Retty

FY2021.9 2Q

# Presentation Material

Retty Inc.

May 2021

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1 2Q Results for Fiscal Year Ending Sept. 2021

2 Full Year Forecast for Fiscal Year Ending Sept. 2021

3 Growth Strategy

(Supplementary material)

# Executive Summary

| | |
|---|---|
| 2Q result | Both sales and profits declined due to exemption of payment in FRM and a decrease in the number of new member restaurants, while the impact was limited compared with the quarter in which the state of emergency was declared for the first time. |
| Earnings forecast | We revised the full-year earnings forecast to reflect the decline in the number of new member restaurants under the state of emergency and exemption of payment to restaurants |
| Growth strategy | We are making additional investments to maintain and enhance sales staff structure for the quick recovery of growth after COVID-19 subsides. We are also making preparations for long-term growth |

* FRM is an abbreviation for Fan Relationship Management. It is a business that provides solutions for restaurants with functions for attracting customers and managing customers for a monthly fee.

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(Supplementary material)

# 1 2Q Result Highlight

## ▶ 1H sales totaled 989 million yen and 1H operating loss came to 43 million yen

- Sales of FRM* in 2Q declined from a year earlier due to the impact of the state of emergency
- Sales of advertisement and contents were in line with the plan for 1H

## ▶ The impact was limited compared with the quarter in which the state of emergency was declared for the first time despite exemption of payment in FRM and the decline in new member restaurants

- Compared with 105 million yen in exemption of payment during the first state of emergency period, the exemption in 2Q was limited at 24 million yen.
- The number of new member restaurants fell to a similar level to the first declaration of state of emergency

## ▶ The number of new member restaurants recovered in April but it is necessary to pay attention to how long the state of emergency would last

- The number of new member restaurants in April (for activity in March) was showing signs of recovery at about 500 per month.
- The third state of emergency, which was declared on April 25, continues to be in place. There is a possibility that the number of new member restaurants slows from May onwards.

# 1 Overview of 2Q Results

## 1H sales totaled 989 million yen and operating loss came to 43 million yen

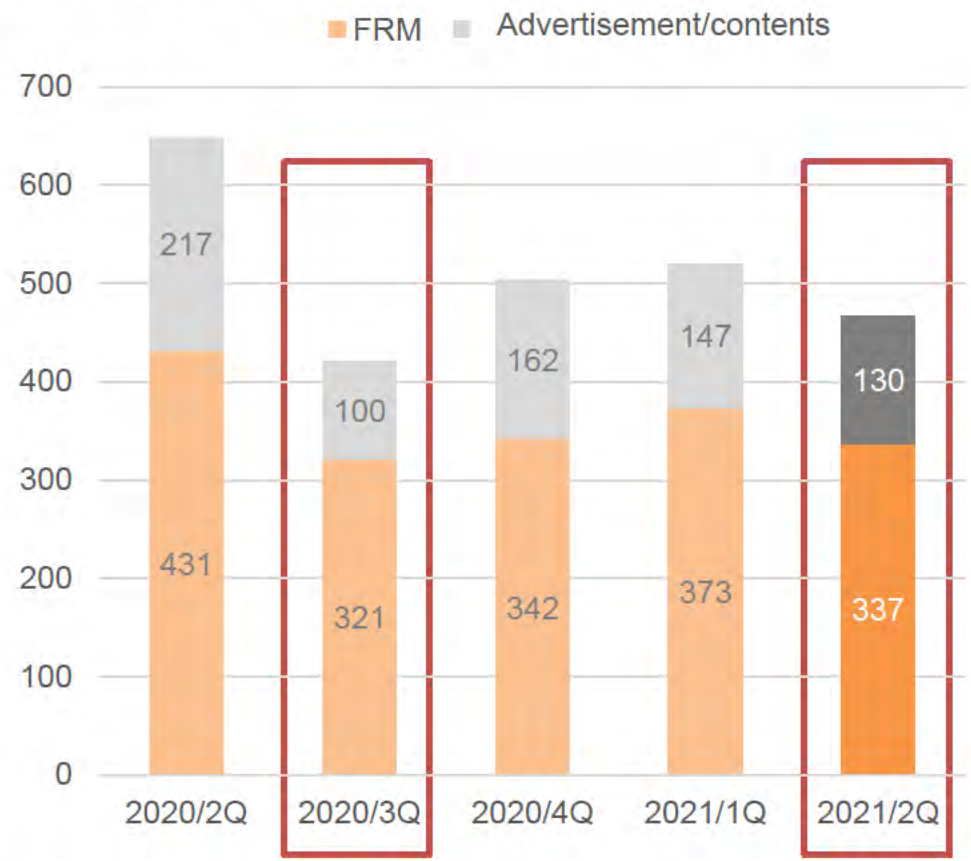
| (million yen) | FY2021 | |
|---|---|---|
| | 2Q results | 1H results |
| Net Sales | 467 | 989 |
| Gross Profit | 314 | 676 |
| Gross Profit Margin | 67.2% | 68.3% |
| Operating Profit | (40) | (43) |
| Operating Margin | - | - |
| Ordinary Profit | (97) | (114) |
| Net Profit | (100) | (115) |

Non-operating expenses include
55 million yen
provision of allowance for doubtful accounts

# 1 Quarterly Net Sales Composition

## While the quarter included a longer period of the state of emergency than the first time, sales of both FRM and advertisement/contents totaled higher than during the first declaration of the state of emergency partly due to limited payment exemptions in FRM

**Quarterly changes in net sale breakdown (million yen)**




**Advertisement /contents**

- 1H sales progressed in line with the plan as a decline in sales of Ad Technology due to a fall in the number of monthly users was offset by the sales of contents.

**FRM**

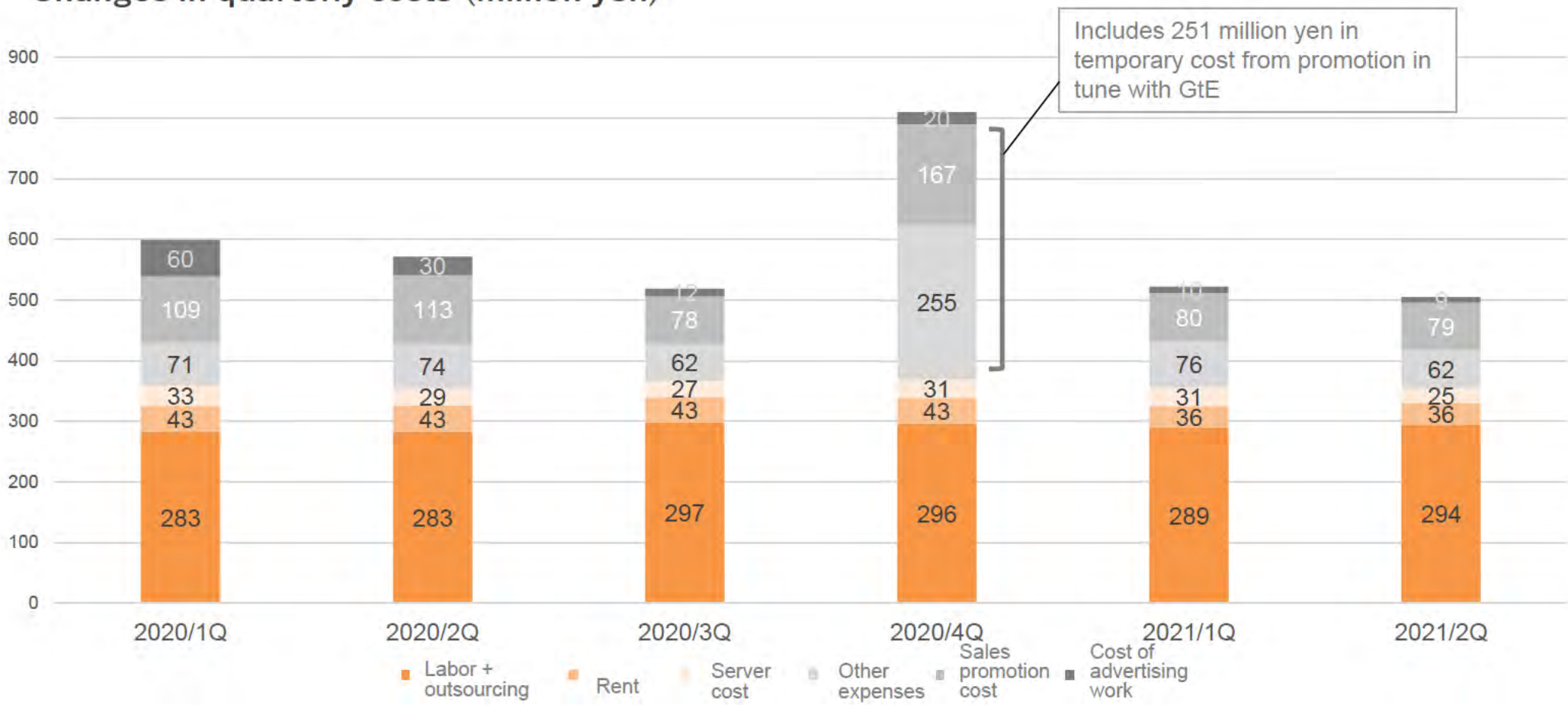
- Payment exemptions given to restaurants that remained closed (24 million yen in total)
- The number of new member restaurants has declined to 322 per month on average for quarter, a level similar to the period of the first declaration of the state of emergency
- The number of paying member restaurants declined to 9,399 (March) from 9,586 (December) partly due to irregular cancellations from trial* member restaurants by closure of their business (primarily restaurant chain outlets) as well as the above mentioned decline in the number of new member restaurants

