MAKING AI EASY

BY MAKING
SOFTWARE INTELLIGENT

Q1 FY2024 Earnings May 2024



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Our Mission

Turning AI into ROI by Making Software Intelligent



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FY24 Q1 Review & Achievements

FY24 Q1 Business Metrics



Business Outlook



Product Updates

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2024 Q1 Recap & 2024 Q2 Outlook-(1)



We continue our growth momentum, with quarterly operating income improving YoY despite the lower season in Q1.

Our profitable growth also continues, achieving revenue JPY 7.4B with a YoY growth of 33%. The operating income also improved by JPY 96M YoY and turned profitable to JPY 65M with 0.9% operating margin and 10.0% EBITDA margin. We also achieve a historical high Q1 gross margin at 51.7% (FX-neutral 52.6%). Our gross profit YoY growth reached 37%, further accelerating from last quarter and the same period of last year.



Our key operating metrics continue to improve, reflecting the success of our go-to-market and product strategy.

We achieved (1) significant improvement in S&M operating leverage, (2) a 14% YoY increase in ARPC, (3) LTM NRR and revenue churn rate maintaining at healthy levels, and (4) a 28% YoY increase in productivity per headcount . These improvements are driven by our enterprise level account-focused strategies, ROI-driven product nature, and recent successful GenAI deployment.



Our key geographical regions and verticals demonstrated resilient growth, aligned with a diversified new customer base.

Geographically, our key markets contributed significantly to the revenue increase, with US & EMEA maintaining a high level YoY revenue growth of 67% and continuous expansion in NEA with a 31% YoY increase in revenue. Vertically, our revenue growth from new customers has become more diversified, with early success in emerging verticals, in addition to continuous expansion in traditionally strong verticals from existing customers.

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2024 Q1 Recap & 2024 Q2 Outlook- (2)

We foresee business momentum to accelerate from Q2 with the higher season in Digital Content(1) approaching.

This trend aligns with the seasonal pattern of previous years and the accompanying acceleration of new customer acquisition. In addition, profitability improvement will continue due to increased revenue scale and business efficiency towards the end of the year.

The integration of the GenAI modules has proven pivotal in driving higher ROI for customers, improved revenue scale and enhanced margins within our operations.

This advanced technology optimizes customers' marketing investment, leading to more budget allocation to us that further improves our sales productivity. As we continue to leverage the capabilities of GenAI, we anticipate a positive feedback loop, further enhancing our performance and reinforcing our position for profitable growth.

(1) "Digital Content" includes digital contents gaming, entertainment, e-book and online streaming

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2024 Q1 Highlights

Revenue

JPY **7.4B**

Profitability

Operating Income JPY **65M**

EBITDA JPY **736M**

ARR(3)

JPY **29.0B**

Revenue YoY Growth(1)

+33%

Gross Profit YoY Growth(2)

+37%

LTM NRR

USD-based(4) **118.0%**

FX-neutral(5) **130.4%**

(1) Revenue Growth from FY23 Q1 to FY24 Q1.
(2) Gross Profit Growth from FY23 Q1 to FY24 Q1.
(3) ARR is conducted as the sum of the per-solution ARR. (i) For AIQUA, AiDeal, AIXON, BotBonnie and AIRIS, 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.
(4) 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.
(5) We calculate FX-neutral 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 and converted to JP Yen based on the FX-neutral quarterly average exchange rate of FY23 Q2 to FY24 Q1, by (ii) total revenue calculated in U.S. dollars from such customers during the same period of the prior year and converted to JP Yen based on applicable exchange rate of FY22 Q2 to FY23 Q1.

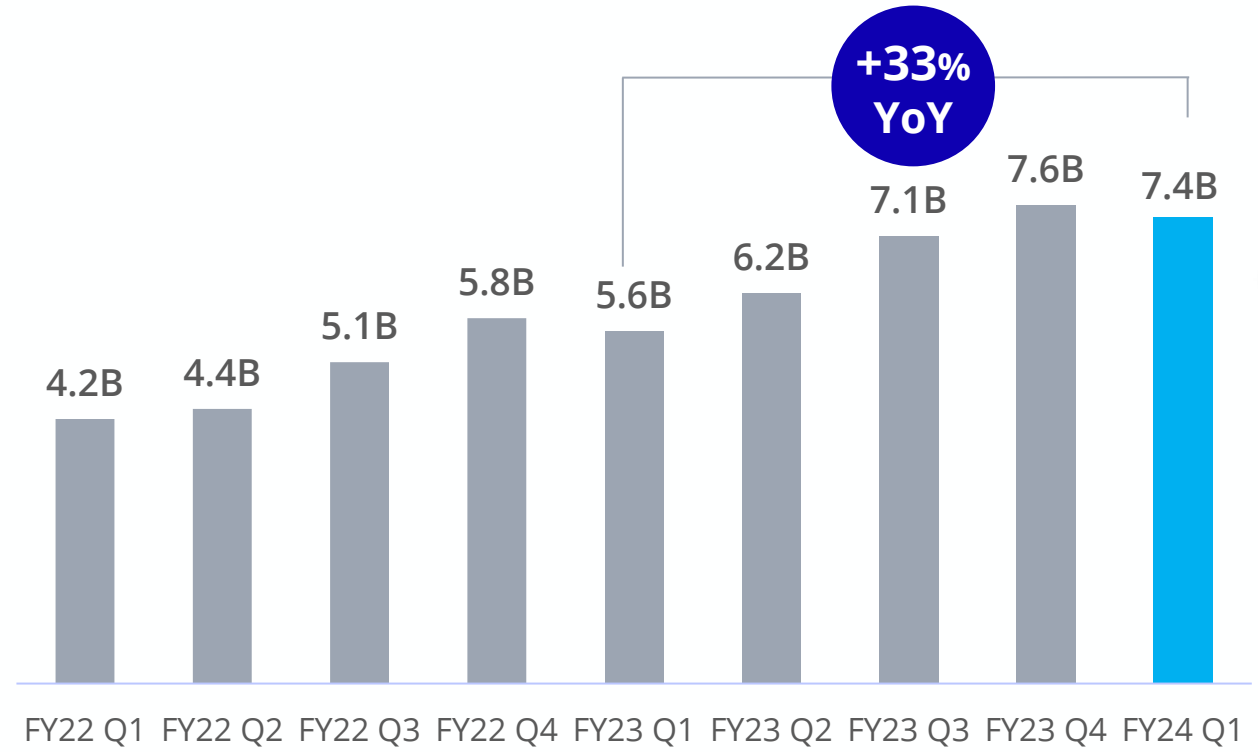
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Revenue Trends

- FY24 Q1 revenue achieved 7.4B with a 33% YoY growth, slightly accelerating from last quarter and the same period of last year.
- We especially note that a higher percentage of the contributions from new customers comes from new verticals in the US/EMEA and the Digital Content vertical in KR, representing early successes in our vertical diversification strategies in respective regions.

Revenue (JPY)



Incremental Revenue

42% from Existing Customers(1)

- **Expanding Advertising Cloud(3) business in both the US/EMEA and NEA due to higher ROI brought by AI technology advancements, including GenAI**
- **Robust YoY growth from both E-Commerce and Digital Content verticals despite low season**

58% from New Customers(2)

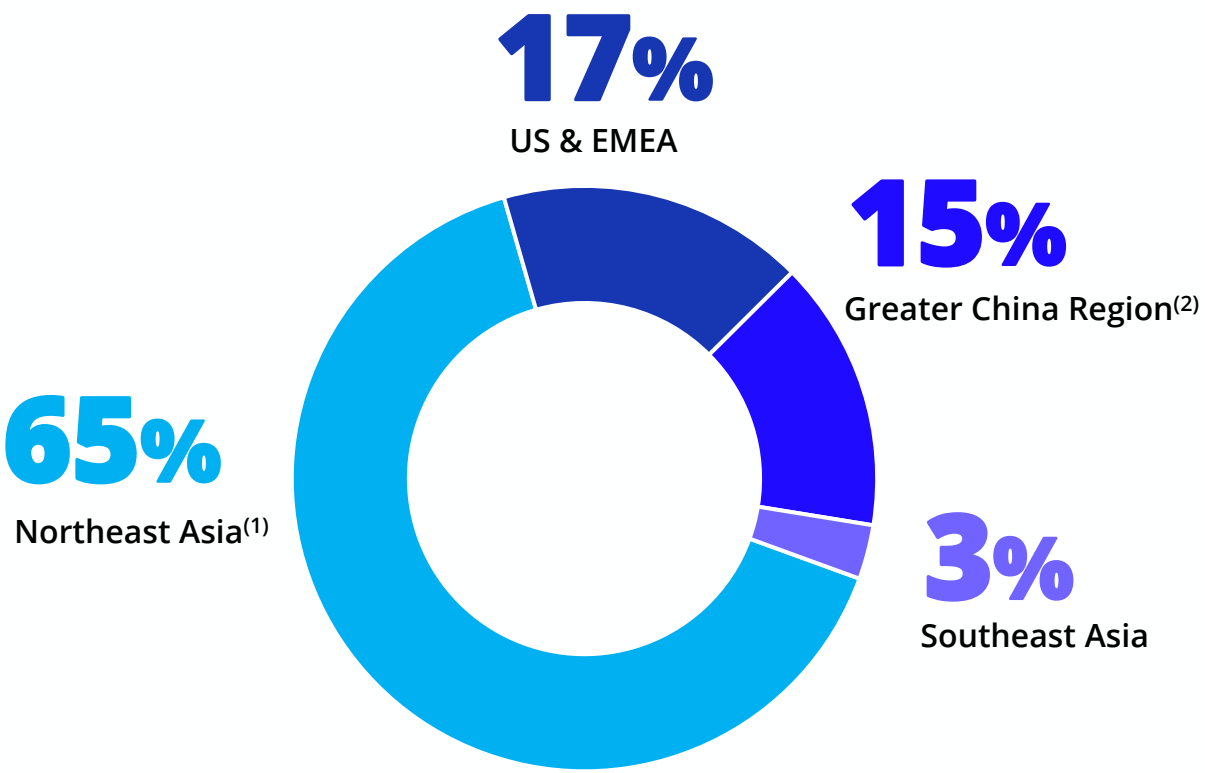
- **Scaling up the revenue from new customers with strategic vertical diversification in both US/EMEA and NEA**
- **Strong customer traction in the GCR region, especially in Digital Content**

(1)"Existing Customers" refers to customers acquired before FY23 Q2.
(2)"New Customers" refers to customers acquired from FY23 Q2 to FY24 Q1.
(3)Advertising Cloud is a newly named product category, including CrossX and AIXPERT.

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Diverse Revenue Base: Multiple regions demonstrate continuous growth momentum

FY24 Q1 Revenue % by Region



(1) Northeast Asia includes Japan & South Korea
(2) Greater China Region includes Taiwan, Hong Kong & China

NEA

31% YoY revenue growth with continuous existing customer and vertical expansion.

US & EMEA

Continuous high revenue growth rate of 67% YoY with expansion of ROI-focused customers across more diversified verticals, despite the lower season of Digital Content

GCR

17% YoY revenue growth, mainly driven by continued business momentum since FY23 2H, including CN outbound business expansion

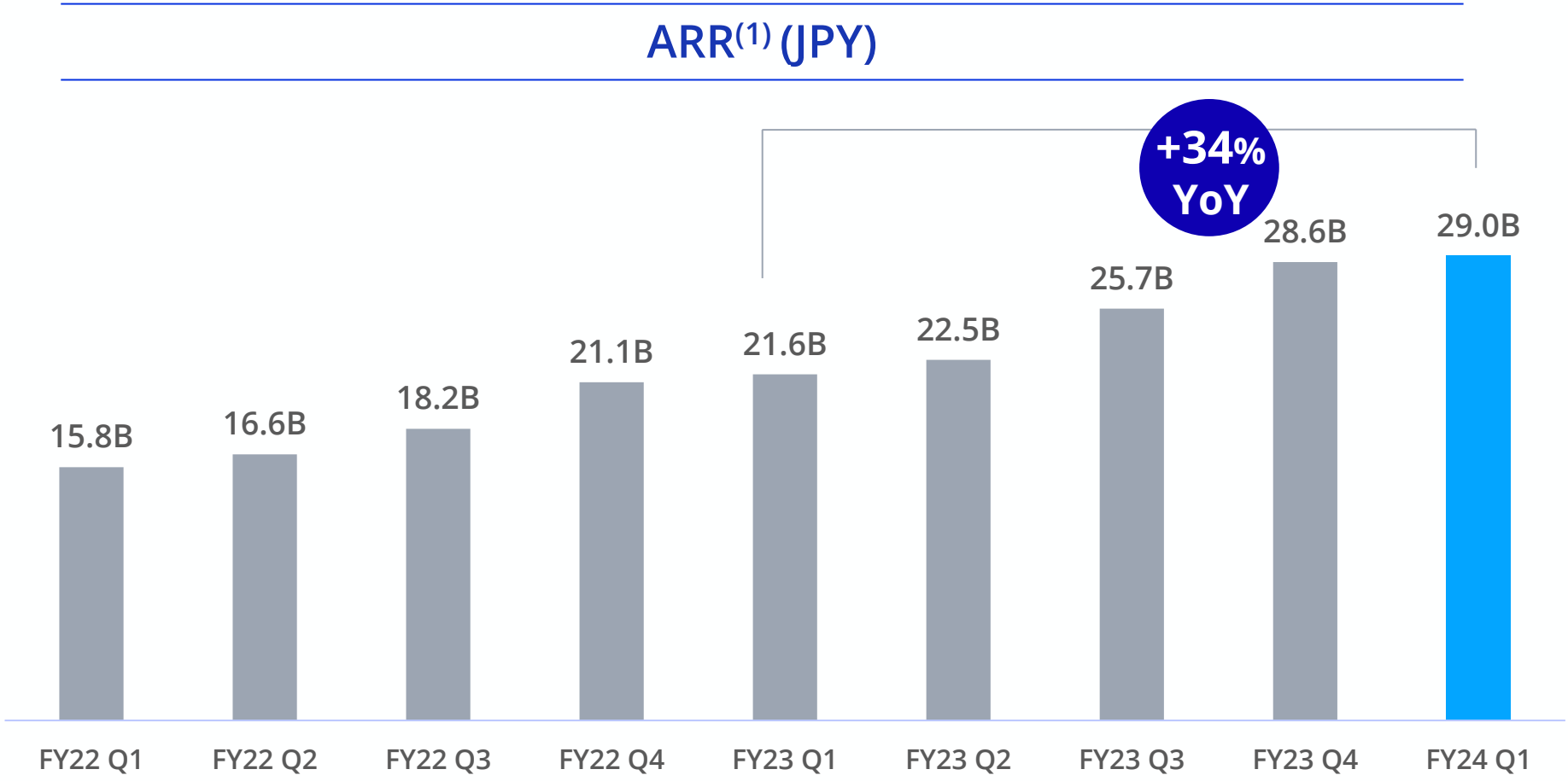
SEA

Continued to focus on key accounts until the market is more mature

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Annual Recurring Revenue Quarterly Trends

- Our recurring revenue currently constitutes over 95% of our total revenue.



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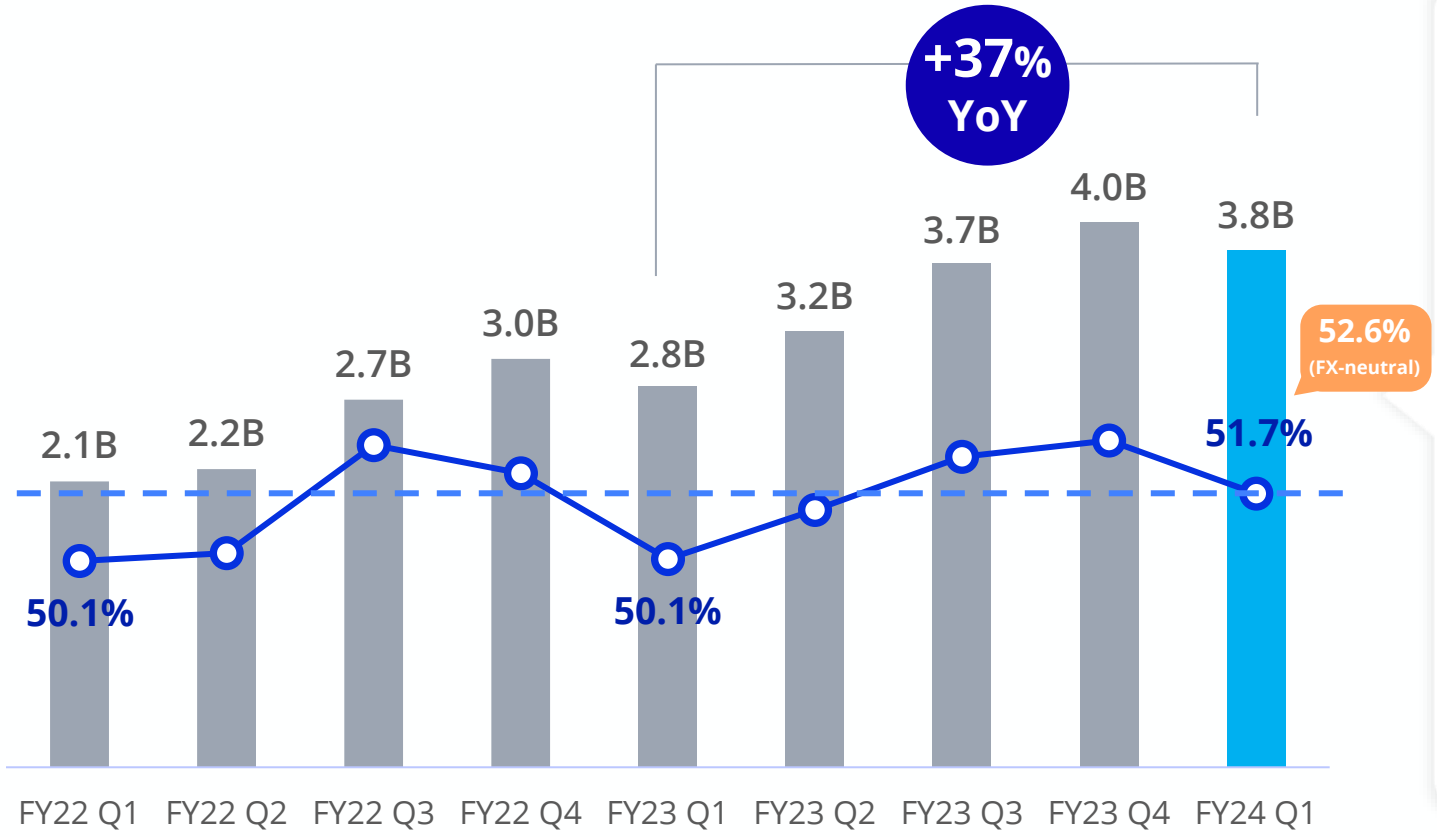
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Gross Profit

- Gross margin improved by 1.6 p.p. YoY to 51.7% (FX-neutral 52.6%) in FY24 Q1, marking a promising start to the year. This improvement is due to the ongoing efforts in technological advancements.

