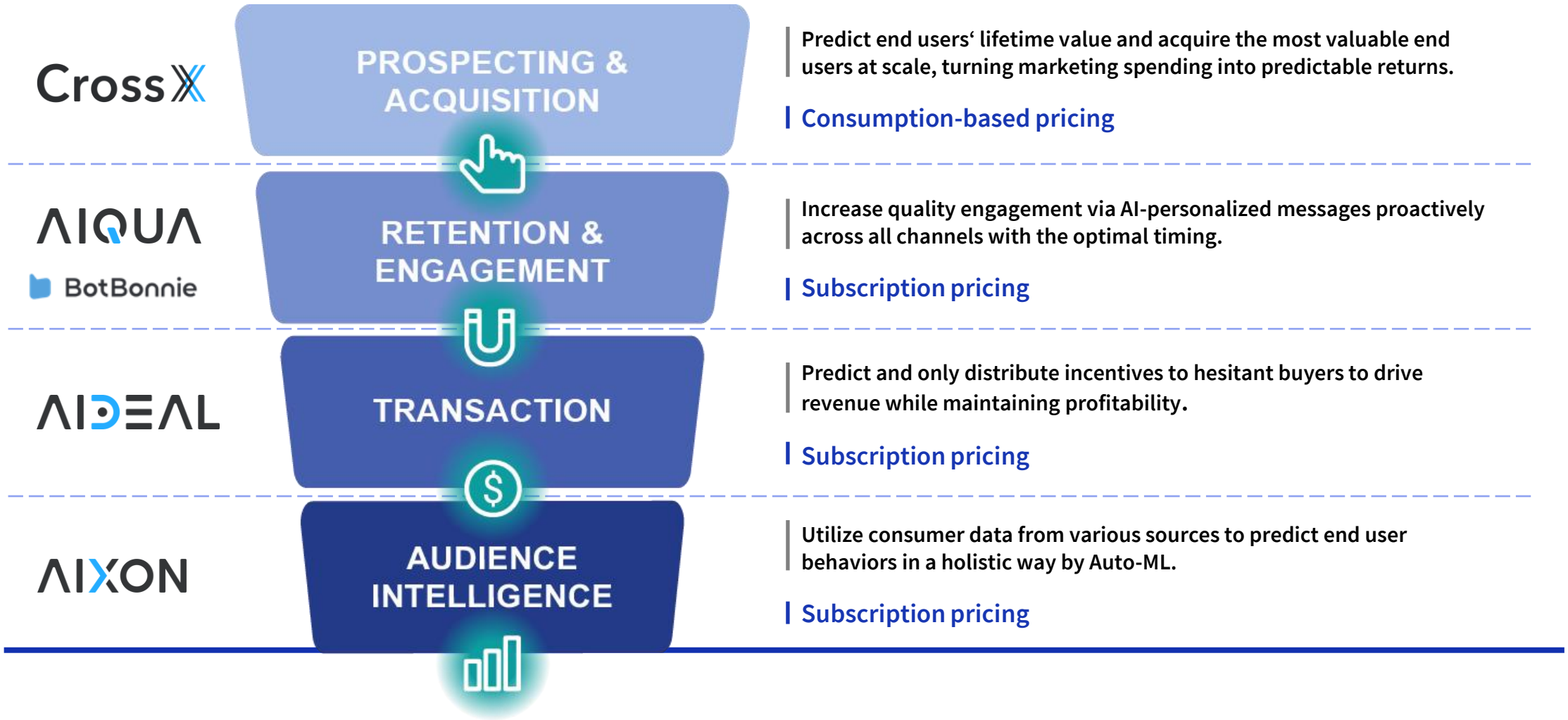
Our headcount increase speed has been stable and we continue to invest in new talent.