*1The trial contract is a low-price, bulk trial order format for major restaurant operators with a large number of restaurants.

# 1 Changes in Cost Structure

## Maintained a muscular structure, with no major changes in the cost structure

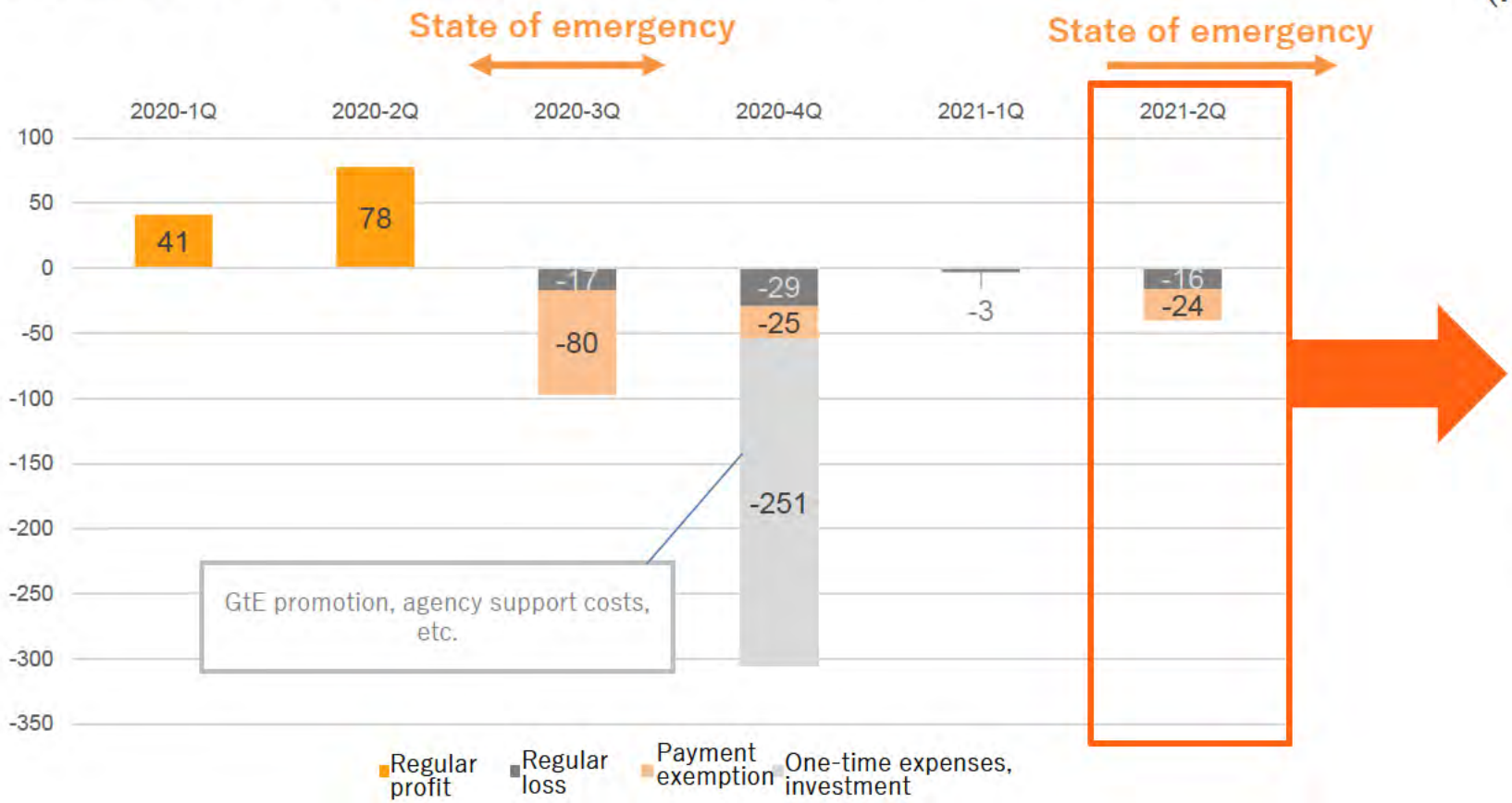
**Changes in quarterly costs (million yen)**



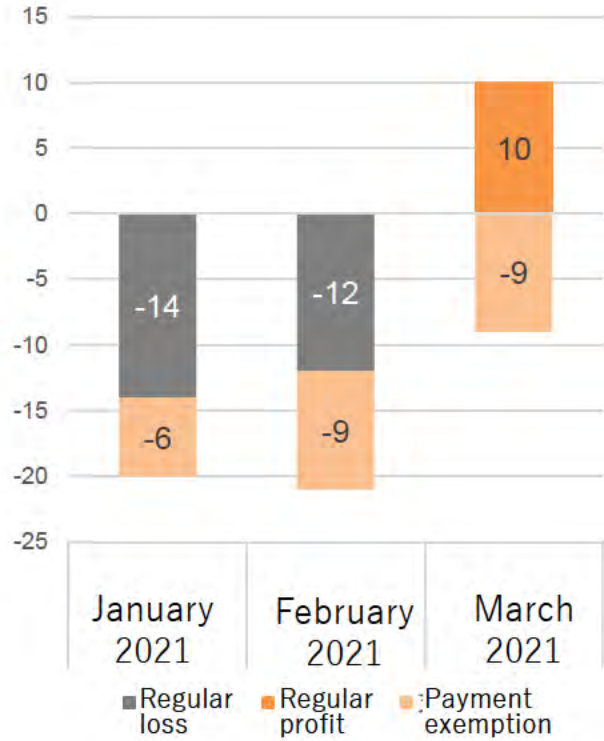
# 1 Trend of Operating Profit

**On a monthly basis, sales grew in March as Advertisement/contents captured the needs of peripheral industries for supporting restaurants and we temporarily turned profitable for the month**