Gross Profit (JPY) & Margin



Factors of Gross Margin Changes

YoY basis

- **Continuous technological advancements, especially the GenAI deployment in Advertising Cloud(1) (CrossX), enable us to have a higher starting point in FY24**
- **FX headwinds due to JPY depreciation**

QoQ basis

- **As in previous years, Q1 is the quarter when we incur higher costs on AI prediction accuracy improvements and new product experiment to drive future margin expansion**

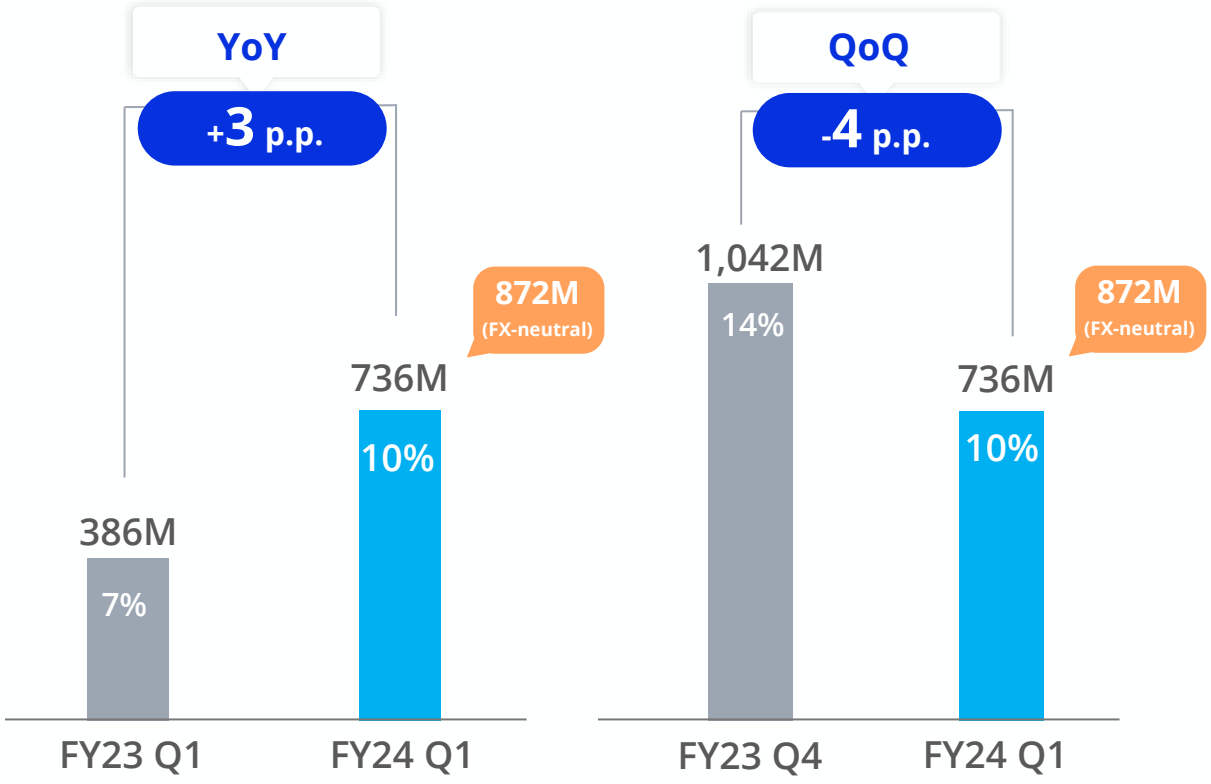
(1)Advertising Cloud is a newly named product category, including CrossX and AIXPERT.

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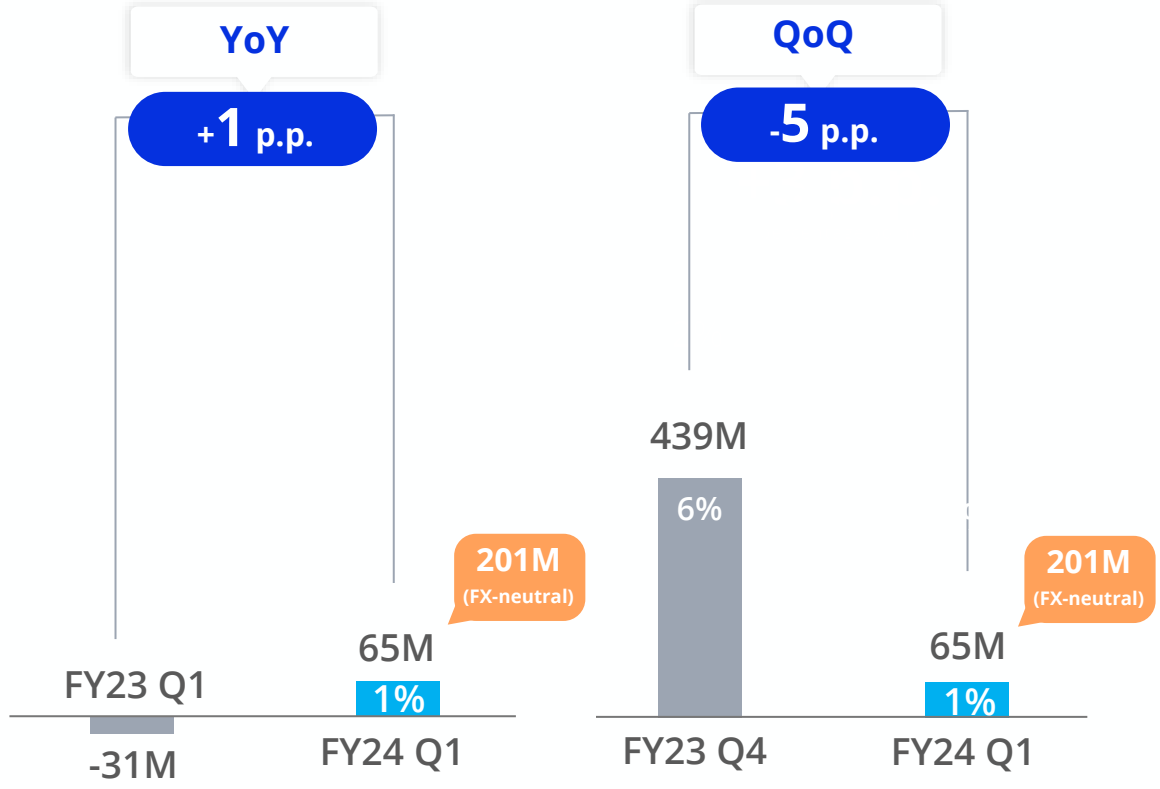
EBITDA & Operating Income

- We improved the profitability on a yearly basis, ahead of schedule in Q1, mainly due to gross margin expansion and a stronger operating leverage in S&M. On a quarterly basis, margin declined due to seasonality effect in Q1.
- We expect the profitability to improve further in the coming quarters, following the pattern of previous years, with revenue scaling up in alignment with higher seasonality.

EBITDA(1) & Margin (JPY)



Operating Income & Margin (JPY)



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

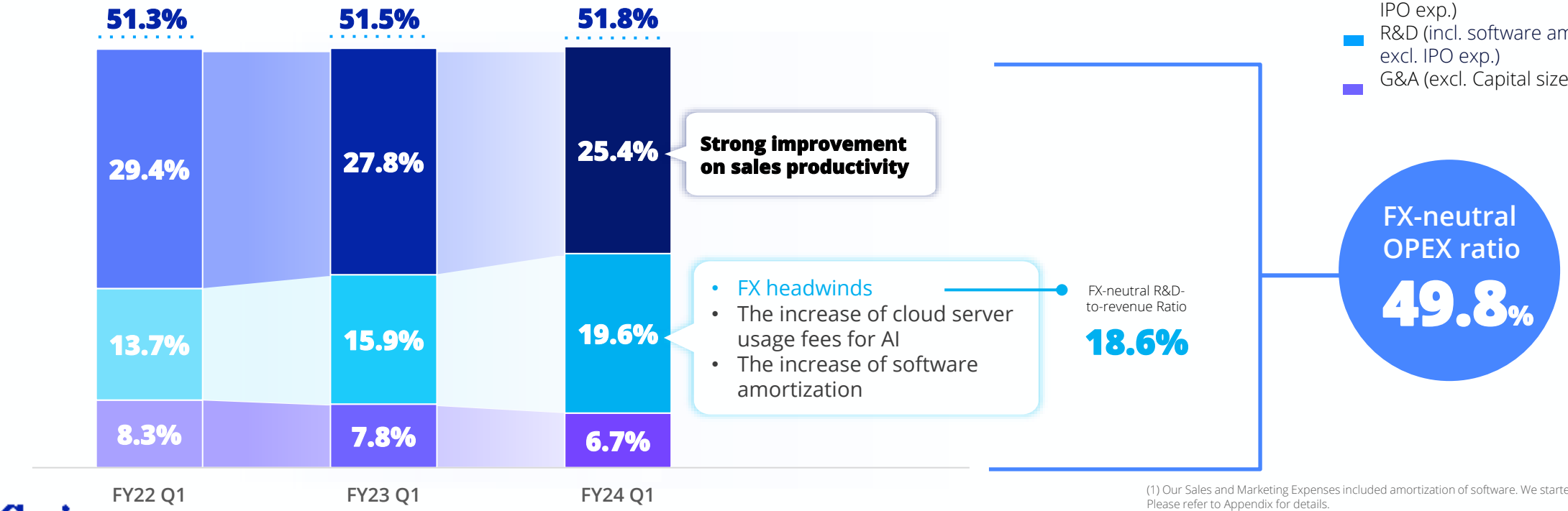
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OPEX Structure

- We continue demonstrating strong operating leverage. Our OPEX- to-revenue ratio has been stable with 1.7 p.p. improvement YoY on an FX-neutral basis. With revenue momentum increasing as the higher season approaches, we expect this ratio to continue improving throughout the year.
- S&M and G&A-to-revenue ratio improvements were driven by higher productivity and operational efficiency, while the R&D-to-revenue ratio increased due to increasing AI investment to enhance our gross margin and sales productivity. This positive cycle enables us to progress towards achieving our FY25 target.
- We expect the R&D-to-revenue ratio to decrease towards the end of year, following the growth of business scale as in previous years while maintaining a healthy expense-to-revenue ratio aligned with our FY25 target.

Historical OPEX Structure & 2025 Margin Target

(% Revenue)



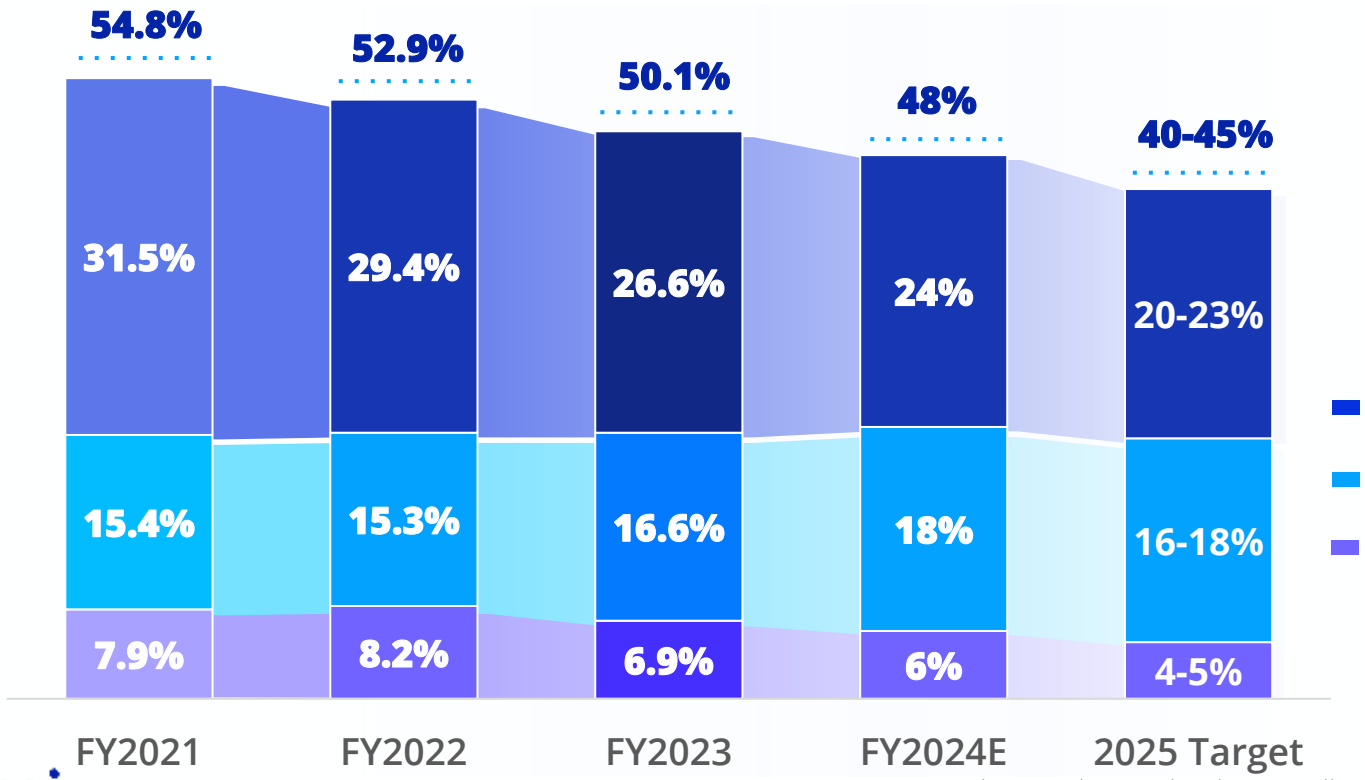
(1) Our Sales and Marketing Expenses included amortization of software. We started software capitalization in FY2020. Please refer to Appendix for details.
(2) Percentages may not equal to the sum due to rounding

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OPEX Structure towards FY25

- Overall, we are on track towards achieving our 2025 target. We see the opportunity in accelerating our AI technology development, allowing us to achieve higher margin improvements and leads to higher revenue scale. As a result, we expect an increase in the R&D-to-revenue ratio to a range of 16-18%, up from the initial projection of 14-16 % for FY25.
- The AI technology advancements can also enhance sales productivity to bolster our operational efficiency. Consequently, We anticipate a decline in the S&M-to-revenue ratio to a range of 20-23%, down from the initial projection of 22-25% for FY25.