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Product Updates

Comprehensive AI-Powered Solutions Across the Funnel



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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

AI is the Key Component in the 1st Party Data World

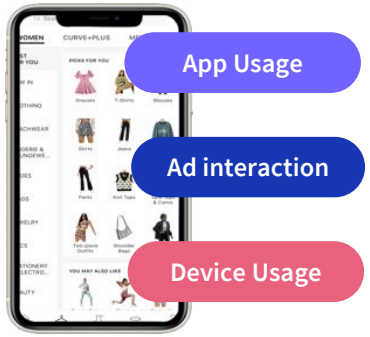
With Only 1st Party Data

Key Differentiators

- **Real-time prediction**
- **Precise prediction from sparse data**

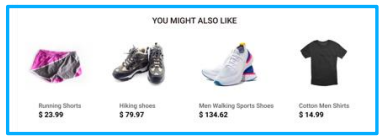
User generated 1st party data





Real-time user preference Prediction

Real-time learning of behavioral patters





Real-time AI recommendation

Discover the valuable user

With 3rd Party Data



Deliver content based on 3rd party cookies mapping



3rd party ID synchronization

3rd party database

Tracking and identifying user in each sessions between websites to know their Interests

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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**

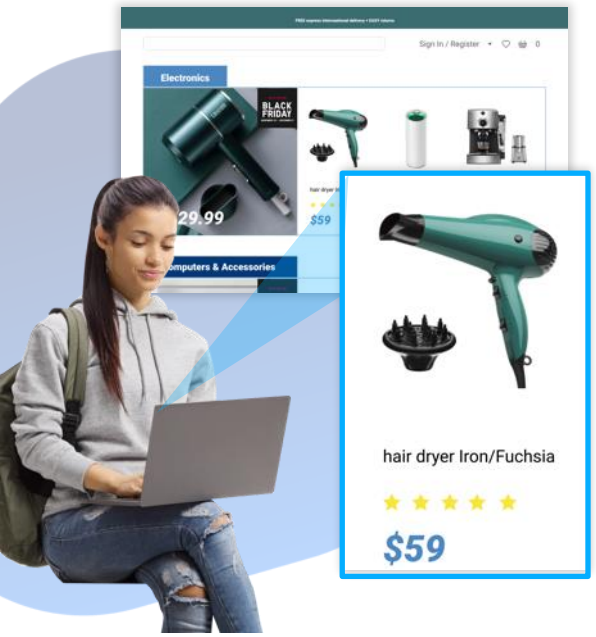
BotBonnie Cross Product Synergies

Data unification of cross-channel structured behavior data and unstructured conversational data

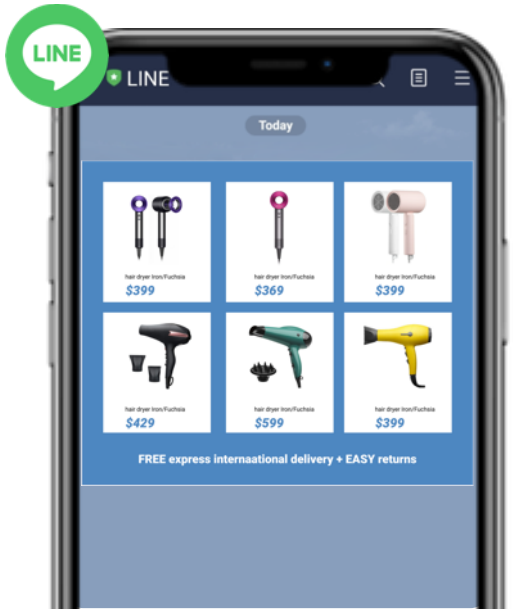
Non log-in/ Non-member user on-site behavior:

Search hair beauty related products ➤ **Product recommendation on Messenger personalized menu**