**Trend in quarterly operating profit (million yen)**




**Trend in monthly operating profit (million yen)**

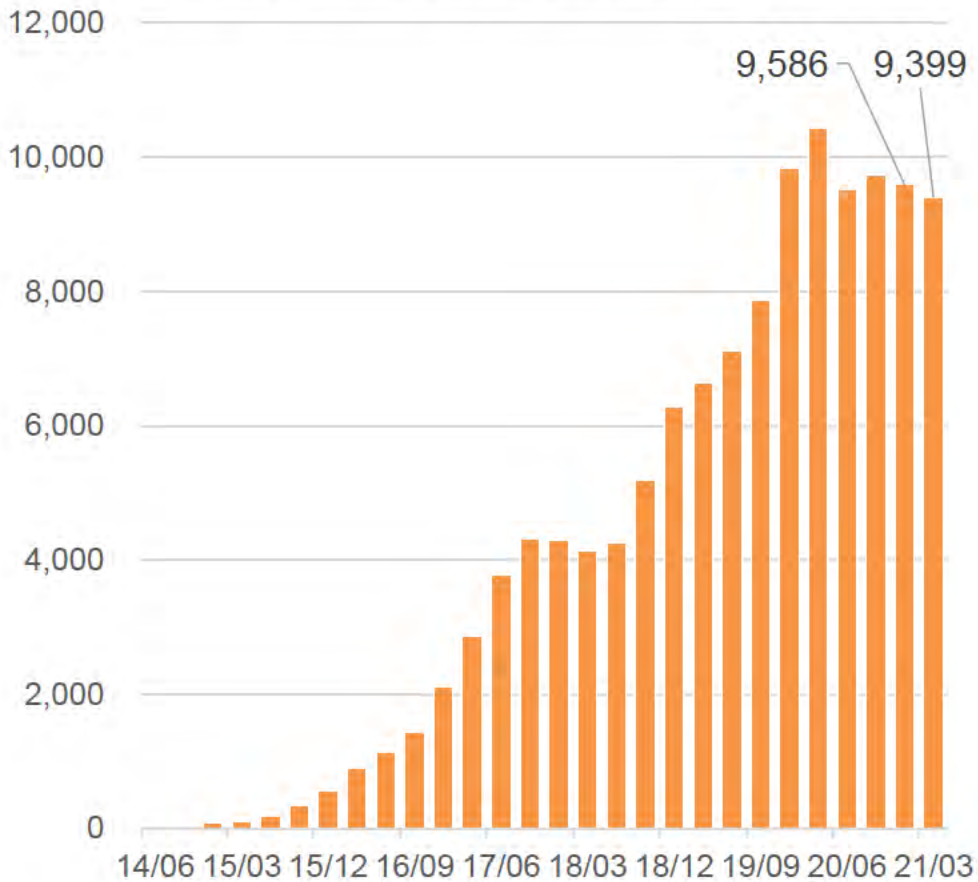



* Regular profit and loss are operating profit/loss excluding payment exemption and one-time expenses and investment.

# 1 Number of Member Restaurants in FRM

**No major changes in the cancellation rate in 2Q, but the number of the member restaurants fell to 9,399 due primarily to the number of new member restaurants, which was 322 per month on average, at about the same level as the time of the first declaration of the state of emergency**

Number of member restaurants




Changes in breakdown of monthly number of member restaurants



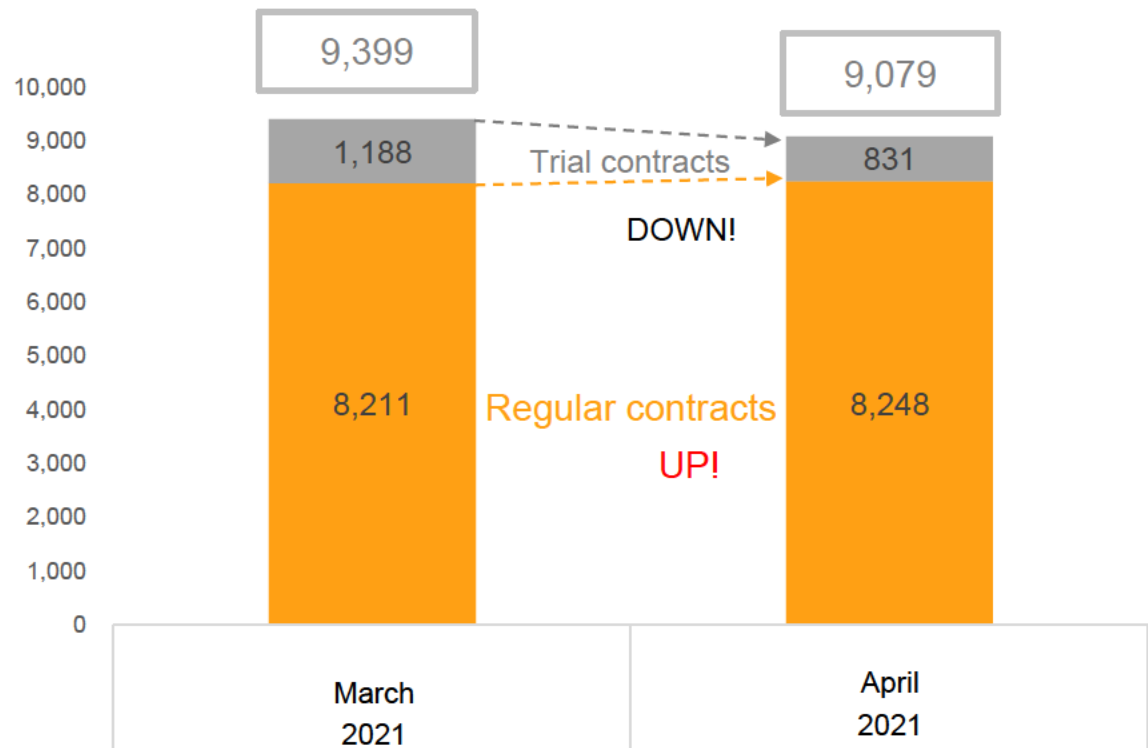
# 1 Trend of Most Recent Figures (April)

**The number of new member restaurants in April was almost 500, recovering to the level before the COVID-19 pandemic given the restaurants' need for sales promotion once the infection subsides. Meanwhile, the third state of emergency has been declared and we need to pay attention to how things will unfold. The number of total outstanding contracts came to 9,079, as the regular contracts increased and trial contracts declined due to cancellation by restaurant chain operators.**

## Trend in the level of the number of new member restaurants

| | |
|---|---|
| April 2021 | Almost 500 restaurants/month |
| FY2021 2Q average (2Q) | 322 restaurants/month |
| FY2019 average (before COVID-19) | 476 restaurants/month |

## Comparison of breakdown of monthly number of member restaurants



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2 **Full Year Forecast for Fiscal Year Ending Sept. 2021**

3 Growth Strategy

(Supplementary material)

# 2 Revision of Full-Year Forecast for Fiscal Year Ending September 2021

**Under the state of emergency, we revised full-year net sales forecast from 1,950 to 1,999 million yen and operating loss forecast from 303 to 254 million yen by reflecting a decline in the number of new member restaurants and exemption of payment to restaurants.**

| (million yen) | FY2021 Full-year forecast (before revision) | FY2021 Full-year forecast (revised) | FY2021 YOY |
|---|---|---|---|
| Net sales | 2,270 to 2,380 | 1,950 to 1,999 | -12.0% to -9.7% |
| Operating profit | 50 to 200 | (303) to (254) | - |

# 2 Assumptions for Revision of Full-year Forecast for Fiscal Year Ending September 2021

**Reflected the impact of two rounds of state of emergency, which were not included before the revision. We also plan to make additional investments to maintain and enhance sales staff structure.**

Assumptions before revision (announced November 2020)

**Upper limit**

Based on the assumption that the number of new member restaurants in FRM, cancellation rate, and ad revenue per user would recover to the pre-COVID-19 level after November 2020.

**Lower limit**

Assumption that the recovery would delay compared with the above.

Revision

Impacts that were incorporated

- ✓ Lower number of new member restaurants compared with the plan
- ✓ Cancellation of trial contracts*
- ✓ Exemption of payment to restaurants, etc.