Historical OPEX Structure & 2025 Margin Target
(% Revenue)



2025 Financial Target

Revenue Growth(2)
30%+

Gross Margin(3)
55-60%

Operating Margin(4)
15-20%

(1) Our Sales and Marketing Expenses included amortization of software. We started software capitalization in FY2020.
(2) Average Revenue Growth Rate target from 2022 to 2025
(3) Gross Margin Target in 2025
(4) Operating Margin Target in 2025
(5) Percentages may not equal to the sum due to rounding

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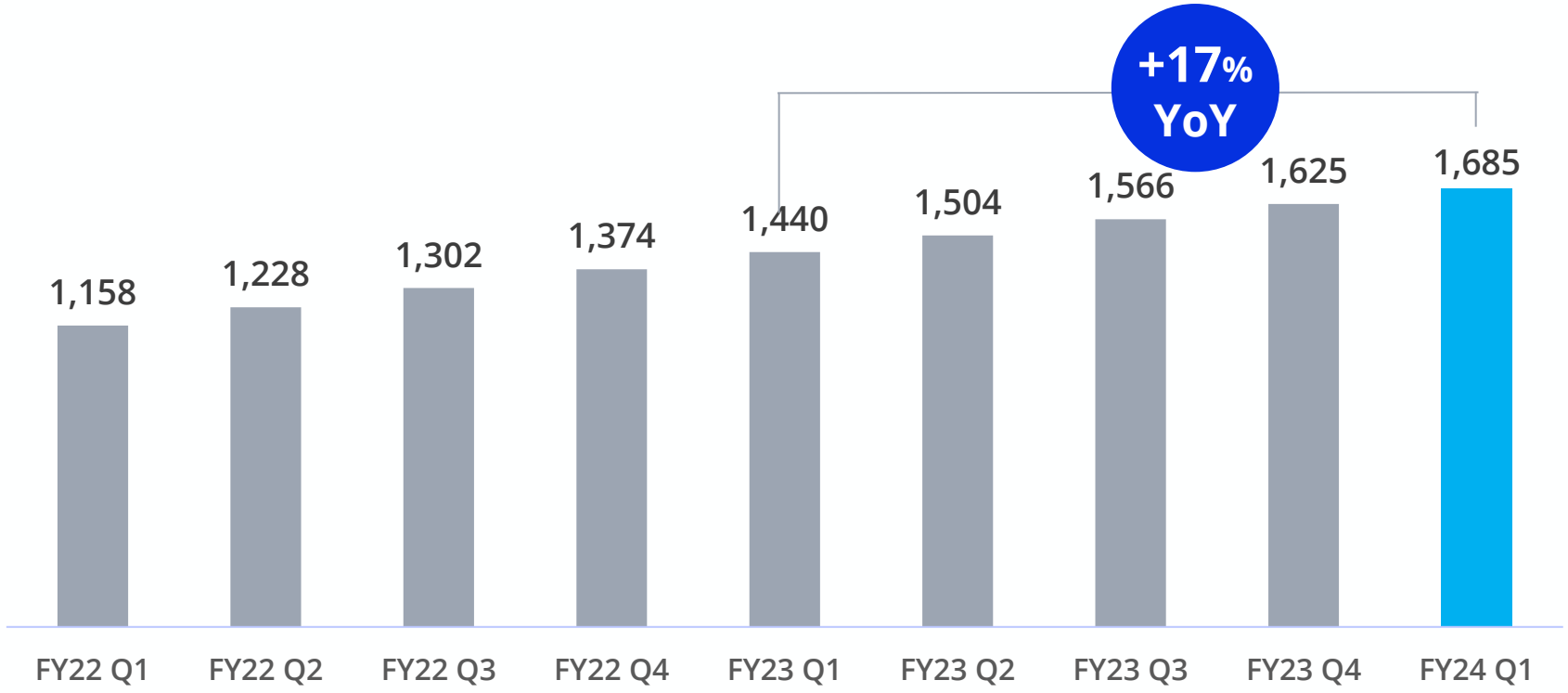
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Quarterly Customer # Trend

- The momentum of new customer acquisition has been on the rise, while net new customer increase has been slightly offset by churned SMB customers due to our strategic focus on larger enterprises.
- New customers in FY24 Q1 were mainly from Digital Content (38% of total new customers).

of Customers(1)



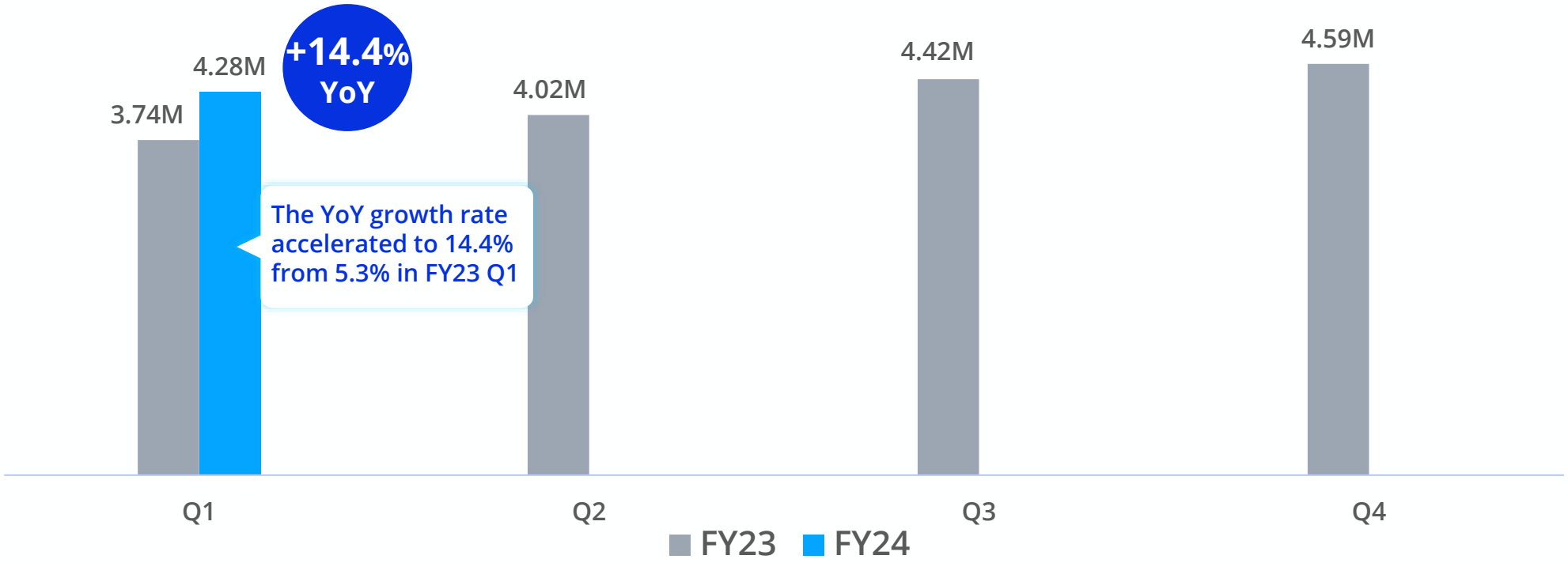
(1) "Customer" refers to a corporate group that has one or more active contracts for our solutions, excluding paid or unpaid trial, demo use and customers acquired through business acquisitions. Such corporate group is counted as a separate "customer" with respect to each solution it uses.

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Quarterly Average Revenue per Customer

- The ARPC YoY growth rate in FY24 Q1 accelerated to 14.4% from a 5.3% YoY increase in FY23 Q1.
- This is mainly driven by healthy expansion of existing customers and continuous strategic focus on the acquision of larger enterprise customers, having more potential to grow ARPC over time.

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



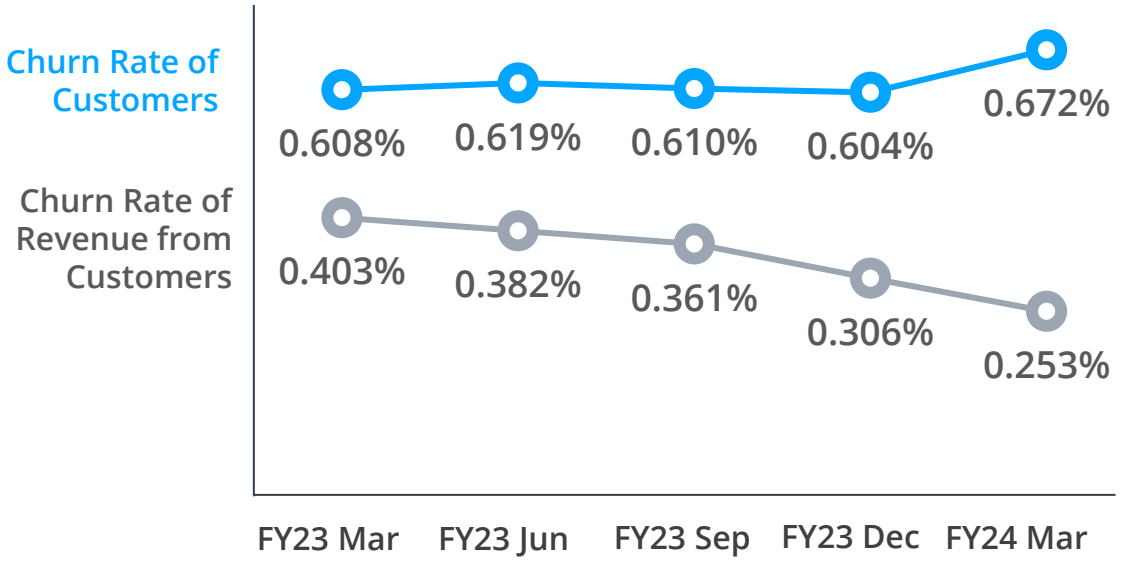
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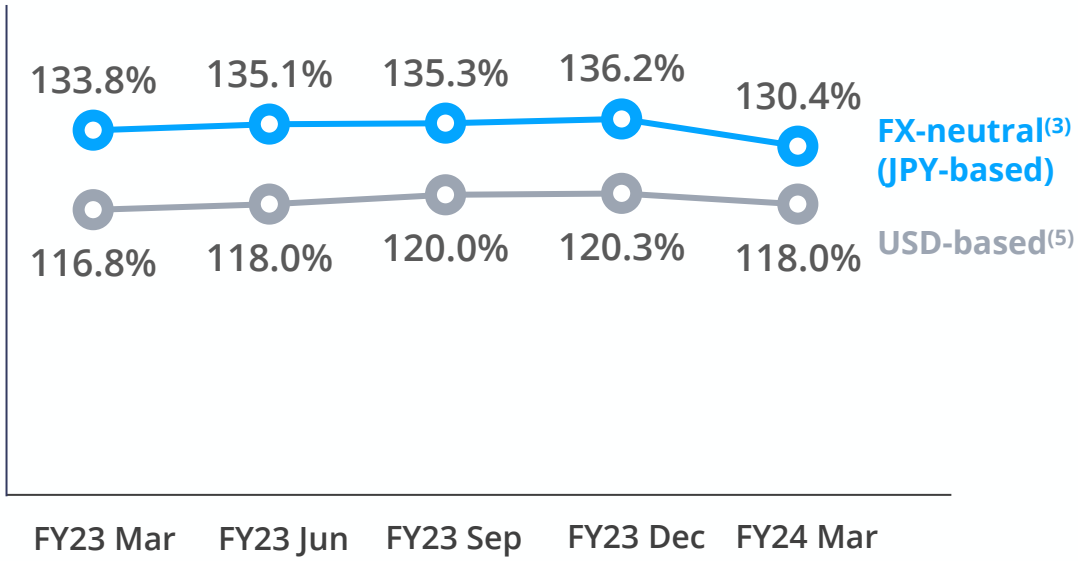
Improving churn rate & solid LTM NRR prove the stickiness of our customers to our solutions

- The increase in customer churn rate was primarily driven by SMBs due to our strategic focus on enterprises, while the impact on revenue from churned customers decreased with a declining revenue churn rate.
- The USD-based LTM NRR has improved on a YoY basis despite the low season. The narrowing gap of USD-based and JPY-based LTM NRR is due to smaller USD/JPY fluctuations compared to one year ago in the YoY comparison.

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



LTM Net Revenue Retention

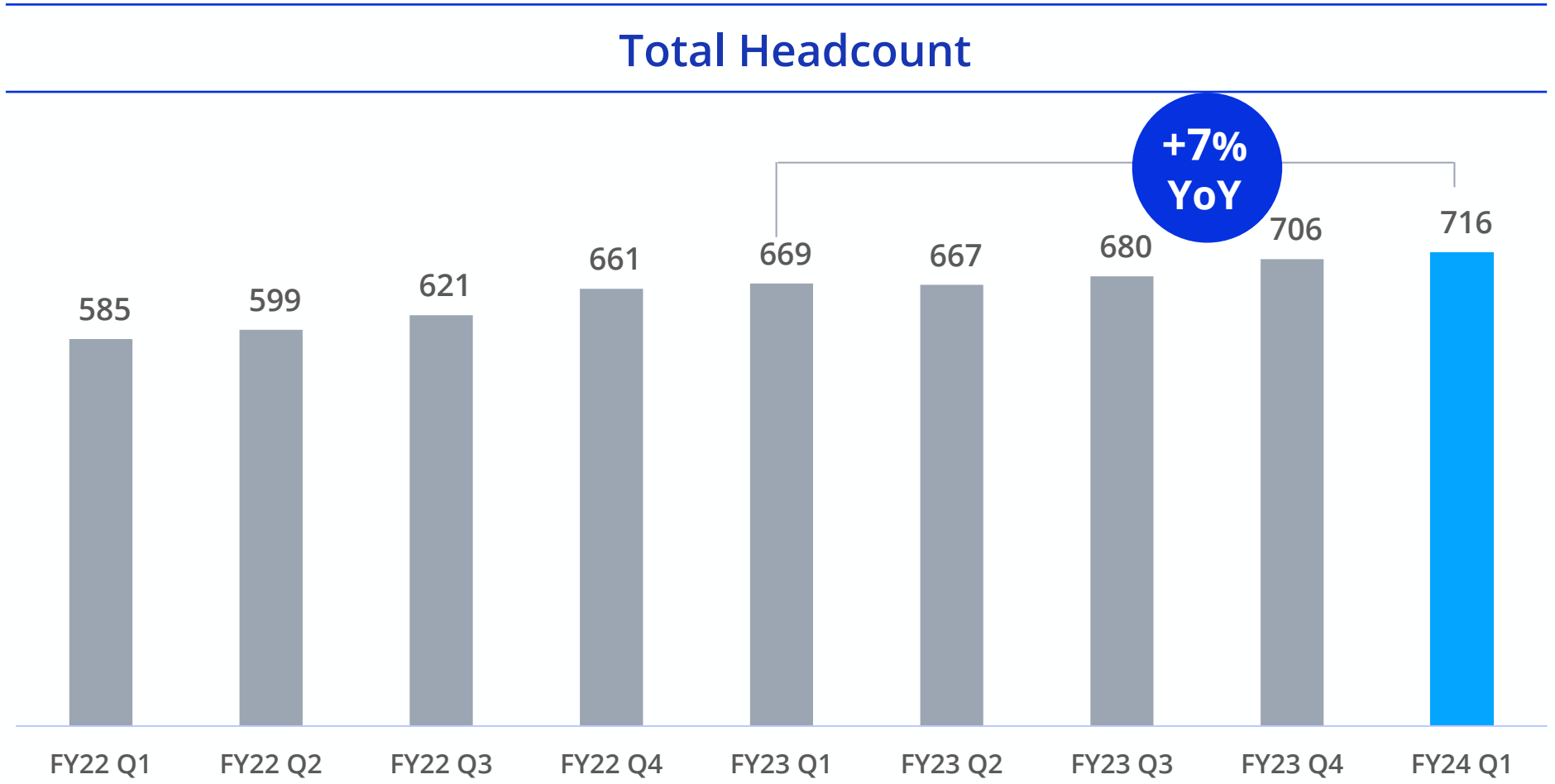


(1) Churn Rate of customers = The number of customers that terminated their relationship with us during the month divided by the number of all customers as of the end of the month.
(2) Churn Rate of Revenue from customers = Revenue calculated in U.S. dollars from customers that terminated their relationship with us during the month, divided by revenue calculated in U.S. dollars from all customers
(3) We calculate FX-neutral 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 and converted to JP Yen based on the FX-neutral quarterly average exchange rate of FY23 Q2 to FY24 Q1, by (ii) total revenue calculated in U.S. dollars from such customers during the same period of the prior year and converted to JP Yen based on applicable exchange rate of FY22 Q2 to FY23 Q1
(4) FX-neutral refers to a calculation using the same applicable exchange rate from the comparison period, excluding the impact of currency fluctuations in the current period.
(5) 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.
(6) Above calculation does not include BotBonnie's and Woopra's customers.