AIQUA Structured data



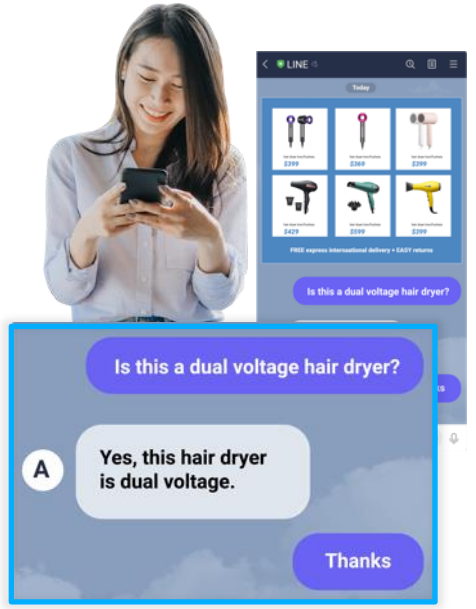
BotBonnie



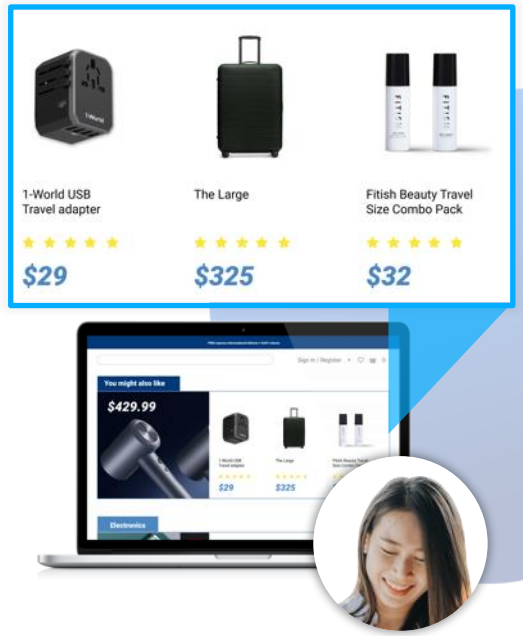
User in-App behavior:

Interact with chatbot ➤ **Capture chat content to recommend related products**

BotBonnie Unstructured data

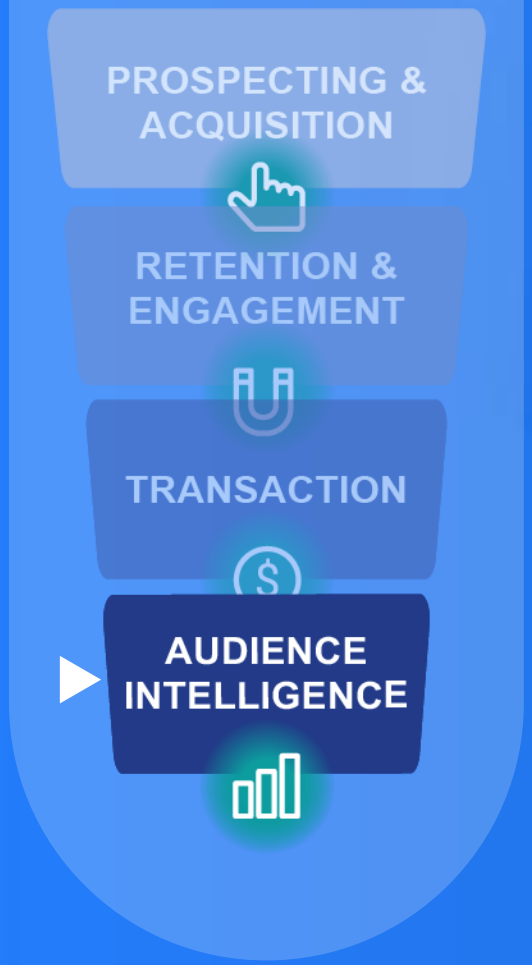


AIQUA

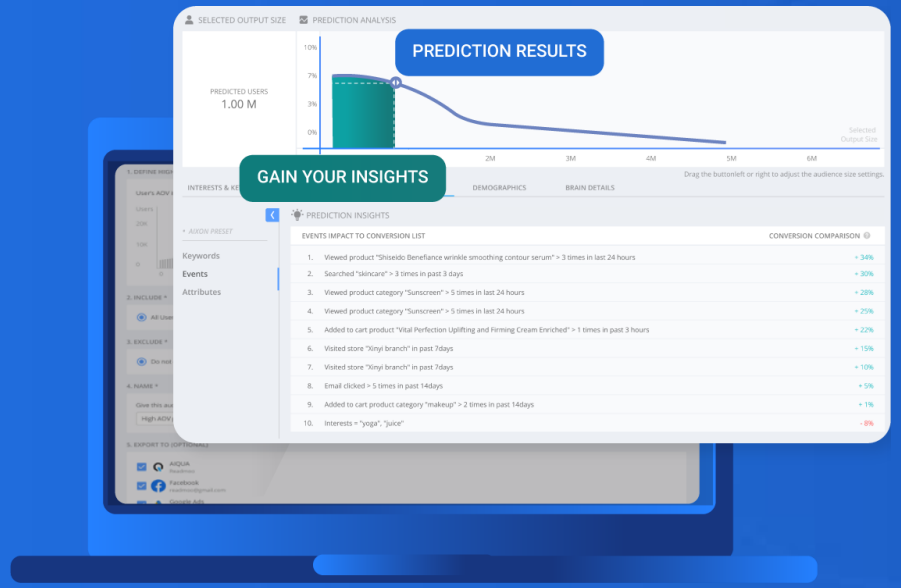


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AIXON



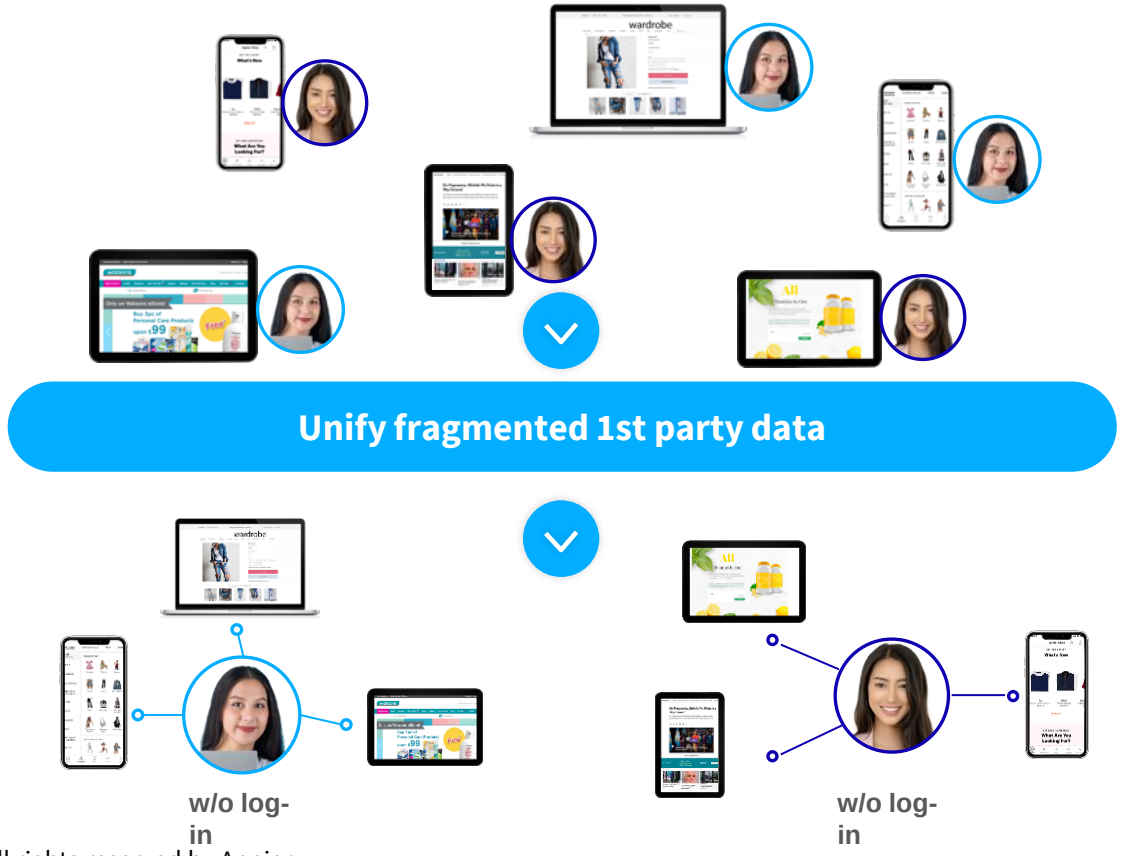
AIXON enables businesses to utilize their own end user data from various sources to predict end user behaviors in a holistic view with Automated ML model building and without the hassle of building an entire AI technology stack in-house.