**Sales decline**

- ✓ Investment for maintaining and enhancing sales staff structure, etc.

**Investment:**
**about 100 million yen in total**

Assumptions after revision (announced this time)

**Upper limit**

On the assumption that the state of emergency or priority measures, such as for prevention of the spread of disease, will be lifted from June or will not be newly declared.

**Lower limit**

On the assumption that the state of emergency or priority measures, such as for prevention of the spread of disease, would continue to be in place for about two months from June.

* It is assumed that the number of member restaurants would decline 3,300 compared with the number prior to the revision due to a decline in the number of new member restaurants and cancellation of trial contracts.

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3 **Growth Strategy**

(Supplementary material)

# 3 Highlight of Future Growth

**While the number of people visiting restaurants is curbed due to the state of emergency, a recovery is expected after it is lifted thanks to vaccination, etc., so we are making preparations for the growth after the lifting of the state of emergency**

## ▶ Priority on maintaining the number of member restaurants with exemption of payment, etc.

- We will continue with exemption of payment for the restaurants that remain closed during the state of emergency

## ▶ Investment for swiftly increasing member restaurants after the lifting of the state of emergency

- It is expected that restaurants' appetite for sales promotion would recover once the state of emergency is lifted. We will invest 100 million yen in total in the current fiscal year to maintain and enhance the sales structure.

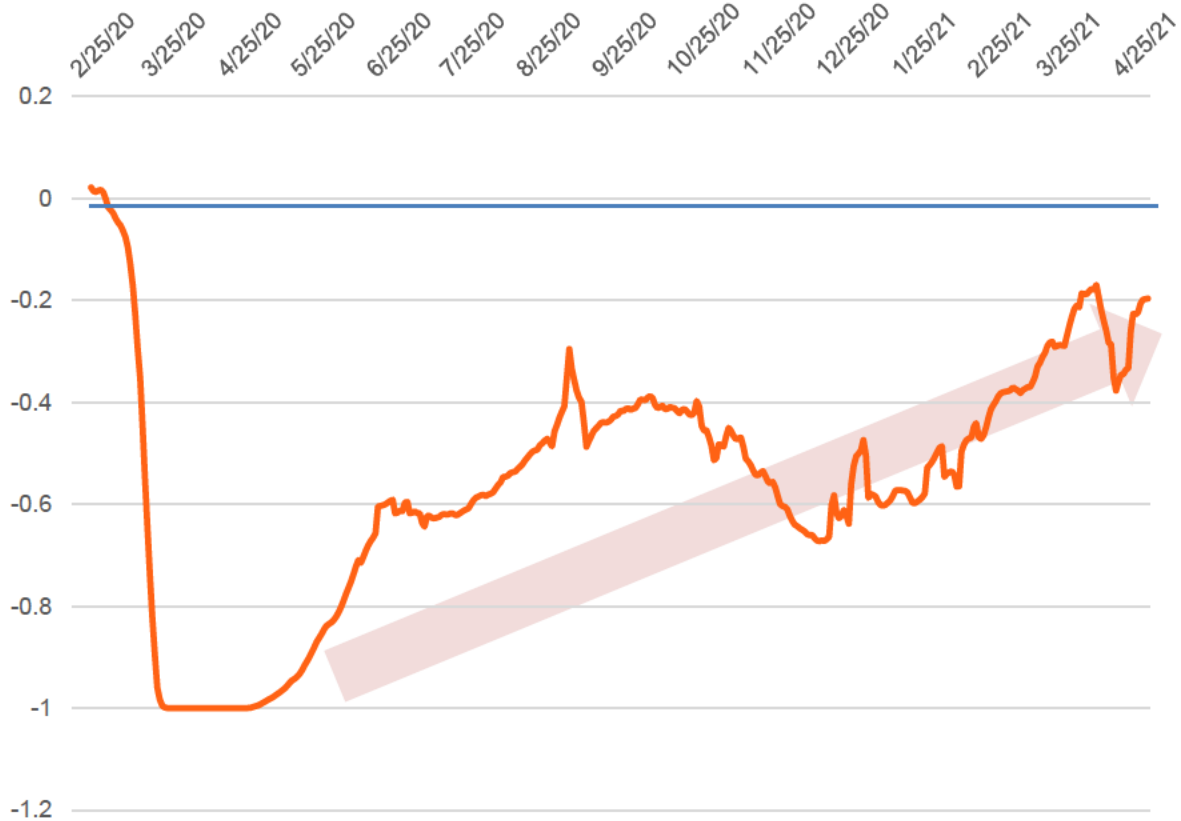
## ▶Other proactive preparations for long-term growth

- Introduce PayPay Bonus to strengthen convenience and incentive for using the service to enable users to gain points by making reservations at target restaurants
- After the full-scale launch of Mobile Order, there's an increasing trend in inquiries from restaurants
- Both have limited short-term impact but are expected to make major contributions to long-term growth

# 3 Sudden Recovery of Restaurant Industry Due to Vaccination

**Reservation status at restaurants in the U.S. has recovered to about 80% of the previous fiscal year. Although there are regional differences, operation restrictions have been eased as the number of COVID-19 infection declines and vaccination gathers pace and further recovery is expected.**

Restaurant reservation trend in the U.S.
(vs. 2019, seven-day moving average)




Source: OpenTable

# 3 Soundness of Financial Health

**We confirmed that we can withstand in terms of financial health even when we assume the worst-case scenario of the COVID-19 pandemic not subsiding and the state of emergency lasting for 24 months from October 2021 to September 2023.**

| Assumption for simulation |
| --- |
| **The state of emergency continues for 24 months from the next fiscal year through September 2023**<br><br>✓ The number of new member restaurants falls to the level during the past state of emergency (300 per month)<br>✓ Sales exemption also continues to be at the level during the past state of emergency (10 million yen per month)<br>✓ Fixed cost is left unchanged |

Cumulative loss

1,200 million yen

(Apr. 2021 to Sept. 2023)

Cash and deposits

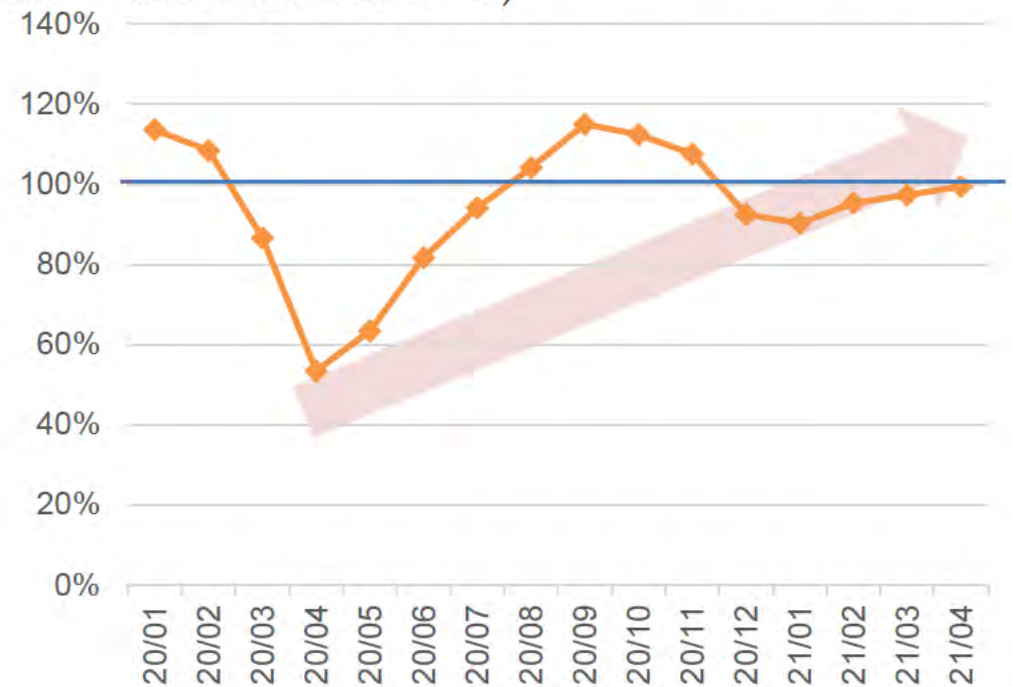
1,447 million yen

(as of the end of March 2021)