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Hiring to scale our opportunities & continuous investment in new talents

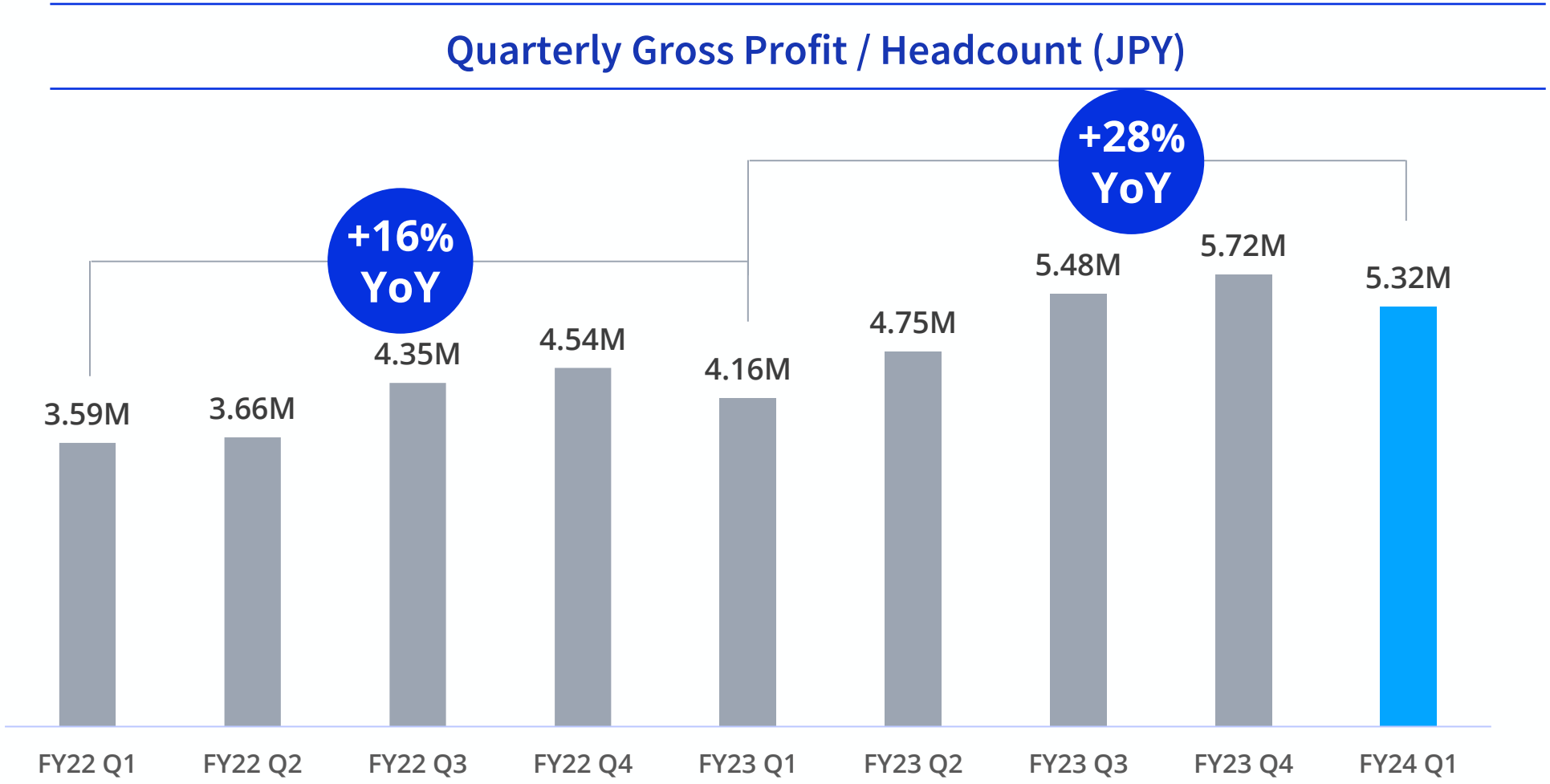
- FY24 1Q's new hired headcount is seasonally moderate while key positions in commercial and technology are on track.
- We have adopted a quality-over-quantity hiring strategy, contributing to our profitable growth and improving productivity.



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Productivity Improvement

- In comparison to a 16% YoY improvement in FY23 Q1, we have further strengthened our productivity improvement, driving our productivity improvement to 28% YoY.



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2024 Q1 Overview & 2024 Guidance

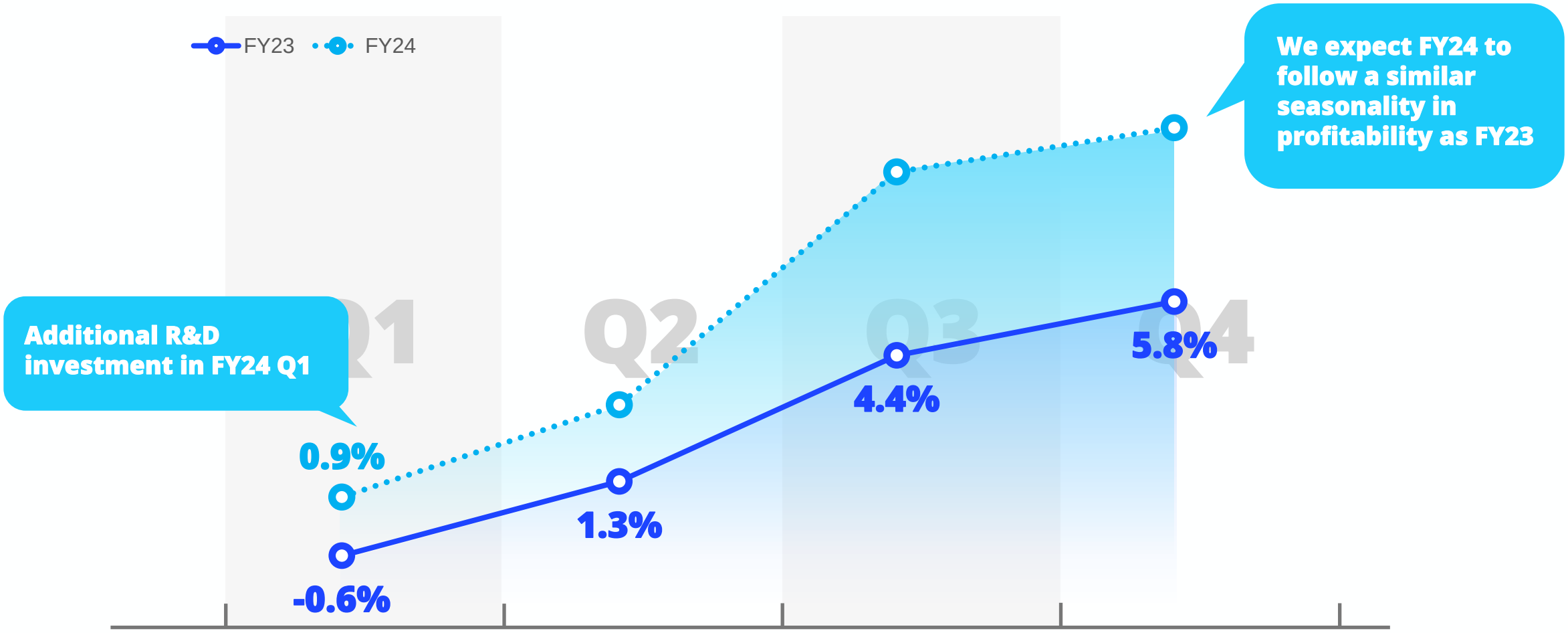
- In FY24, we expect continued execution to achieve sustainable and profitable growth , demonstrating our core value of innovative technology enhancement, and further business efficiency at scale.

	2024 Q1		YoY	2024		YoY	Highlights
Revenue	7.4 Bn		+33%	34.5 Bn		+31%	➤ Continued robust expansion in the US & EMEA with a 67% YoY growth in FY24 Q1, far above the overall company growth rate ➤ Drove the revenue growth through expansions in both verticals and existing customers in the NEA, achieving a 31% YoY growth in FY24 Q1 ➤ New growth drivers from vertical expansion in the GCR, especially CN outbound business in FY24 ➤ AI trend to increase customer acceptance of our key differentiators
Gross Profit	3.8 Bn	51.7%	+37%	18.5 Bn	53.5%	+35%	➤ Continuous technological advancements in FY24 Q1, including the GenAI deployment in Advertising Cloud, enable us to have a higher starting point in FY24 ➤ FX headwinds due to JPY depreciation in FY24 Q1
Operating Income	0.07 Bn	0.9%	+1.4 p.p.	2.1 Bn	6.1%	+3.0 p.p.	➤ Strong operating leverage with better productivity to accelerate margin improvement for S&M and G&A ➤ Increasing R&D investment for product development to address the rapidly evolving industry and emerging GenAI opportunities while maintaining disciplined expense management
EBITDA	0.7 Bn	10.0%	+3.1 p.p.	4.9 Bn	14.2%	+3.5 p.p.	➤ In comparison to FY23 Q1, our OPEX- to-revenue ratio has been stable, while improving 1.7 p.p. on an FX-neutral basis in FY24 Q1.
Dividend	Not decided						➤ The decision to distribute dividends will be subject to whether our core free cash flow becomes positive in FY24.

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Quarterly Seasonality in Profitability

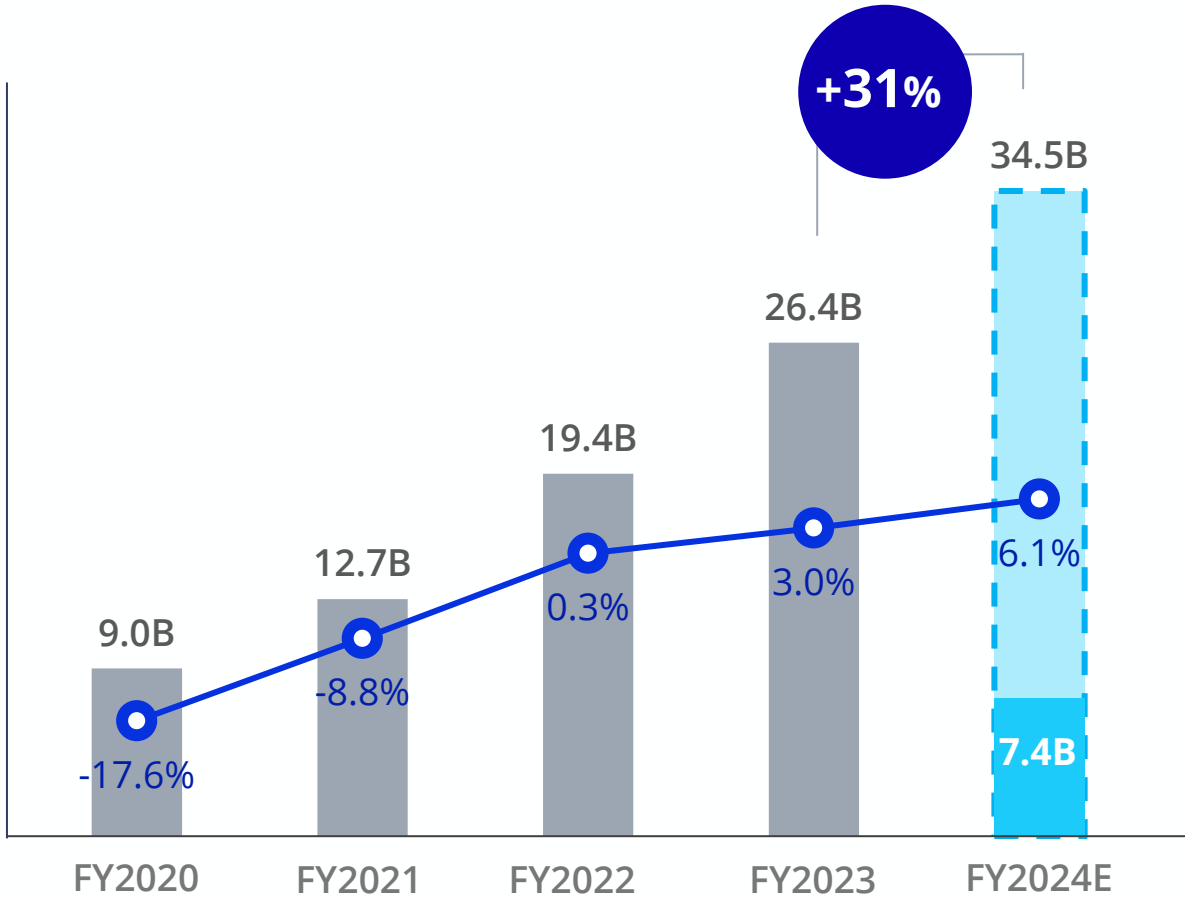
Quarterly Operating Margin



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Continuously pursuing both Growth & Profitability in FY24

Revenue (JPY) & Operating Margin%



Growth

- Focused on bigger enterprises in the regions with higher growth potential
- Well-balanced vertical expansion
- Upsell through increasing usage from existing customers & cross-sell via product synergy

Profitability

- **Gross Margin:** continuous improvement via technological advancements regardless of FX fluctuation
- **S&M expenses:** better sales productivity
- **R&D expenses:** continuous investment to address the rapidly evolving industry and emerging GenAI opportunities
- **G&A expenses:** Expense-to-revenue ratio gradually declining

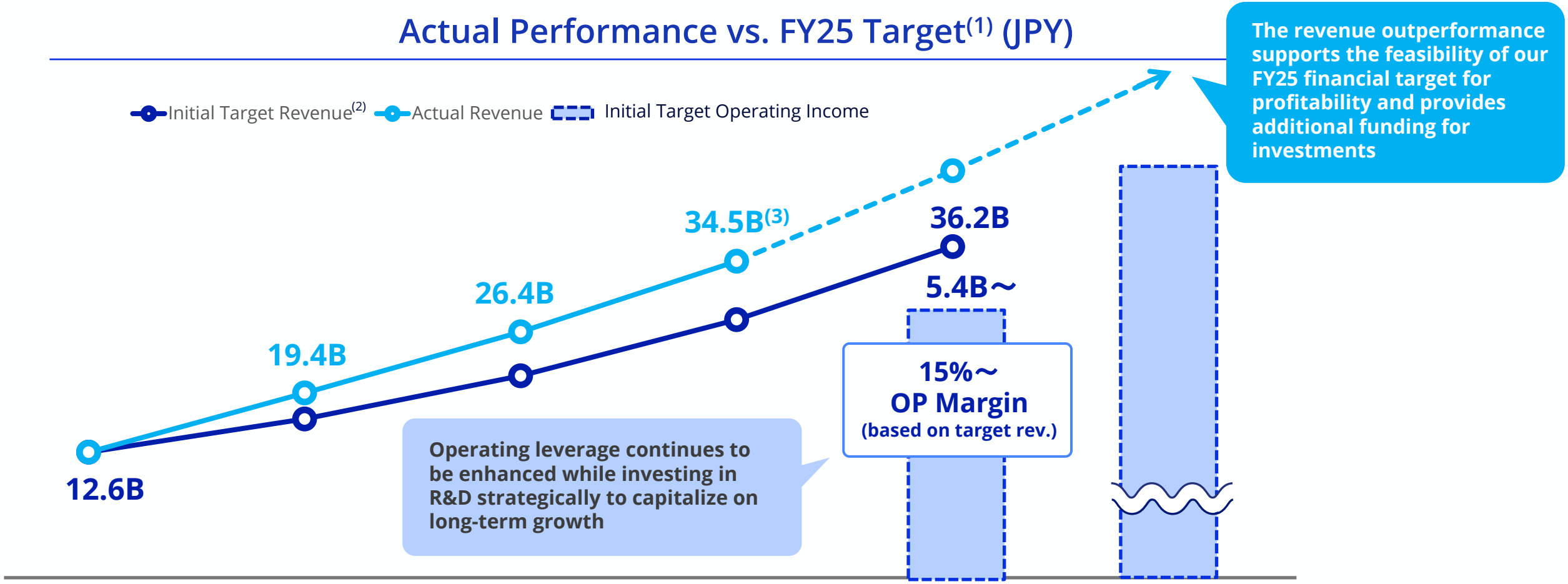
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Progressing towards FY25 target

- In comparison with our revenue target set in FY22 May, we are ahead of schedule, with our FY24 guidance already very close to the FY25 target.
- We are on track to achieve an FY25 operating income of JPY 5.4B or more, excluding potential risk from FX fluctuation.
- The growth of both revenue and operating income will continue after FY25 as we are confident in maintaining our execution excellence, leading to further profitable growth.

Actual Performance vs. FY25 Target[1] (JPY)



(1)FY25 Target was established in May 2022.
(2)Initial Target revenue is based on average revenue growth target of 30% from FY22 to FY25.
(3)Current revenue guidance of FY24

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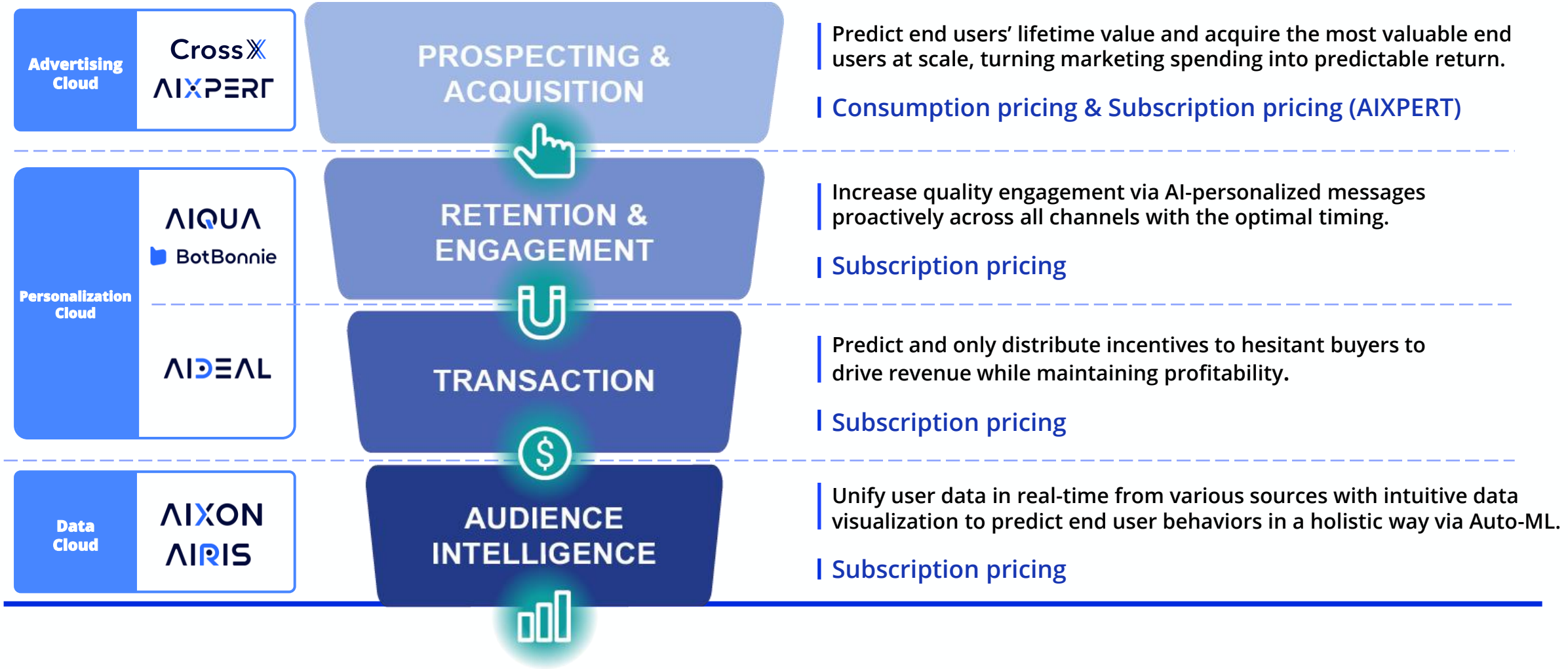
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Comprehensive AI-Powered Solutions Across the Funnel