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

AIXON 1st Party-Data-Centric Solution

User Profile Unification across 1st Party data

We provide technology infrastructure to help customers use AI technology to unify users' profiles based on 1st party data and allow companies to build user profiles and personalization without relying on 3rd party data



Predictive User Affinity

We further enrich our customers' understanding of their end users by leveraging NLP to auto-label users with interests and keywords and enrich user profiles with only 1st party data



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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
Head of Japan

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

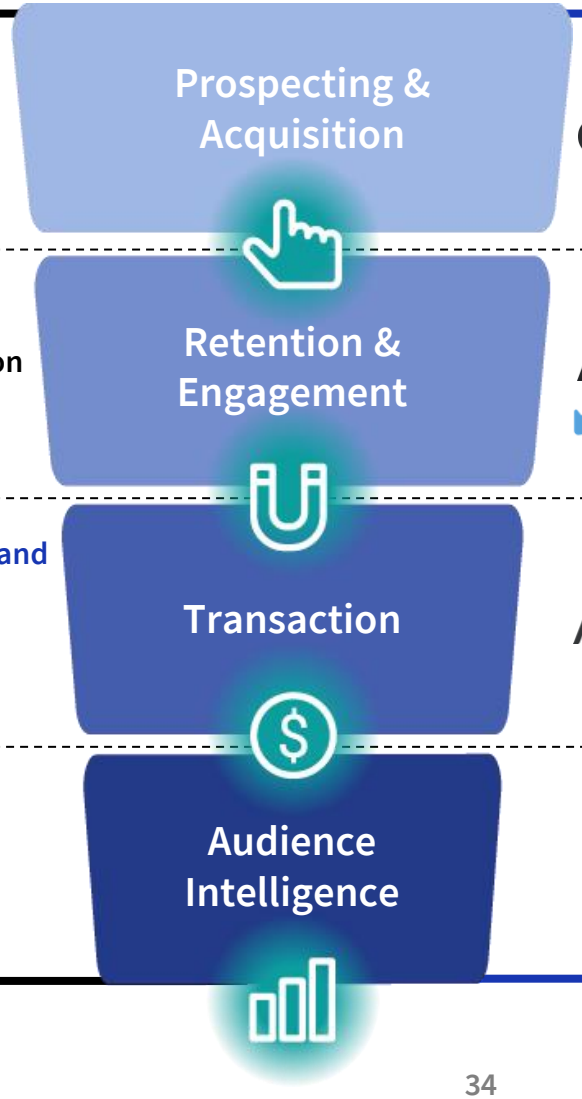
Existing Solutions

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 / BotBonnie
- Predict end users' potential behaviors and proactively engage them effectively
- Fully automated solutions with tightly integrated AI on all messaging channels
- BotBonnie: Interactive conversational marketing chatbot solution

AIDEAL
- AI detects hesitant buyers by identifying end user patterns and distributing incentives only to those hesitant buyers
- Increase 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

EC

Top e-commerce fashion brand in Korea

Goal: Increase sales through increasing cart checkout rate

Results: Boosted Revenue and ROI with AI personalized messages

Retail

Global retail group digital platform

Goal: Direct offline users online to expedite company-wide digital transformation