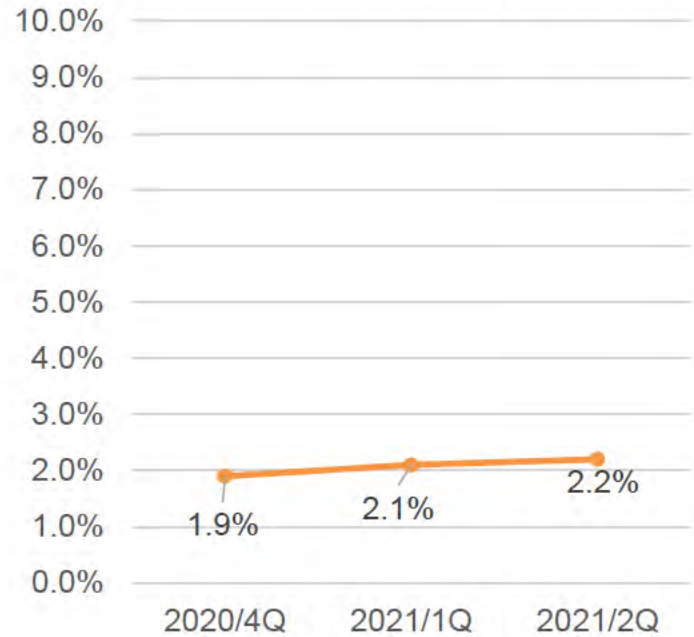
# 3 Growth after COVID-19 Subsides

**Ability to support customer attraction remains sound as the decline in monthly user count is limited, resulting in a stable rate of cancellation at end of term by member restaurants of about 2%. Once COVID-19 settles, we will realize strong growth by leveraging the low cancellation rate and recovery in the number of new member restaurants**

**Trend of monthly Retty users (compared with the same month in 2019)**




**Trend of cancellation rate at end of term**



# 3 Improvement of Convenience Through Introduction of PayPay Bonus

**We started introduction of PayPay Bonus. Users gain points by making online reservations at target restaurants online, which increases convenience and incentive. It is a scheme in which restaurants shoulder the funds for PayPay bonus*.**



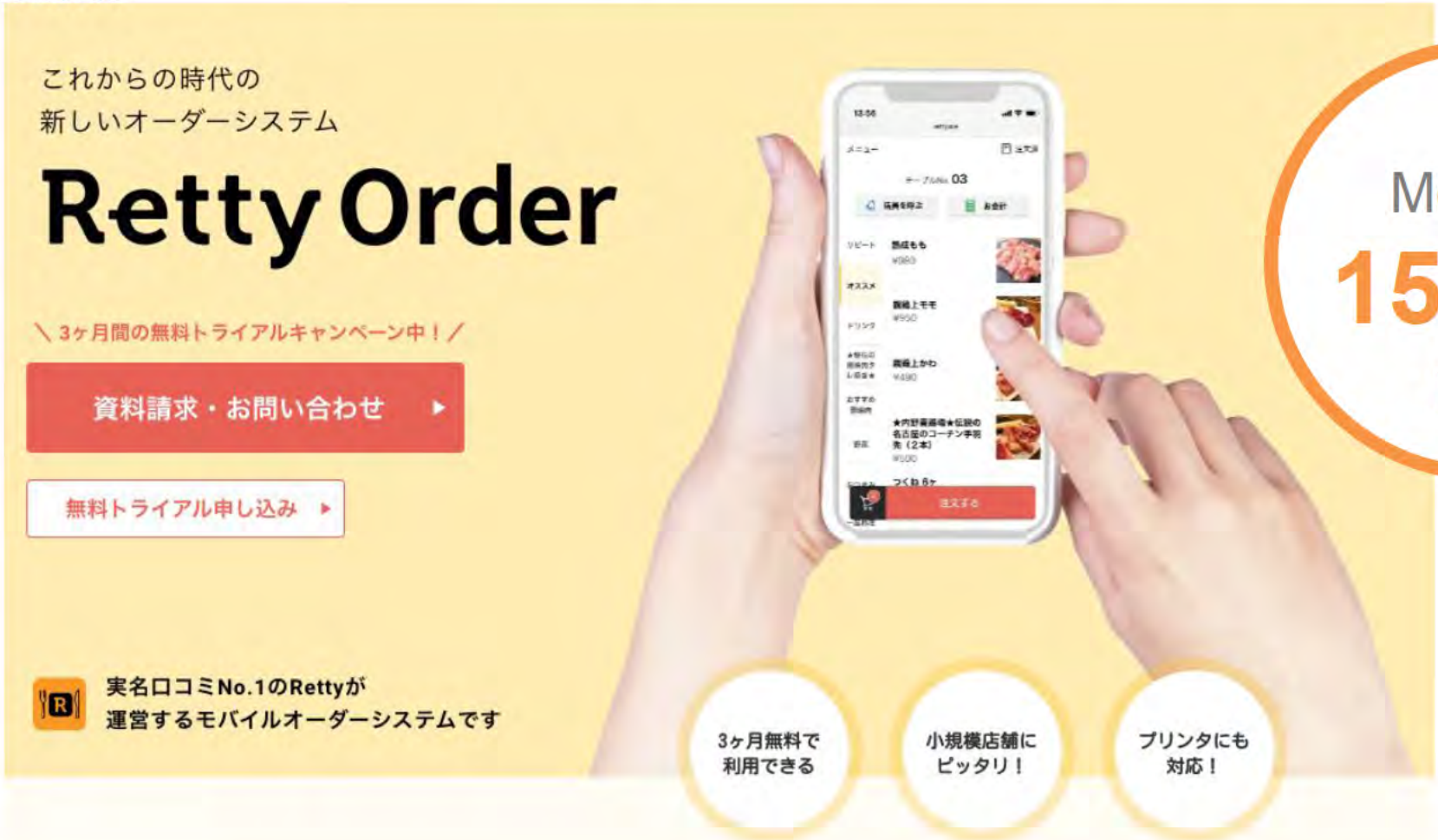




* Upon introducing the plan using PayPay bonus, the basic fee paid by restaurants include the cost for sending a certain number of customers. If it attracts more than the set number of customers, the restaurant has to pay an amount corresponding to the exceeded part to Retty.