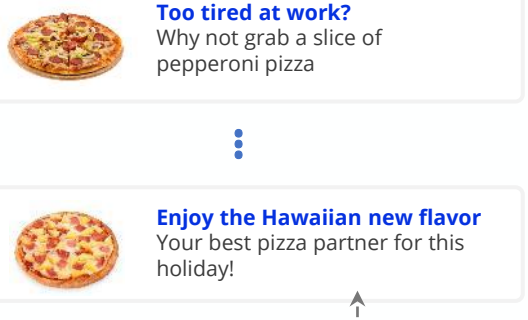
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Advertising Cloud - GenAI autonomously crafts personalized copies and creatives, enabling hyper-targeting

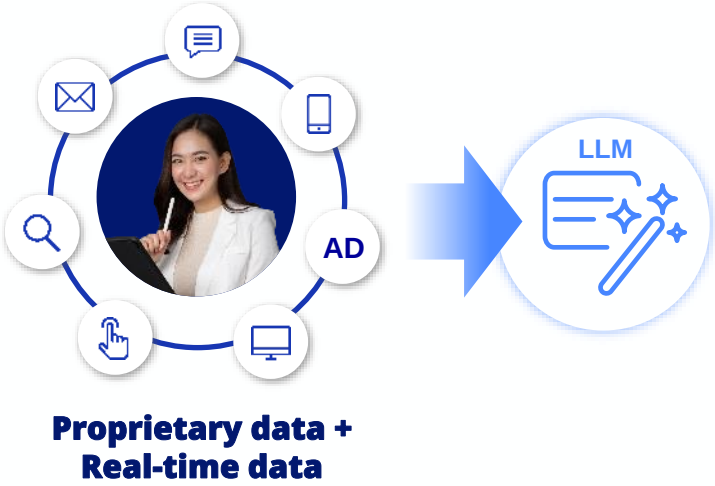
Common digital marketing approach

Marketer's challenges

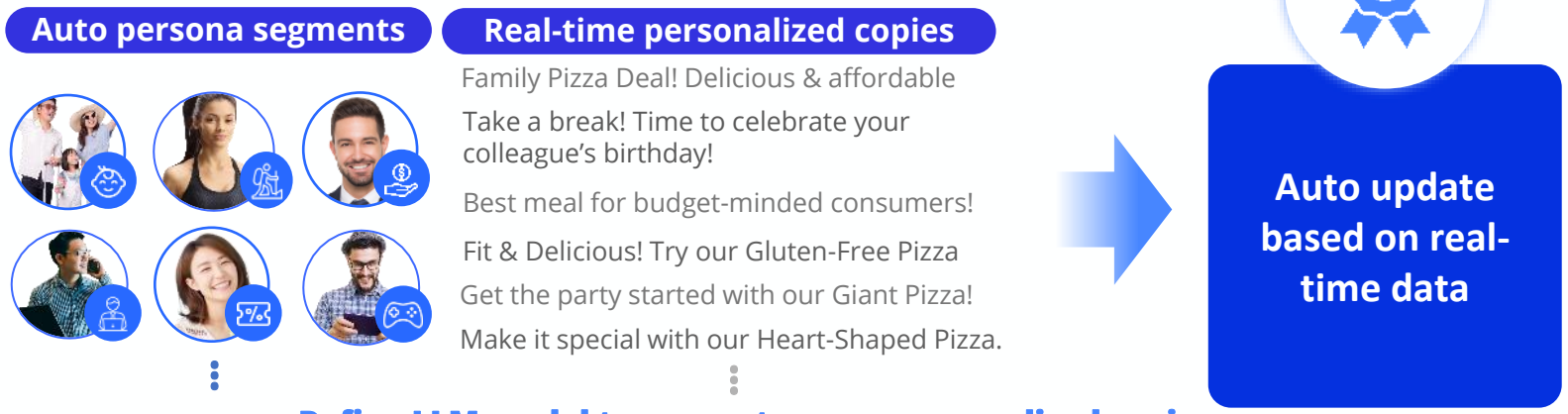
Think about ad copy based on the imagined customer persona



Appier GenAI Model

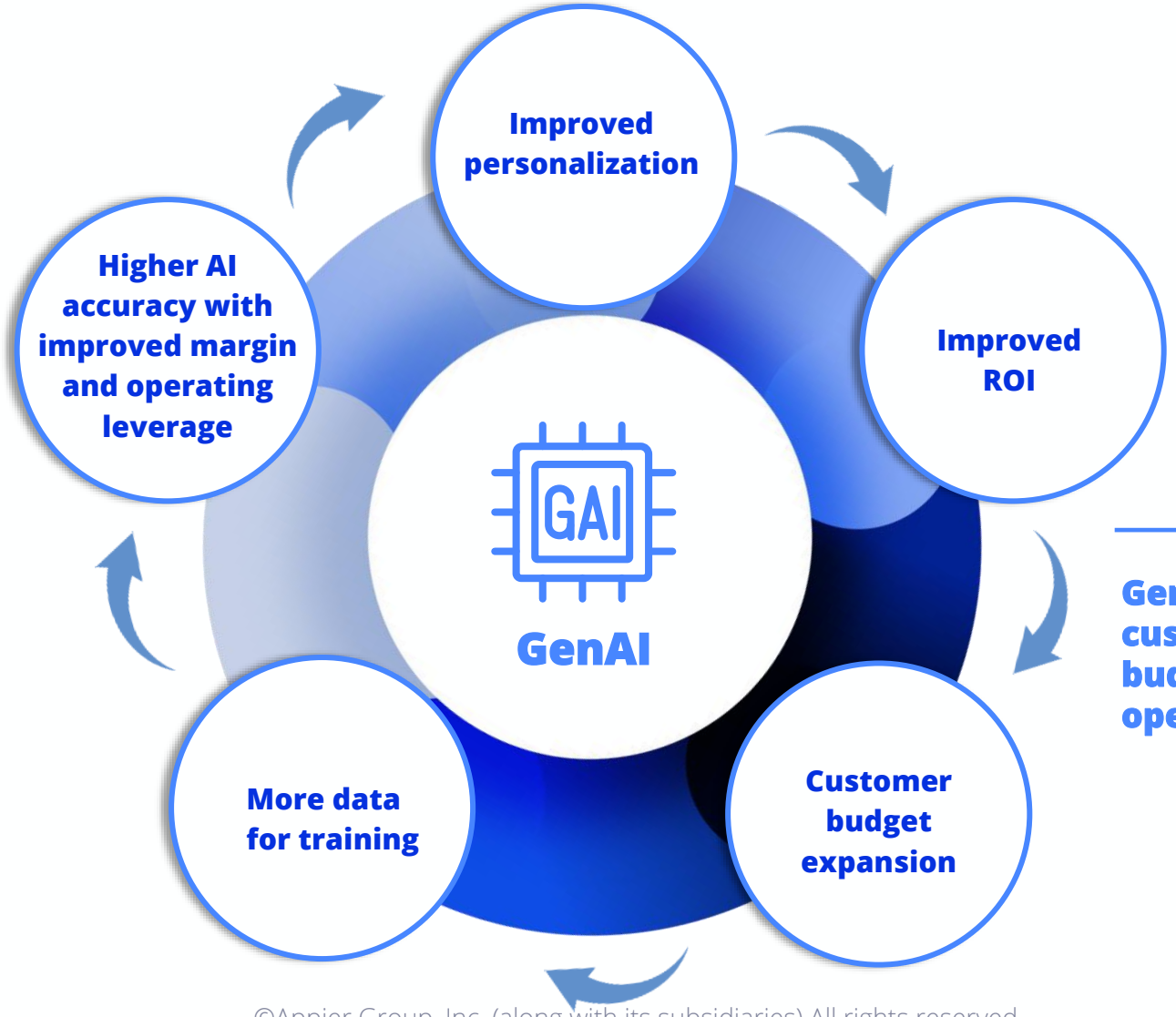


LLM automatically generates multiple marketing copies based on real-time data



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Appier's GenAI technology forms a self-reinforcing loop and improves our operating leverage



Generative AI enhances ROI for customers, leading to expanded budget allocation and improved operational efficiency for Appier.

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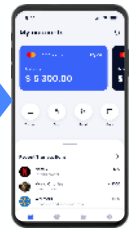
Advertising Cloud - Targeting audience segments can also be automatically generated and learned by GenAI Model

Common digital marketing approach

Marketer's challenges

Optimizing keyword performance and setting effective ads are common pain points for marketers

Keywords related to my product



Bank

finance

online banking

mobile banking

...

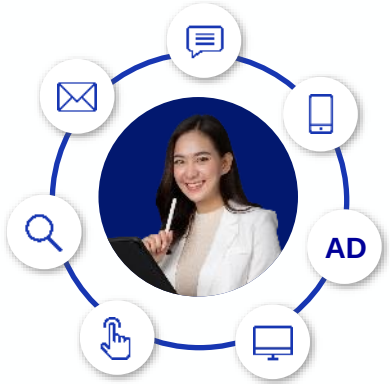
Marketing Initiatives

Manually tracking keyword result

A/B testing

Manually increase more ad spent on performing keywords

Appier GenAI Model



Proprietary data + Real-time data

LLM

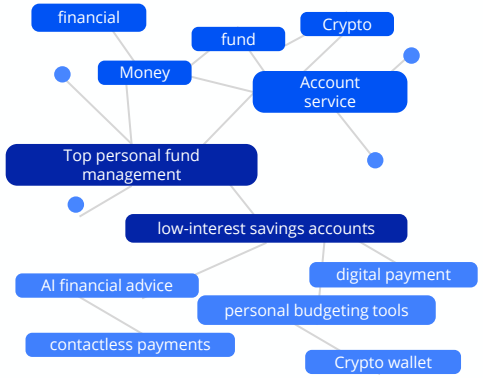
LLM model trained by real-time data and performance data

LLM automatically generates direct/indirect keywords

Bank service related

Long-tail keywords

Trending keywords



GenAI optimizes based on performance data

Refine LLM model to generate more out-performing keywords

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AIQUA onsite AI editor accomplishes weeks of engineering work in seconds

Traditional process of adjusting website content

Marketer's challenges

Creating content format for website requires designer to recreate and IT to write website codes





Ask designer's help to create visual design



Ask engineer's help to make changes on website

Implementation

At least 1 week to launch

Appier GenAI Model

Marketers specify the desired template via text or image input



GenAI

GenAI automatically turns it into codes

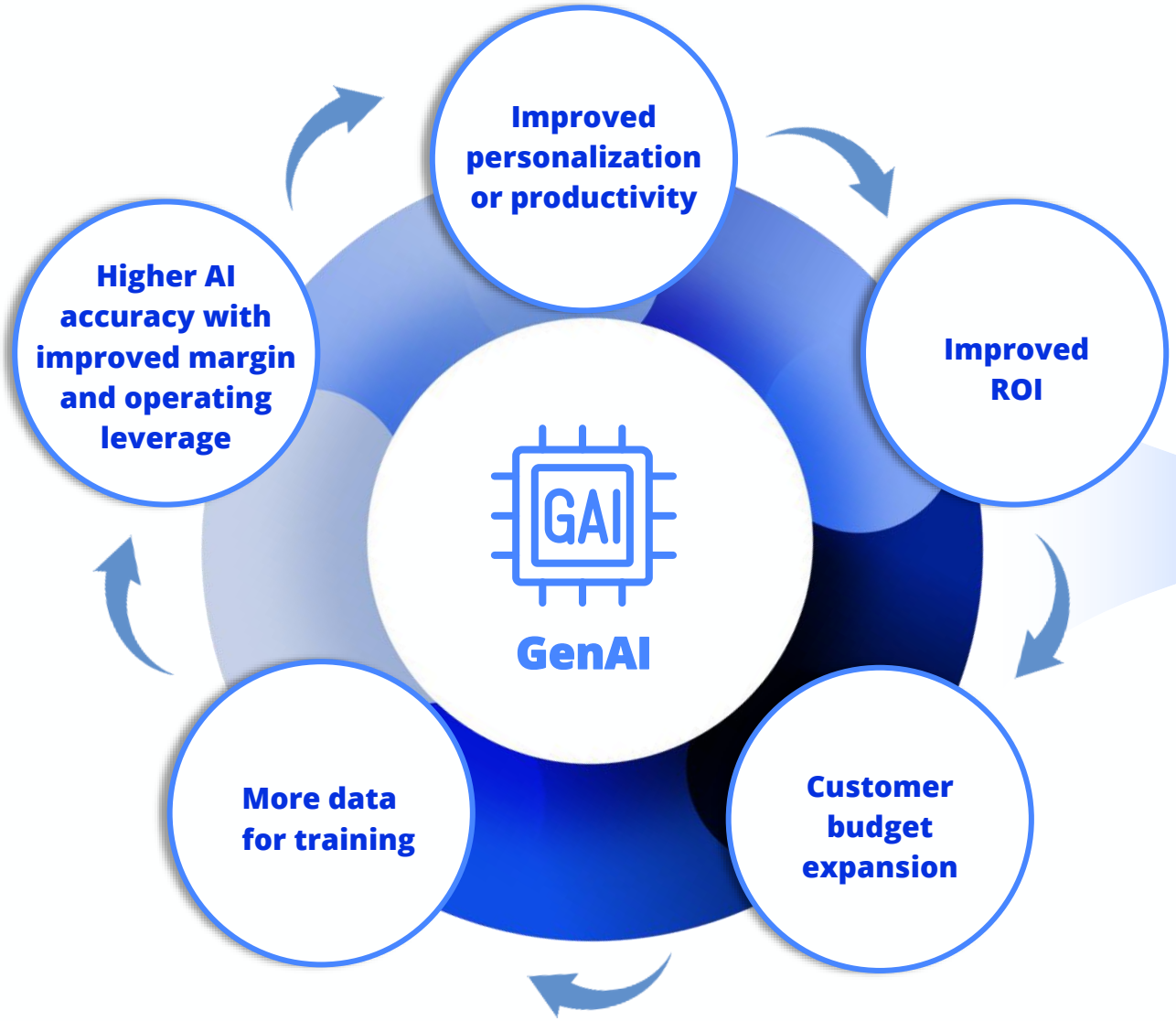
AI generates multiple configuration code templates

Publish on the website with no coding, then test

within 30 seconds

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Utilize GenAI as another driver for our growth flywheel



Campaign ROI

LLM

Ad copy real-time generation

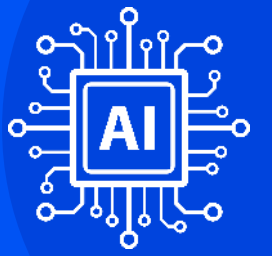
GenAI keywords generation

Productivity ROI

AIQUA onsite AI editor

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Turning AI into ROI

Our enhanced product synergies mean data synergies for our customers. Our improved AI brings extra ROI to our customers. With these principles, we continue delivering value to our customers in all kinds of environments.