Results: Achieved successful offline to online registrations

Finance

Leading commercial bank in Thailand

Goal: Target audiences and discover their needs in different financial products

Results: Improved end user engagement with their product offerings

On-demand

International restaurant franchise

Goal: Increase onsite revenue by winning over end users amongst numerous on-demand food services

Results: Increased sales by driving hesitant user transactions

Auto

Global automobile brand

Goal: Increase its market share in the most relevant audience segments

Results: Increased traffic of potential car buyers to the site

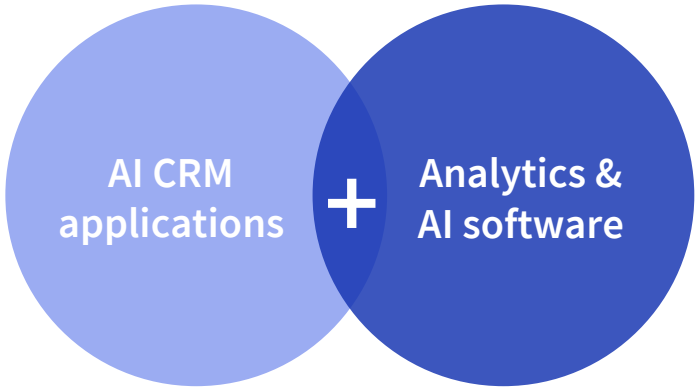
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Massive Market Opportunity

Top-Down View 2021

IDC [1]



US$ **58** B
(estimated)

Bottom-Up View 2021



(1) Source: IDC Semiannual Artificial Intelligence Tracker, 2H 2020 (July 2021)
(2) Annualized revenue= FY21 Q3 revenue in JPY * 4/ exchange rate 110.09
(3) Calculation is based on internal estimation. In terms of APAC marketing investment, we have around 3% market share in EC, 2% in digital content and 1% in others. EC accounts for 30% of marketing investment and digital content providers accounts for 20%. Thus, we roughly have 1.8% market share of APAC marketing investment. According to eMarketer estimation, APAC accounts for 34.8% of global marketing investment and we have 0.2% market share of Global marketing investment.

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Selected Financial Data

(in millions of Yen)

	2019	2020	2020Q3	2021Q3	YoY	2020Q3	2021Q3	YoY
Selected statement of income data:			9 months	9 months		3 months	3 months	
Revenue	**7,220**	**8,970**	**6,176**	**8,756**	**42%**	**2,144**	**3,206**	**50%**
Cost of sales	(4,303)	(4,844)	(3,456)	(4,443)		(1,154)	(1,602)	
Gross profit	**2,916**	**4,126**	**2,720**	**4,313**	**59%**	**991**	**1,604**	**62%**
Gross margin	**40%**	**46%**	**44%**	**49%**		**46%**	**50%**	
Sales and marketing expenses	(2,766)	(3,460)	(2,490)	(3,061)		(877)	(1,059)	
% of Revenue	*38%*	*39%*	*40%*	*35%*		*41%*	*33%*	
Research and development expenses	(1,776)	(1,491)	(1,075)	(1,244)		(360)	(419)	
% of Revenue	*25%*	*17%*	*17%*	*14%*		*17%*	*13%*	
General and administrative expenses	(734)	(808)	(559)	(986)		(200)	(312)	
% of Revenue	*10%*	*9%*	*9%*	*11%*		*9%*	*10%*	
Other income	2	76	32	12		19	1	
Other expenses	(3)	(20)	(12)	(3)		(12)	(1)	
Operating loss	(2,361)	(1,578)	(1,384)	(968)		(439)	(186)	
One-time IPO related expenses (1)	-	-	-	(278)		-	-	
Operating loss (excl. IPO related)(2)	(2,361)	(1,578)	(1,384)	(690)		(439)	(186)	
EBITDA (excl. IPO related)	**(1,992)**	**(1,103)**	**(1,047)**	**(87)**		**(310)**	**57**	
EBITDA margin	**-28%**	**-12%**	**-17%**	**-1%**		**-14%**	**2%**	

(1) One-time IPO related expenses by JPY 278 million was recorded in FY2021Q1
(2) IPO-related expenses were not included in EBITDA in 2021 Q3 3months results.