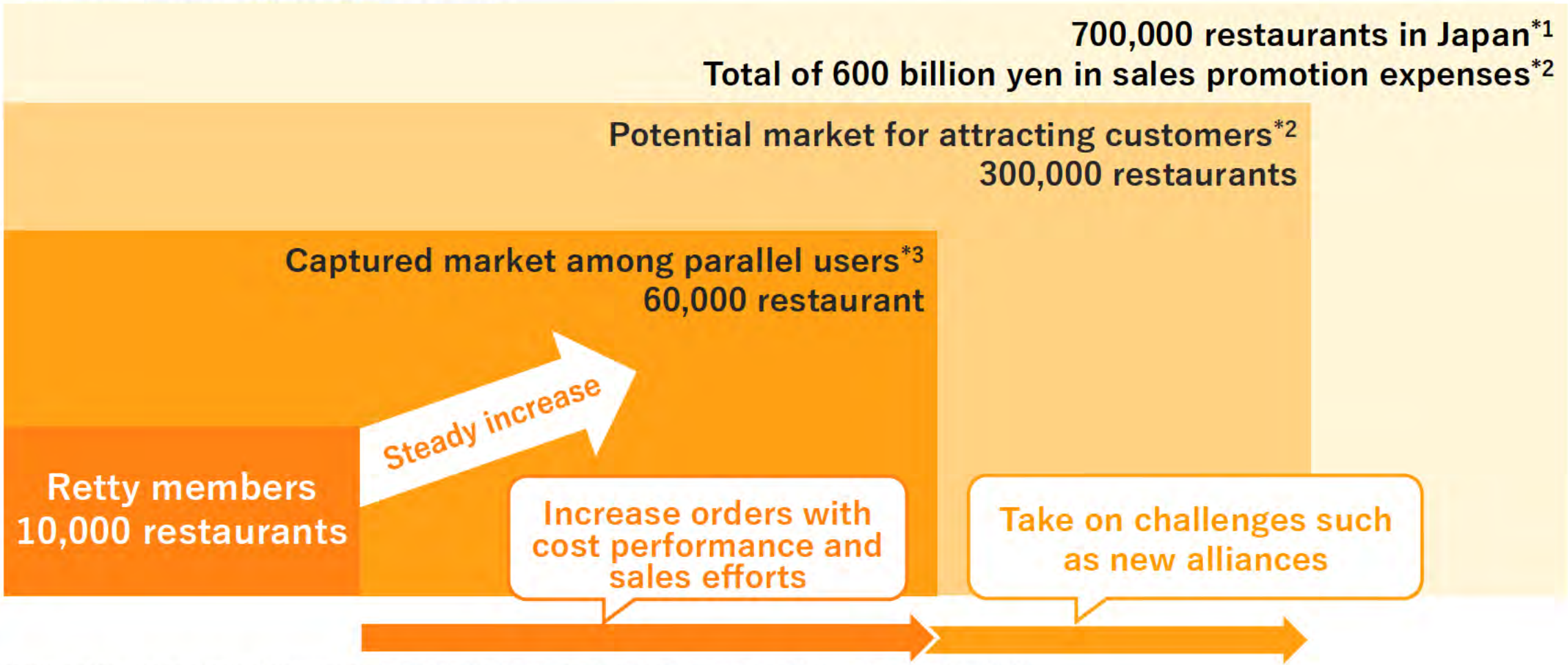
# 3 Progress in Mobile Order

**In April, we fully launched Mobile Order, which is a new business for us to enter into the business support field, and we have been receiving increasing number of inquiries from restaurants**



# 3 Target Market of FRM

**Priority on converting 60,000 potential restaurants to member restaurants once the state of emergency is lifted.**




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

# 3 Accumulating Stable Revenue with Hybrid Model of Customer Appeal + Business Efficiency



# Supplementary materials

## Mission

# Making the world happier, one meal at time



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

# Service Image

## Find the BEST restaurant for you



# Service Concept

**Real name-based Review**




**Recommendation Without scores**



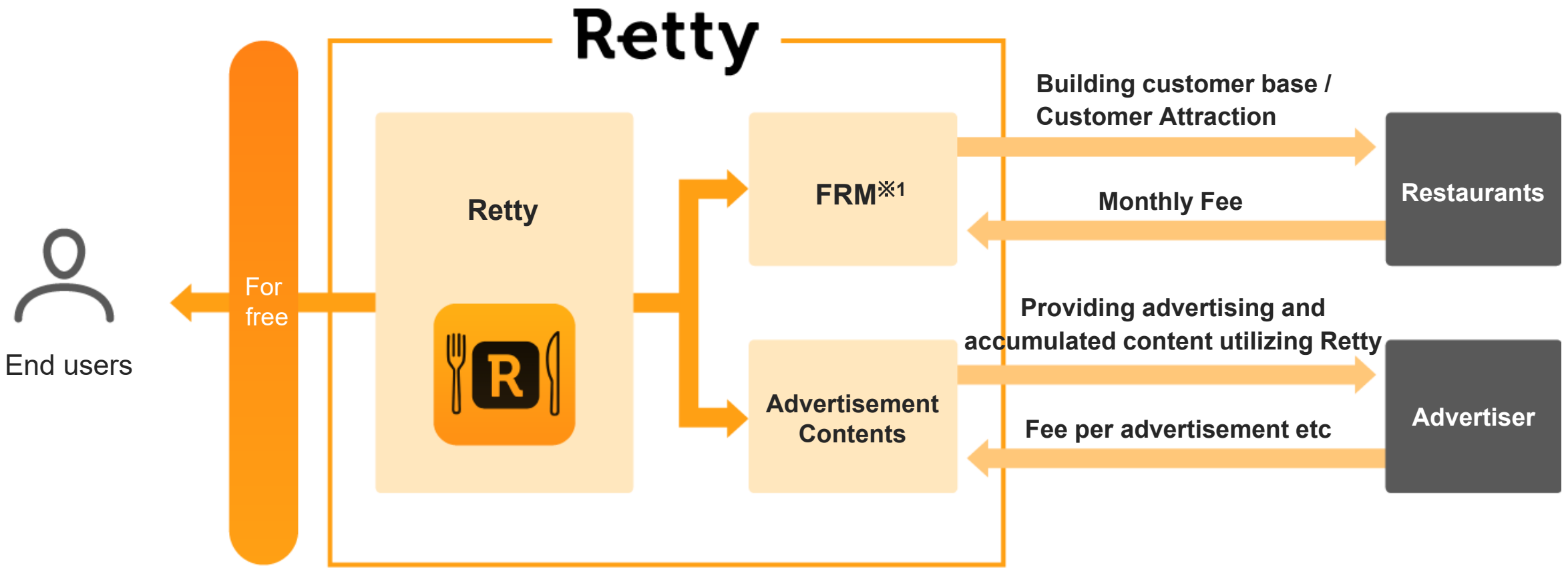

**Search starts with “people”**




**Find a matching restaurant through trusted people**

**Restaurant review service with reviewers using real names**

# Business model




※1 FRM: Fan Relationship Management

# Platform enabling stable customer attraction




New customers → Stock

Increased access → Dine → Customer management → Repeat customer

# Approach and Initiatives Regarding Restaurant Industry Amid COVID-19 Crisis

**We will implement the following initiatives with top priority on the revival of the restaurant industry**

- **Waive fees for restaurants** in Go to Eat Campaign
- Use SNS as a public relations tool for **Restaurant Support Project**
- **Waive fees of cloud funding** for restaurants in a joint effort with CAMPFIRE
- Launch **takeout products** in response to requests by restaurants
- Develop **Mobile Order** products, which optimize restaurant operations in COVID-19 crisis