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Appendix

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Founder-led Management of AI & Business Leaders

Founders



Dr. Chih-Han Yu
Chief Executive Officer

Stanford University
Harvard University



Joe Su
Chief Information Officer

Harvard University



Dr. Winnie Lee
Chief Operating Officer

Stanford University
Washington University

Business leadership



Dr. Ming-Yu Chen
Chief Technology Officer

Microsoft, Zillow, Compass



Dr. Joe Chang
Chief Strategy Officer

McKinsey & Company,
IQVIA



Koji Tachibana
Senior Vice President of Finance
Head of Japan

DeNA, NOMURA,
METI



Magic Tu
Senior Vice President,
Sales for Global

HTC, Synopsys

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

Appier

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AI is the key component in the 1st party data world

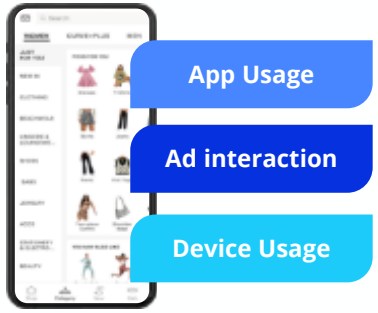
With Only 1st Party Data

Key Differentiators

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

User generated 1st party data





Real-time user preference prediction



Real-time AI recommendation

Real-time learning of behavioral patterns



Discover valuable users

With 3rd Party Data



Deliver content based on 3rd party cookie mapping



3rd party ID synchronization

3rd party database

Tracking and identifying users in each session between websites to know their Interests

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CrossX



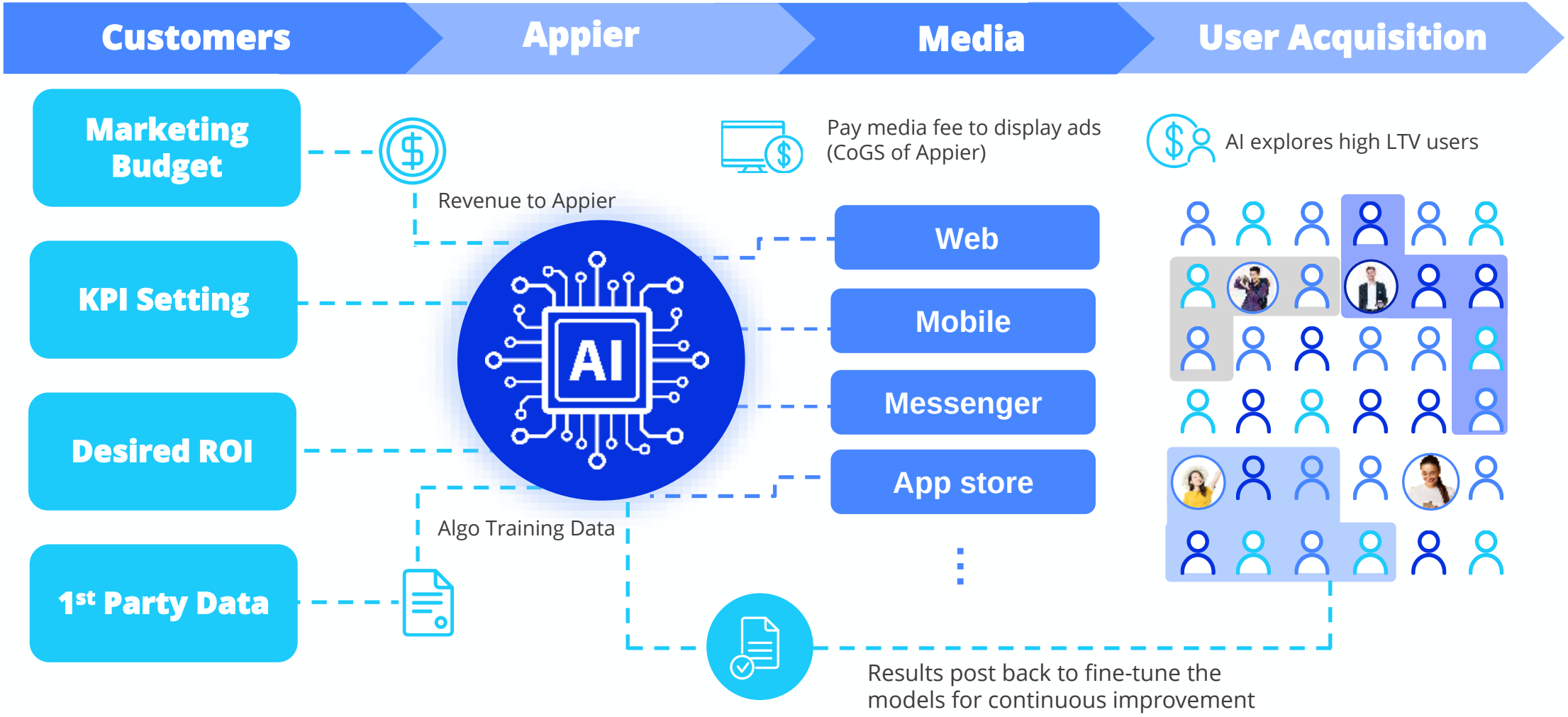
CrossX enables businesses to use Machine Learning and Deep Learning to predict users' lifetime value and acquire the most valuable end users at scale, allowing businesses to turn marketing spending into predictable returns.

Machine Learning and Deep Learning to Predict High Lifetime Value End Users

Acquire The Most Valuable End Users at Scale

Provide Predictable Returns

How CrossX Works- Full AI Automation for Better ROI



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CrossX

AI Strength: Bring Predictivity & Accuracy to Digital Ads

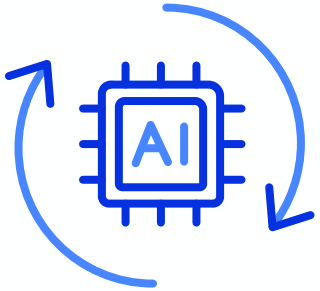


Better Visibility & Return

Let customers know their return before spending and simultaneously increase overall return

Upsell Opportunity

Predicable ROI brings more usage of CrossX

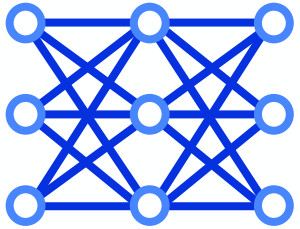


Technology Moat

Our AI has been trained for more than 10 years with marketing data across regions and industries

Barriers to Entry

Higher AI accuracy with accumulated data learning



Auto Algo Exploration

Continuous experiments to improve prediction accuracy and maintain our leading edge

Win-Win with Customer

Better ROI for customers and revenue growth for Appier

Appier

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Boost growth with a consistent stream of high-quality users with high ROAS

Successful case – a leading global game publisher

Goals

- Boost installs in the acquire high value users who are interested in the game title during the initial game launch to boost installs
- Ensure the ROAS and retention rate

Solution

- Leverage Appier's proprietary AI audience model that analyzes users' in-app behavior as well as the game's app contextual data and marketing graphics to identify high-quality users
- Analyzes gamer's behavior, including in-app purchases, completion level of the game and the pattern of opening the game app, for re-targeting

Appier's AI audience model for new users

In-app user behavior

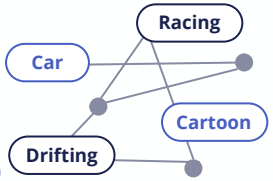
Graphics Style





- Cartoonish
- 3D visual
- Fantasy

App contextual data



Acquire users with high interests to the app & ROAS

Day 1 — Secure the day 1 retention



Day 2 — Level 20 completion **+6.9%**



Day 7 — In-app purchase **+1.4x**



Re-target TOP future CVR & ROAS users

Uplift user's LTV(1)

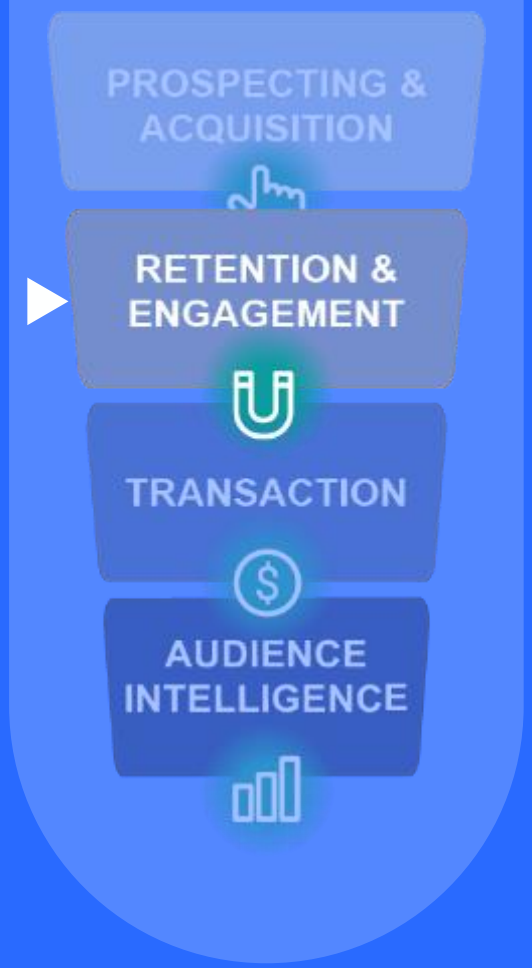
Day 45 — CVR(2) **+55%**

Day X — Purchase event **+16%**

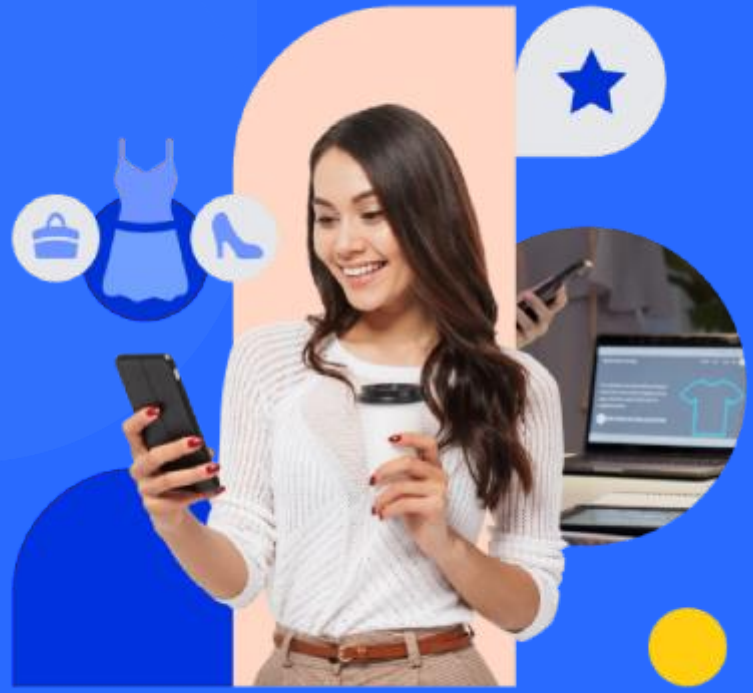


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(1) LTV= Lifetime value
(2) CVR= Conversion Rate



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

A conversational marketing solution built upon the most popular messenger platforms. Harness the full potential of your followers on LINE, FB Messenger, Instagram, WhatsApp, Website and Google Business Messages, etc.

Codeless instant messaging solution for marketers

Gamified prebuilt marketing kits to boost conversion with engaging customer experiences

AIQUA
BotBonnie

Drive High Conversion with Personalized Engagement

Data Collection

CRM data

Social data

- Chat history
- Push engagements

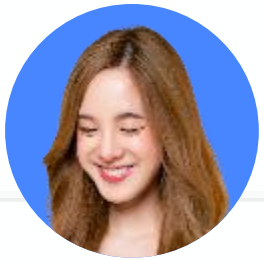
Onsite behavior

- Browsing history
- Device
- Member registration
- User engagement

Integrate & analyze

AI

Create user profiles

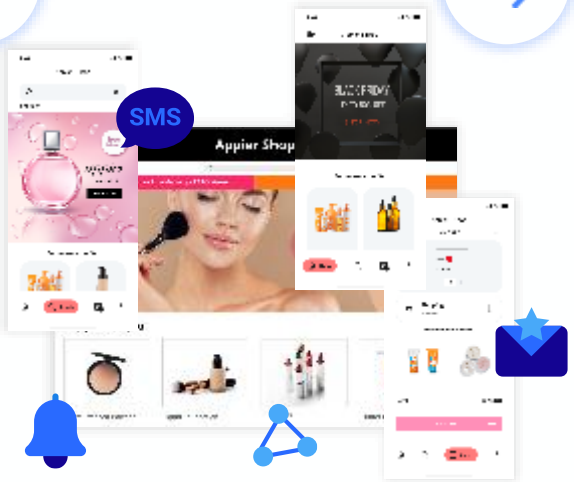


- Interacted on LINE
- Has not returned for 30 days
- Abandoned cart
- Viewed product A
- Gold member

Engagement

With full suite of
AI recommendation model

- Personalized contents
- Right channel
- Right timing



Conversion

- Higher click-through rate
- Maximize user's lifetime value

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AIQUA
BotBonnie

Key Strengths



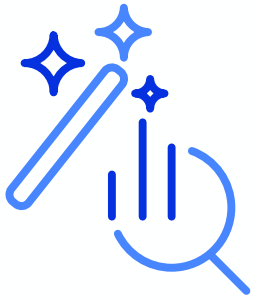
Optimize ROI with AI Recommendation Models

Provide highly personalized user experience to boost conversions and maximize users' LTV



Maximize customer engagement with AI-driven precision

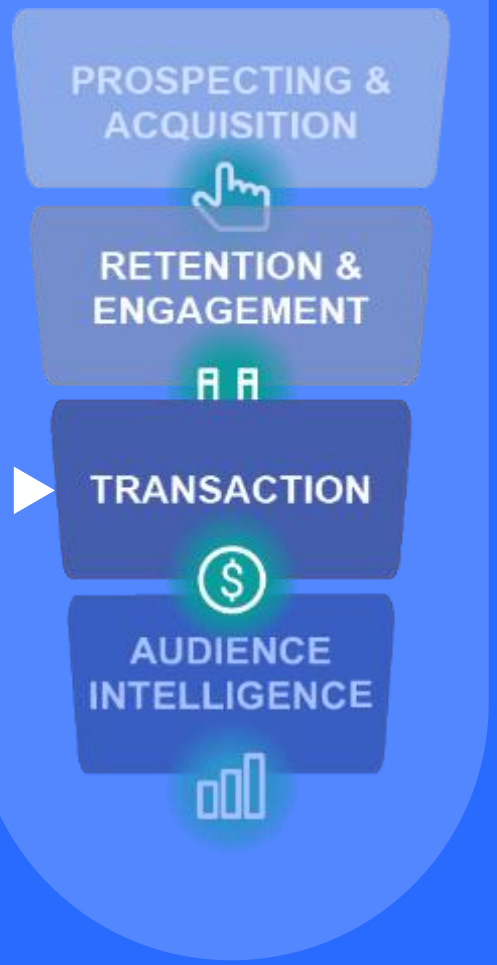
Predict the optimal timing and deliver personalized content through the right channel for streamlined effectiveness and efficiency



Boost GenAI effectiveness with decision-making AI

Create compelling marketing content with the robust GenAI, evaluated by decision-making AI for superior results

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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**

Trigger Purchase Decisions with Optimal Incentive Offering

Predict and only distribute the most effective incentive to hesitant buyers while maintaining profitability

Entering the website → **Detect behaviors** → **Identify user's intent** → **Trigger actions**



Triggered events

- Swipe back
- Back botton
- Scroll down
- Idle time
- Traffic source
- Viewed page

AI uncovers insights of hesitant buyers

Dynamically decided optimal offering to individuals



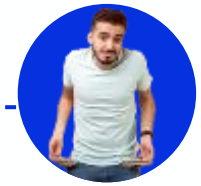
Free Delivery

First time visitor



10% OFF

Hesitating on high-priced items



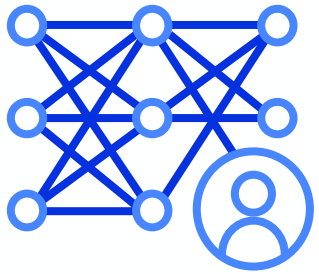
SAVE $5

Bargain hunter

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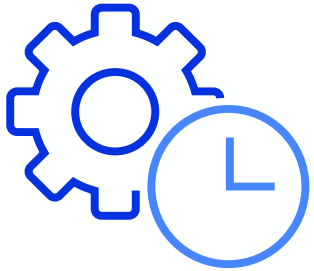
AIDEAL

Key Strengths



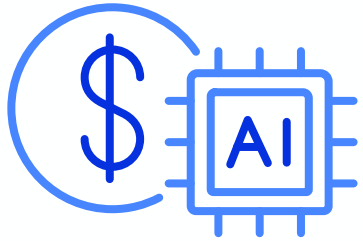
Analysis of Users' Behavior with Advanced Algorithm

Generate accurate and reliable outputs with extensive training data



Improve ROI with Real-time AI Predictions

Predict hesitant buyers in real-time to deliver incentives and drive higher ROI with the same budget amount



Uplift GMV with Tailored Incentives

Push indecisive users to check-out through optimal incentive offering predicted by AI

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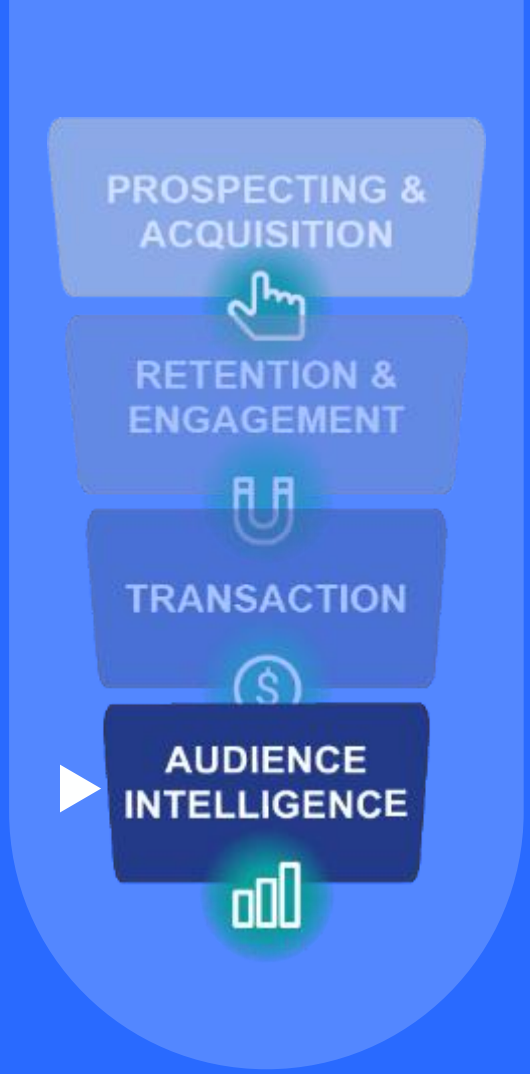


AIXON



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**





AIRIS

A fast time-to-insight AI CDP with superior analytics and intuitive data visualization. By building a robust 360° view of customers with 1st party data, businesses can easily visualize and measure the impact at every touchpoint, and predict the return before businesses make their investments.