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Selected Financial Data

(in millions of yen)

	2019	2020	2021Q3
Selected balance sheet data:			
Cash and cash equivalents	4,118	1,635	7,618
Total current assets	10,713	10,046	23,890
Total assets	12,137	12,394	28,426
Total liabilities	18,650	4,726	6,141
Total equity	(6,514)	7,668	22,285

(in millions of yen)

	2019	2020	2021Q3
Selected Cash flow data:			
Net cash provided by (used in) operating activities	(1,808)	(840)	(1,269)
Net cash provided by (used in) investing activities	(5,710)	(2,706)	(7,308)
Net cash provided by (used in) financing activities	11,103	1,161	14,503
Cash and cash equivalents at the end of year / period	4,118	1,635	7,618

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Selected Financial Data

(in millions of USD)

	2019	2020	2020Q3	2021Q3	YoY	2020Q3	2021Q3	YoY
Selected statement of income data:			9 months	9 months		3 months	3 months	
Revenue	**66.3**	**84.2**	**57.5**	**80.7**	**40%**	**20.2**	**29.1**	**44%**
Cost of sales	(39.5)	(45.4)	(32.1)	(41.0)		(10.9)	(14.6)	
Gross profit	**26.8**	**38.8**	**25.3**	**39.7**	**57%**	**9.3**	**14.6**	**56%**
Gross margin	**40%**	**46%**	**44%**	**49%**		**46%**	**50%**	
Sales and marketing expenses	(25.4)	(32.5)	(23.2)	(28.2)		(8.3)	(9.6)	
% of Revenue	*38%*	*39%*	*40%*	*35%*		*41%*	*33%*	
Research and development expenses	(16.3)	(14.0)	(10.0)	(11.5)		(3.4)	(3.8)	
% of Revenue	*25%*	*17%*	*17%*	*14%*		*17%*	*13%*	
General and administrative expenses	(6.7)	(7.6)	(5.2)	(9.1)		(1.9)	(2.8)	
% of Revenue	*10%*	*9%*	*9%*	*11%*		*9%*	*10%*	
Other income	0.0	0.7	0.3	0.1		0.2	0.0	
Other expenses	(0.0)	(0.2)	(0.1)	(0.0)		(0.1)	(0.0)	
Operating loss	(21.7)	(14.8)	(12.9)	(9.0)		(4.1)	(1.7)	
One-time IPO related expenses (1)	-	-	-	(2.6)		-	-	
Operating loss (excl. IPO related)(2)	(21.7)	(14.8)	(12.9)	(6.4)		(4.1)	(1.7)	
EBITDA (excl. IPO related)	**(18.3)**	**(10.3)**	**(9.7)**	**(0.8)**		**(2.9)**	**0.5**	
EBITDA margin	**-28%**	**-12%**	**-17%**	**-1%**		**-14%**	**2%**	

(1) One-time IPO related expenses by USD 2.6 million was recorded in FY2021Q1
(2) IPO-related expenses were not included in EBITDA in 2021 Q3 3months results.

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Selected Financial Data

(in millions of USD)

	2019	2020	2021Q3
Selected balance sheet data:			
Cash and cash equivalents	37.8	15.3	68.1
Total current assets	98.3	94.1	213.6
Total assets	111.4	116.1	254.1
Total liabilities	171.2	44.3	54.9
Total net assets	(59.8)	71.8	199.2

(in millions of USD)

	2019	2020	2021Q3
Selected Cash flow data:			
Net cash provided by (used in) operating activities	(16.6)	(7.9)	(11.8)
Net cash provided by (used in) investing activities	(52.4)	(25.4)	(66.3)
Net cash provided by (used in) financing activities	101.9	10.9	136.6
Cash and cash equivalents at the end of year / period	37.8	15.3	68.1

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