# Breakdown of FRM Sales

**Sales** = **Number of member restaurants** × **Average revenue per user (ARPU)**

**Volatility factors of the number of member restaurants**

- **Number of new member restaurants**
- **Cancellation ratio*1**

**ARPU*2**

**322** per month
(Average for FY2021 2Q)

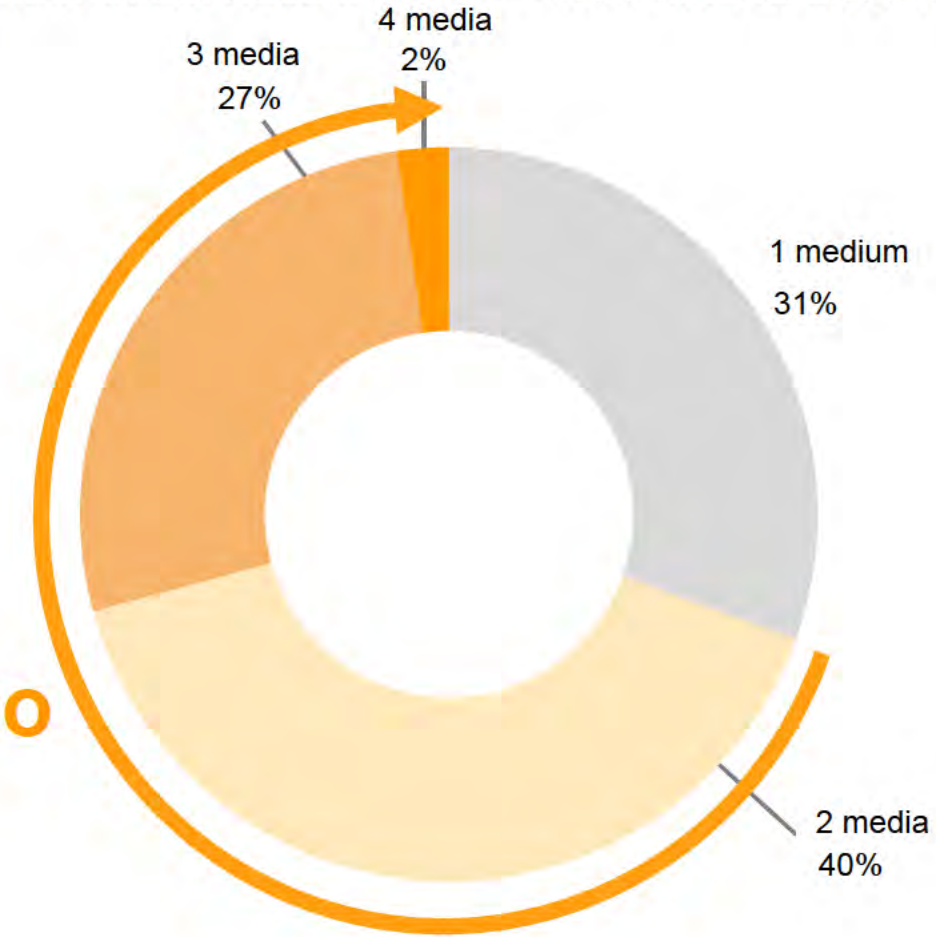
About **2.2%**
(Average for April 2020-March 2021)

On a basis of store selling price
**18,300 yen**
On the income statement
**13,800 yen**
(As of the end of March 2021)

*1 The average of the number of restaurants that cancelled their contracts at the end of the contract period and at the time of renewal, as a percentage of the total number of member restaurants.
*2 ARPU based on store billing (including options), excluding trial stores (in which we receive orders for a large number of restaurants as a trial at a low price and in bulk for major restaurant operators).

# Parallel User Market, Where Many Restaurants Use Multiple Restaurant Review Services

The number of services used by restaurants to attract customers*1

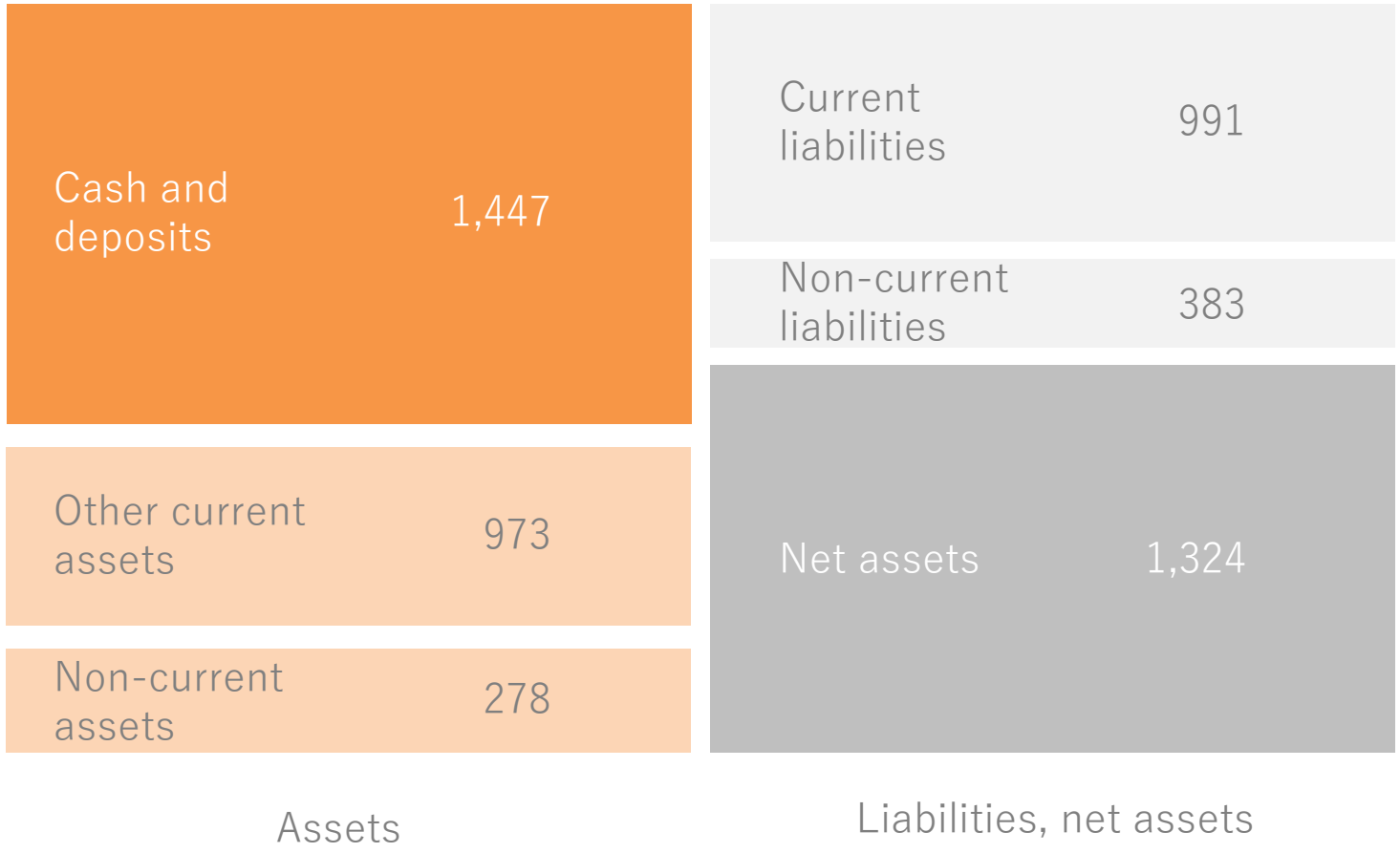



**Parallel user ratio**
**70%**

*1 Agencies conducted a questionnaire survey of restaurants including non-Retty users in July and August 2017.

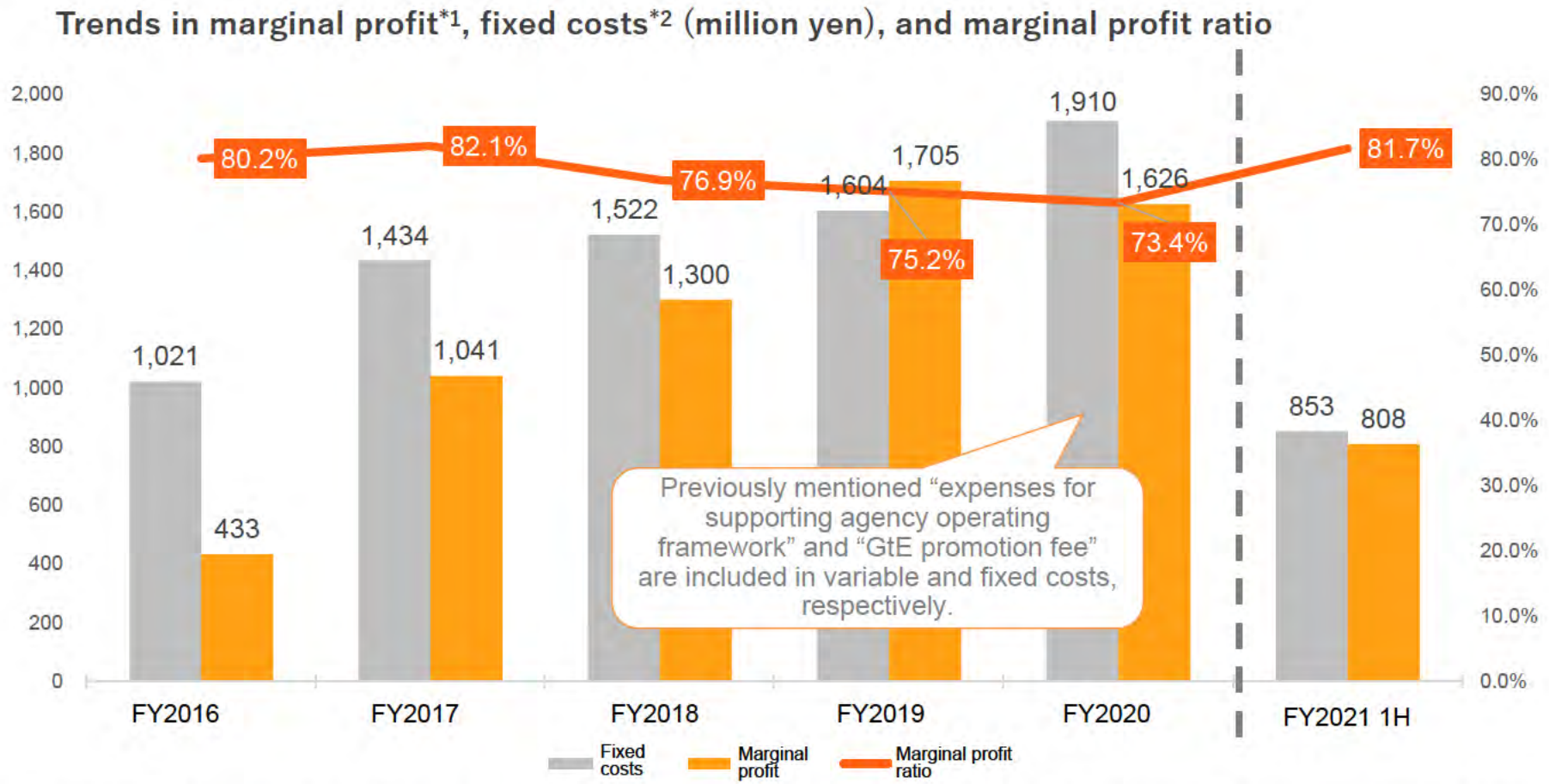
# FY2021 2Q BS

**Cash and deposits account for about 54% of total assets and equity ratio is about 49%, suggesting good financial health.**



# Trend in Marginal Profit Ratio

## We maintained marginal profit ratio at a similar level




*1 Marginal profit is calculated by subtracting variable cost from net sales. Variable cost is the sum of production cost which is the cost of production for advertisement/contents solution business, and sales promotion cost which is the fees paid to agencies for restaurant customer attraction business.
*2 Fixed cost mainly comprises of costs other than variable costs such as personnel cost, communication cost (server cost), and land and building rent.

# Type of Agencies

| | |
|---|---|
| Agency concurrently selling other products | • Agencies with sales persons who sell products of both Retty and other companies.<br>• Restaurants sign a contract with the agencies<br>• Sales are **recorded net** after deducting the agencies' fees. ARPU appears low. |
| Exclusive agency | • Agencies that have secured sale persons dedicated to selling Retty products<br>• Retty directly signs contract with restaurants<br>• Sales are **recorded gross**, and fees to the agencies are recorded as sales promotion cost |
| Direct sales | • Sales persons directly employed by Retty<br>• Started hiring new graduates exclusively for sales in April 2019 |

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

Premium booking

Online booking

## Performance fee model



Take-out plans

Take-Out Customer Attraction & Reception System

## Monthly Fixed 10,000 yen



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

## Market Background



As an infrastructure
**Popularity of QR payments**



Chronic
**Shortage of HR**



By COVID-19
**Restaurant DX**

×

## Strengths of Retty



790k stores and 40m users
**Restaurant and User Data**



Such as AI and data science
**Advanced Technology**



Reaches 30,000
**Restaurant Contacts**

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

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

# Mobile Ordering Helps Restaurants Improve Operational Efficiency




お客様自身のスマホから注文

**Win**
**Restaurant**
Save on labor

**Retty**

**Win**
**Customer**
Improved convenience

## Capture offline data

Comparison of order taking workflow

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

## Significantly reduce tasks by restaurant

(Enables better pricing/investment in quality of food)

# Value spillover from mobile orders and the number of target

**Ripple Value**

Accumulated by mobile orders
**Offline data**

Recommendations by improving accuracy
**Increase in the number of users**

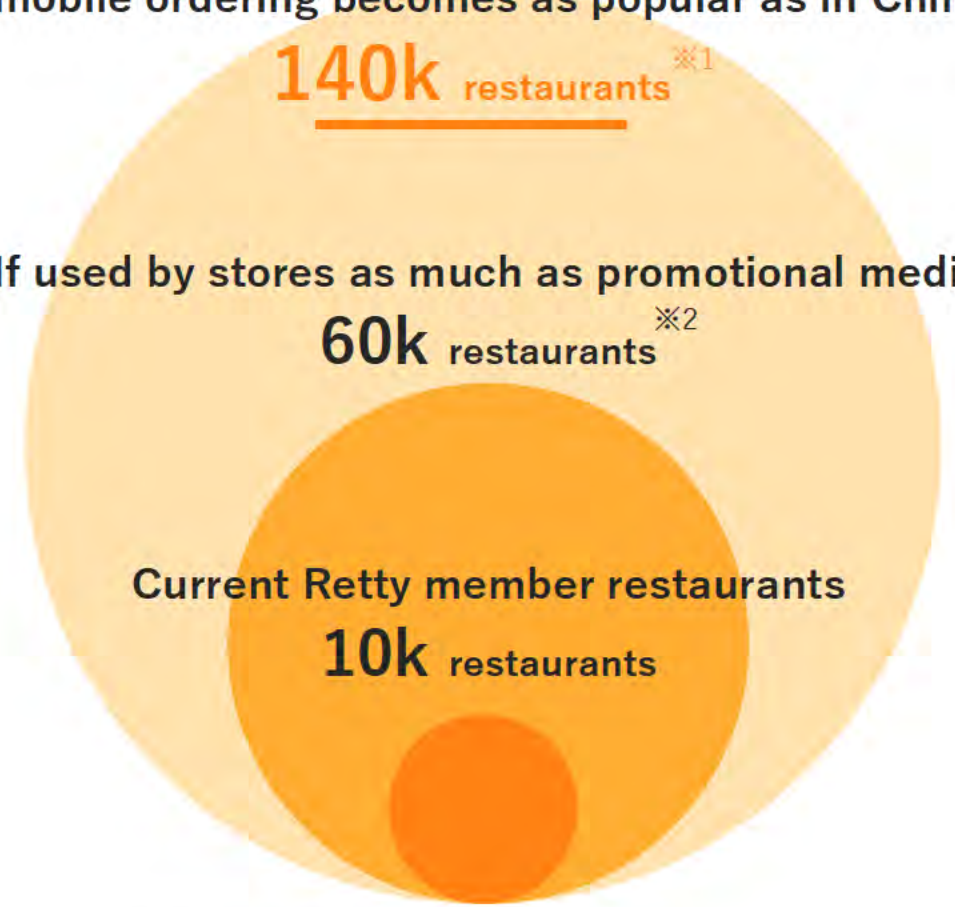
By improving customer service
**Increase in FRM revenue**

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

**Target**

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

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




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

# Company Profile

| | |
|---|---|
| Company name | Retty Inc. |
| Headquarters | Sumitomo Fudosan Azabujuban Building 3F, 1-4-1 Mita, Minato-ku, Tokyo |
| Established | November 2010 |
| Capital | 597 million yen |
| Employees | 143 |
| Stock exchange | Tokyo Stock Exchange Mothers |
| Securities code | 7356 |

Retty

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