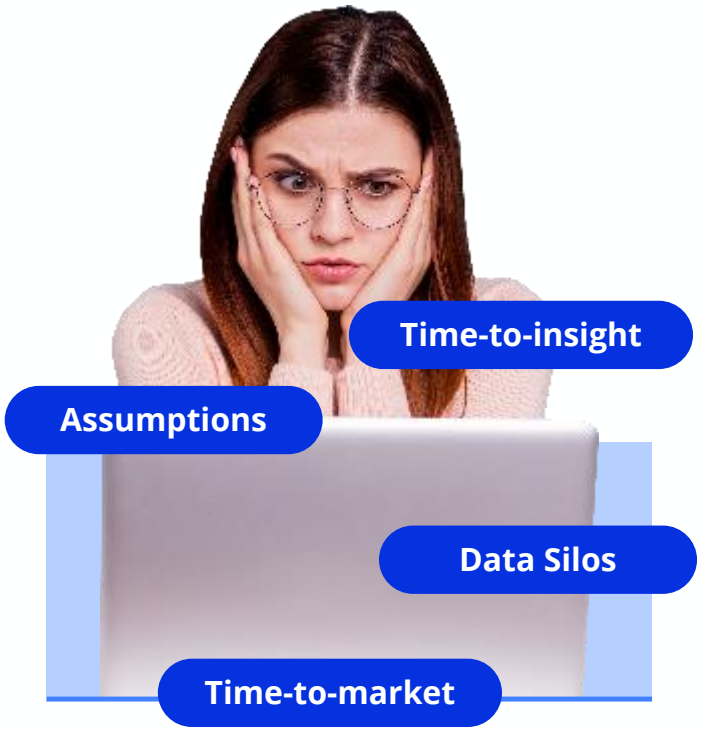
Unify your data seamlessly with Customer 360°

Fast Data-to-Visualization

Fast Data-to-Prediction

AIRIS

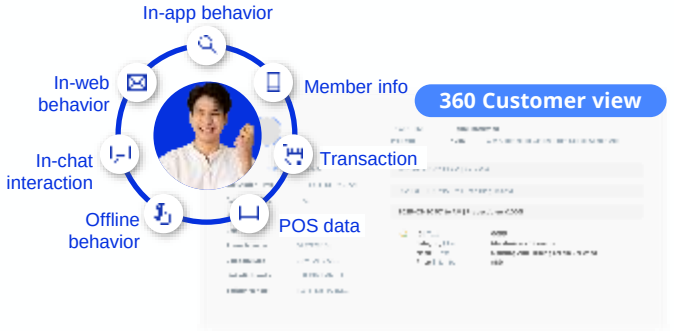
Empower Business Growth with AI CDP



Marketers' pain points

Real-time data ingestion

- Ingest, clean, and align data from multiple sources
- **AI-powered Unified Customer profile and Customer 360**



Fastest code-free visualization analytics

- Quickly build an insight dashboard from templates with **customized visualization to democratize data across organizations**



AI-powered customer prediction

- Allowing marketers to prioritize and target users based on predictions of customer behavior
- Deliver **hyper-personalized engagement** with precise segmentation



Appier

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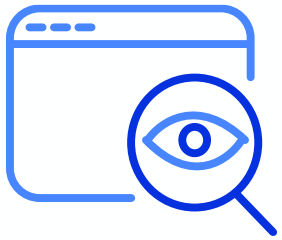
AIRIS

Key Strength



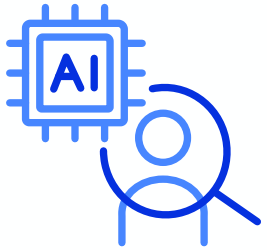
Fastest Time-to-Insight with Seamless Data Ingestion

Real-time data unification to provide 360 view of each user even with anonymous actions



Fastest Time-to-Action with code-free visualization

Visualize insights and measure the impact at every touchpoint to take necessary actions



AI-Powered Insights for Proactive User Engagement

Precise real-time AI prediction of end-user behaviors and tailor effective acquisition/ engagement strategy

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Why Appier Wins

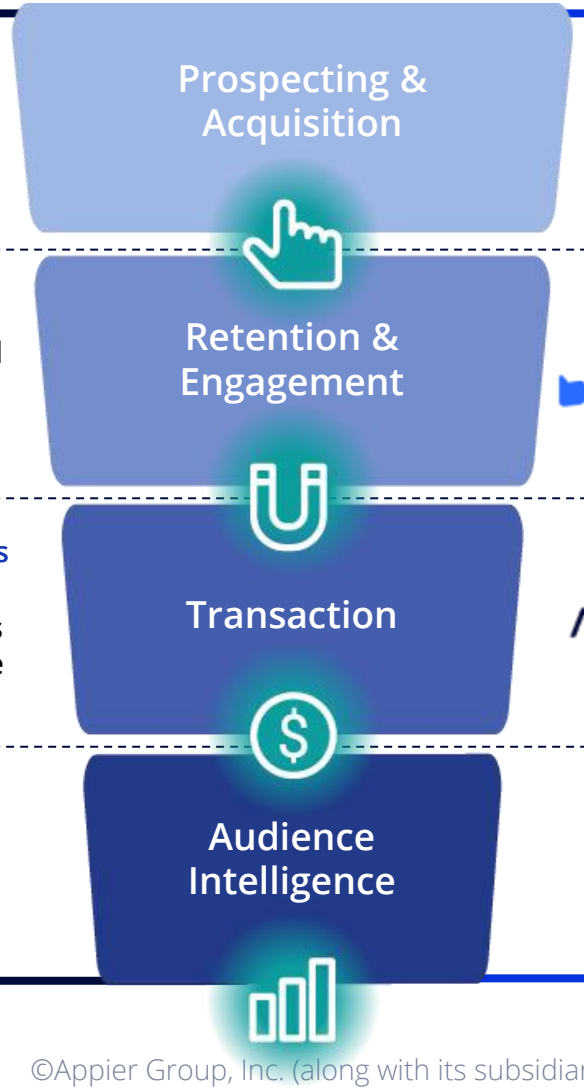
Existing Solutions

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 top-line growth

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



Why Customers Choose Appier

CrossX / AIXPERT
- 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

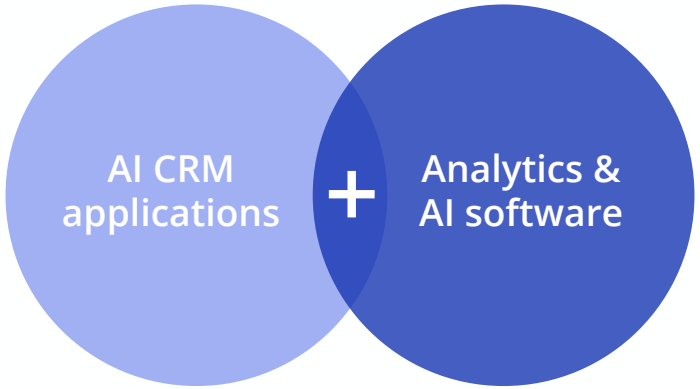
AIXON / AIRIS
- Automated ML to build differentiated best-in-class AI prediction models through SaaS
- Business users able to leverage AI capabilities without scientists / engineers
- Fast time-to-insight with superior analytics and intuitive data visualization

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Massive Market Opportunity

Top-Down View 2024

IDC [1]



US$ **92 B**

(estimated)

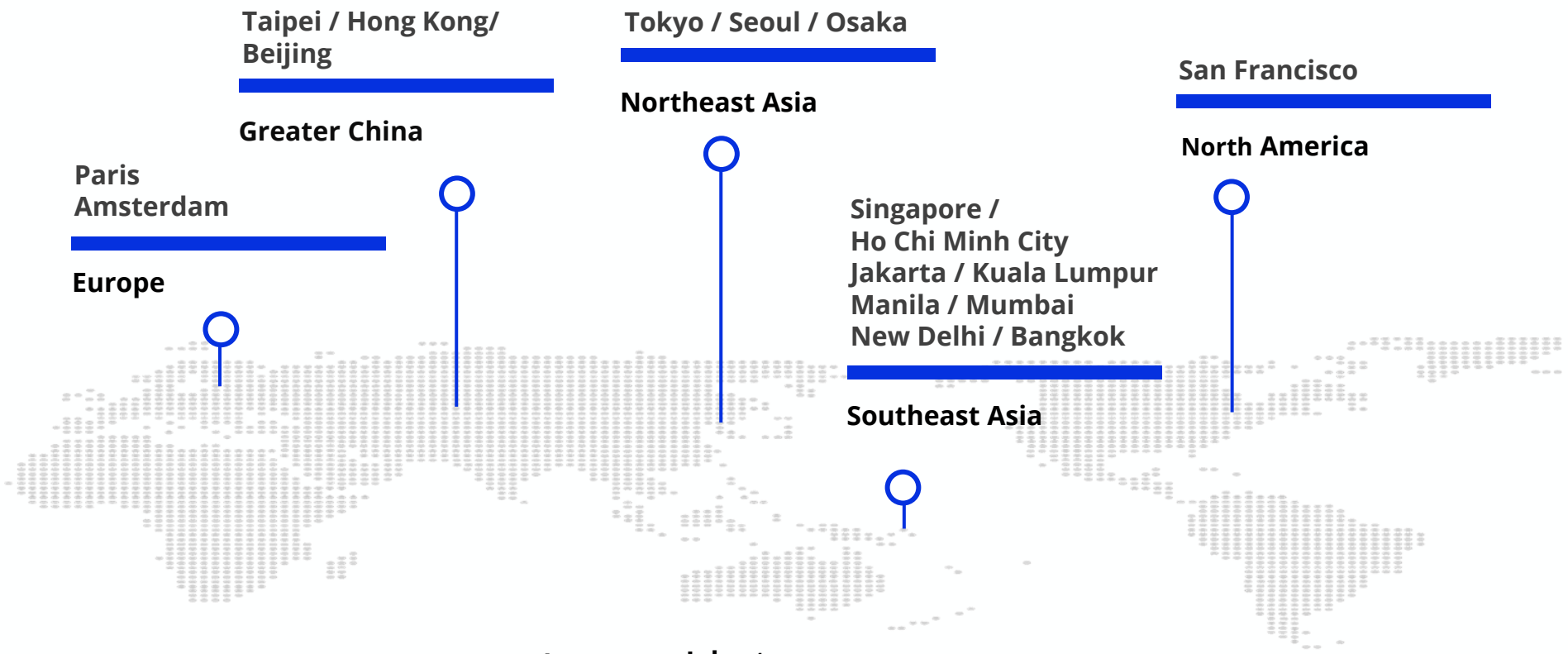
Bottom-Up View 2024



(1) Source: IDC Semiannual Artificial Intelligence Tracker, 2H 2020 (July 2021)
(2) Annualized revenue= FY23 revenue in JPY / exchange rate 140.95
(3) Calculation is based on internal estimation. In terms of APAC marketing investment, we have around 3% market share in EC, 2.7% 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 1.9% market share of APAC marketing investment. APAC marketing investment accounts for around one third of global marketing investment.

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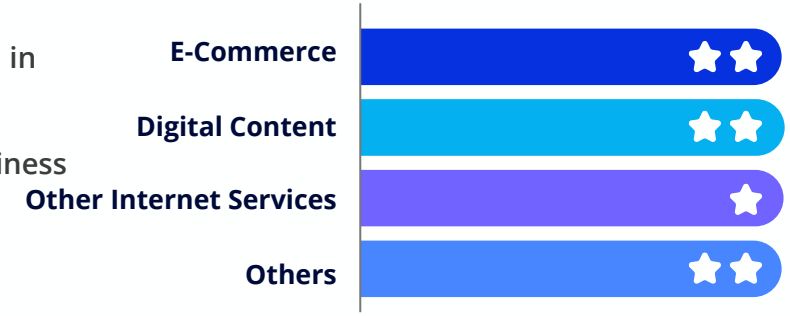
Appier’s global presence: 17 offices worldwide



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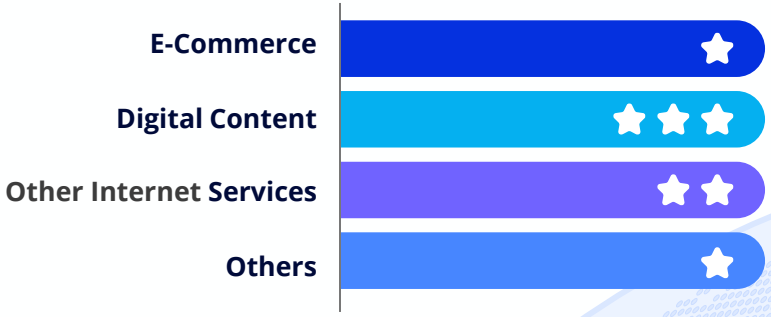
Business Growth Outlook: Key Focus Regions & Verticals

- TW & HK - Deepen our penetration in each vertical
- CN - Further penetration in Digital Content vertical for outbound business



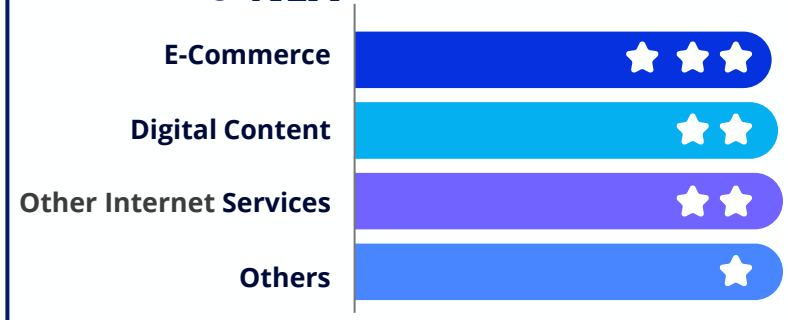
GCR

US & EMEA



- Expand into non-Digital Content verticals
- Deepen penetration in Digital Content vertical

NEA



- JP - Deepen our penetration in each vertical
- KR - Expand into the Digital Content vertical & deepen penetration in E-Commerce vertical

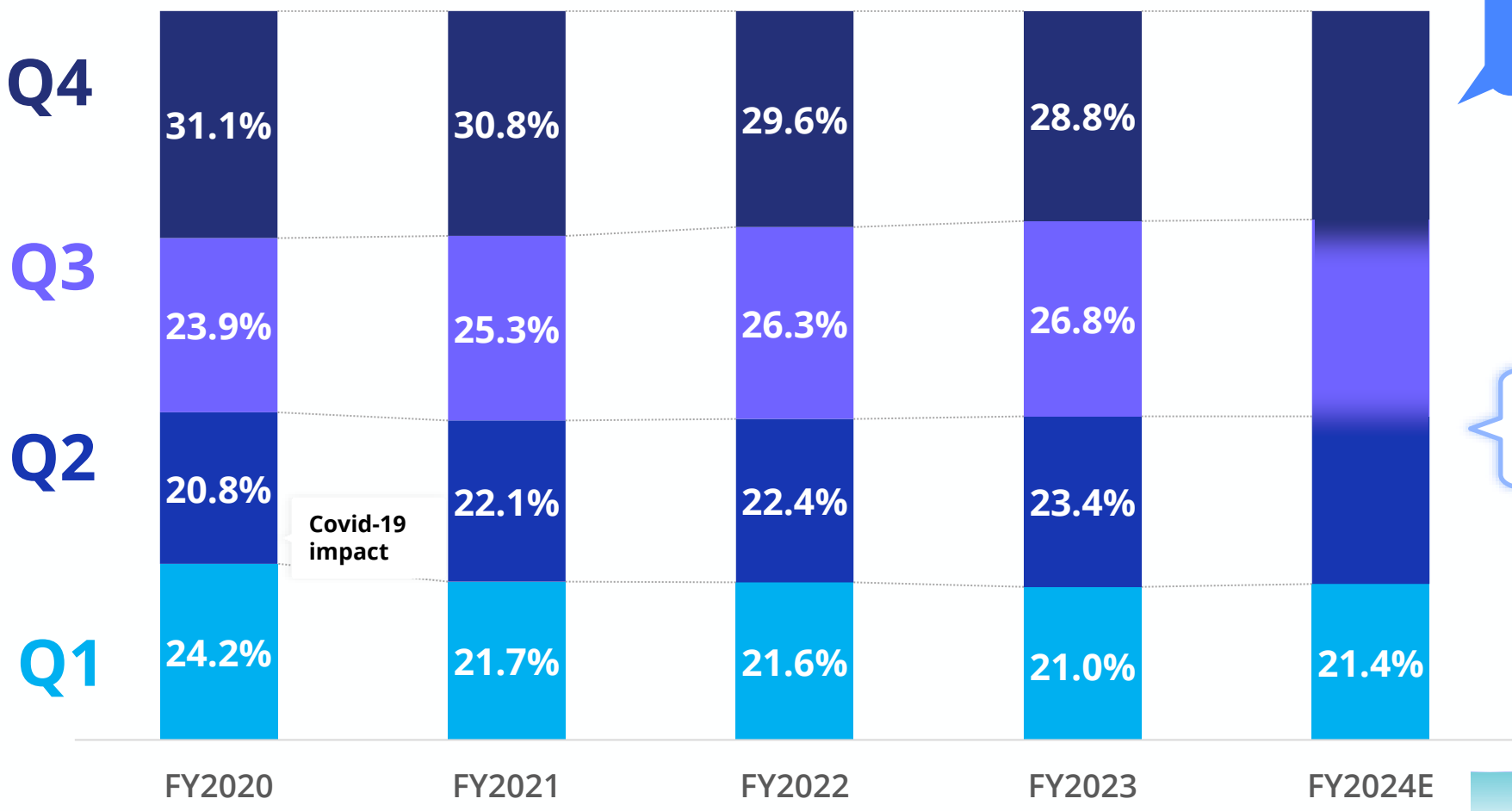
Current Revenue Contributor Classification:

★★★ High revenue contribution ★★ Mid revenue contribution ★ Low revenue contribution

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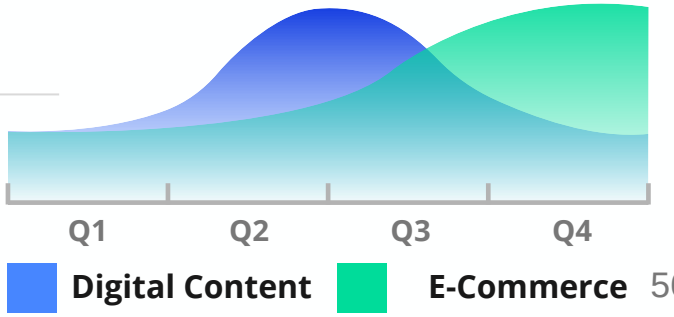
Quarterly Seasonality

Quarterly Revenue Breakdown



We expect FY24 to have a similar seasonal pattern

FY24 2H USD/JPY **138**
FY24 1H USD/JPY **144**

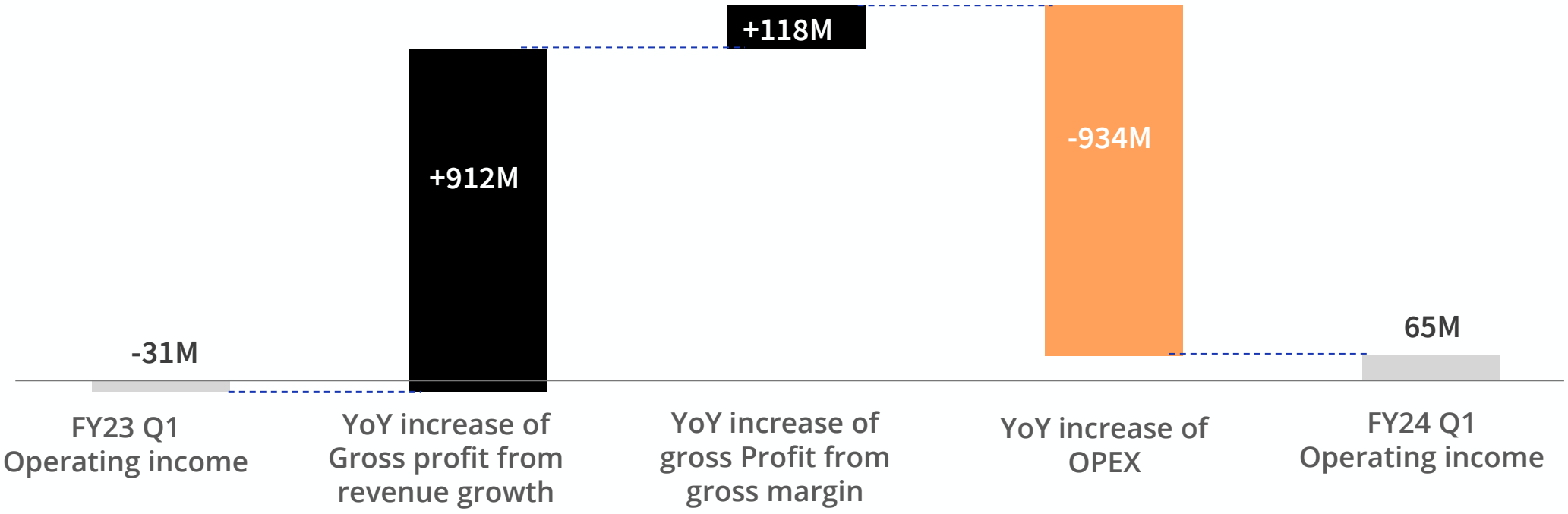


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2024 Q1 Operating Income YoY Change

We drive our bottom-line improvements steadily with higher sales productivity, higher NRR, higher gross margin, R&D excellence and better operation efficiency.

Operating Income Waterfall (JPY)

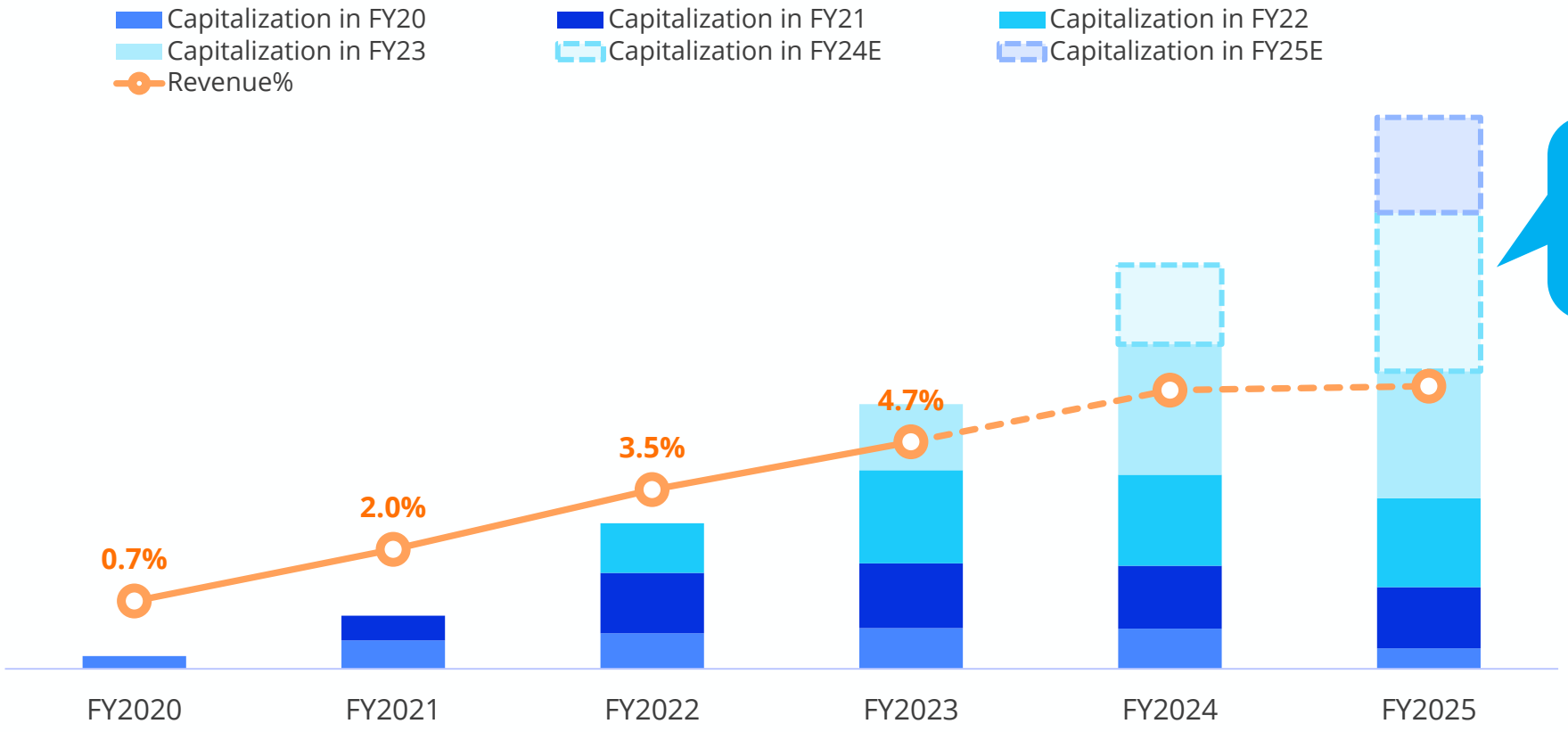


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Software Amortization

- We started software capitalization in FY2020 and amortized the capitalization for 5 years.

Software Amortization (JPY M) & Revenue Ratio



We expect the software amortization-to-revenue ratio to stay steady after FY25

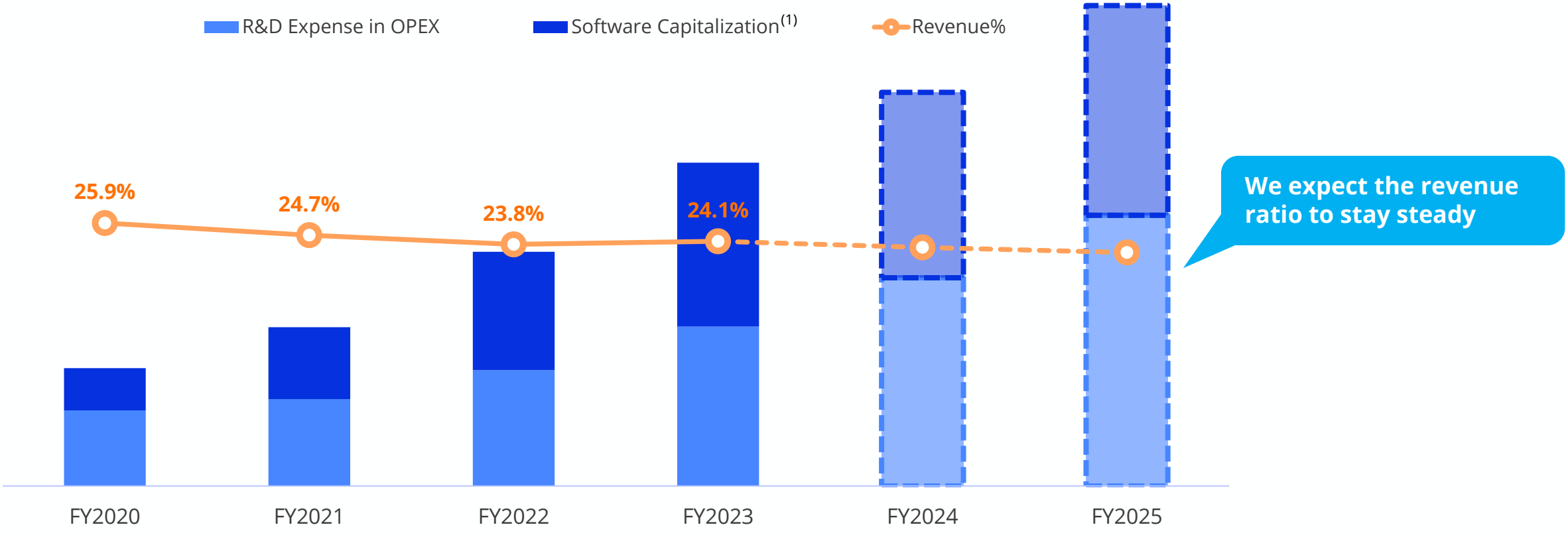
(1) The calculation of software-amortization-to-revenue ratio from FY24 to FY25 includes the software capitalization amount from FY24 to FY25.

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R&D Investment

- Total R&D investment-to-revenue ratio remained stable in past years due to our disciplined project management, despite increased demand of R&D investment while expanding business opportunities in Generative AI.

Total R&D Investment (JPY M) & Revenue Ratio

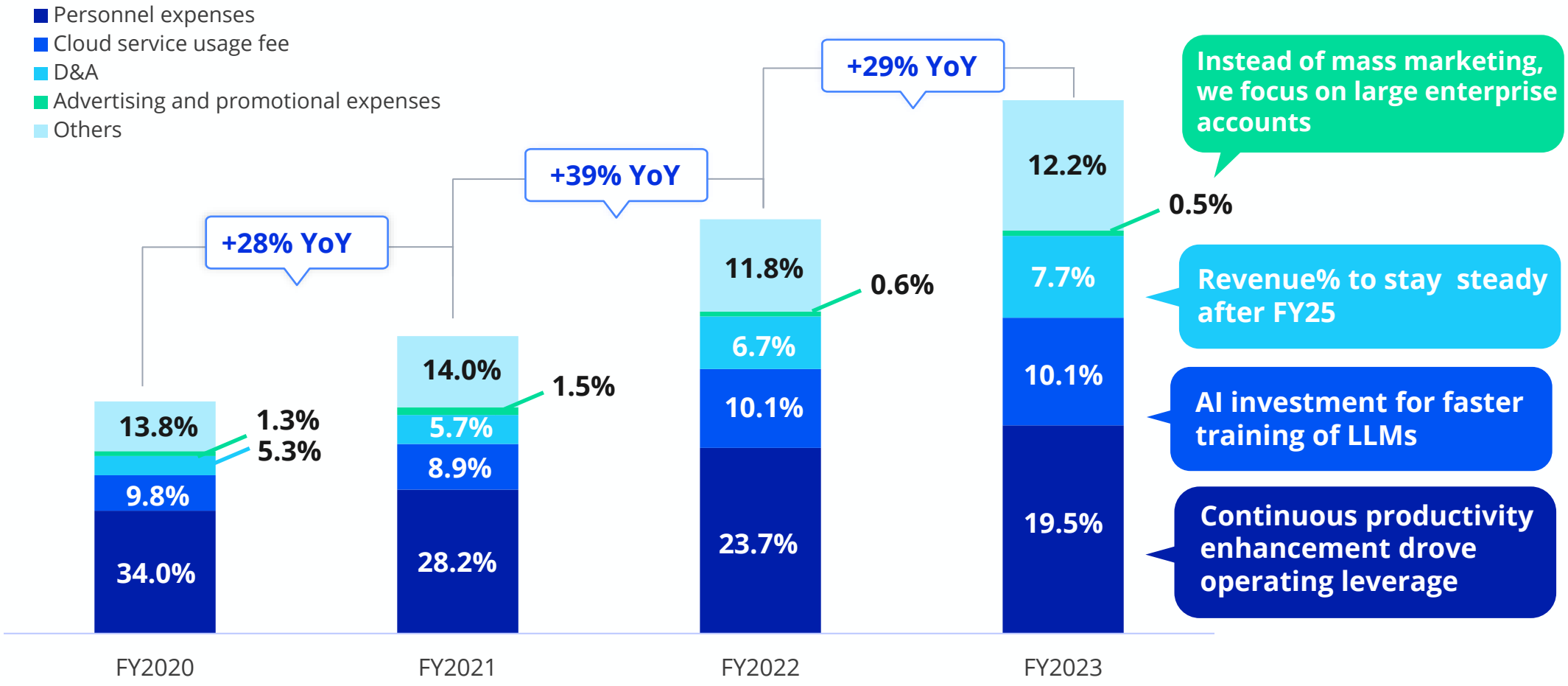


(1) The software capitalization amount refers to the payment for intangible assets in the cash flow.

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Main Components of OPEX

OPEX (JPY M) & Revenue%



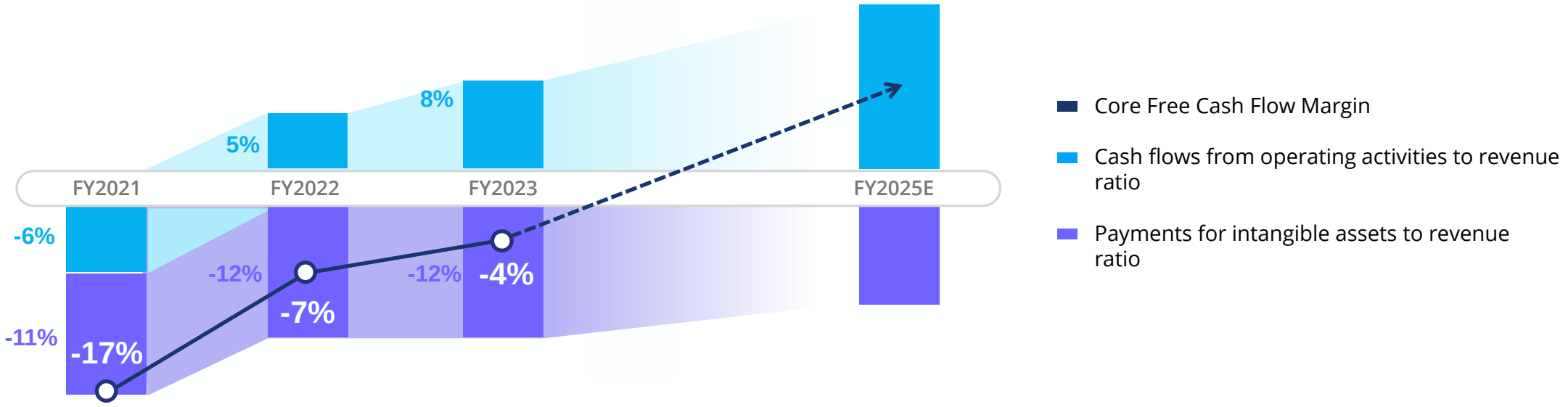
(1) "Others" includes commission fee, professional service fee, T&E and others.

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Free Cash Flow Structure

- Core Free Cash Flow has improved steadily over time due to continuous profitability enhancements, scalable operations, and efficient R&D investment aligned with business growth.
- We expect to achieve a close-to-breakeven level core free cash flow margin in FY24 and improve further in FY25.

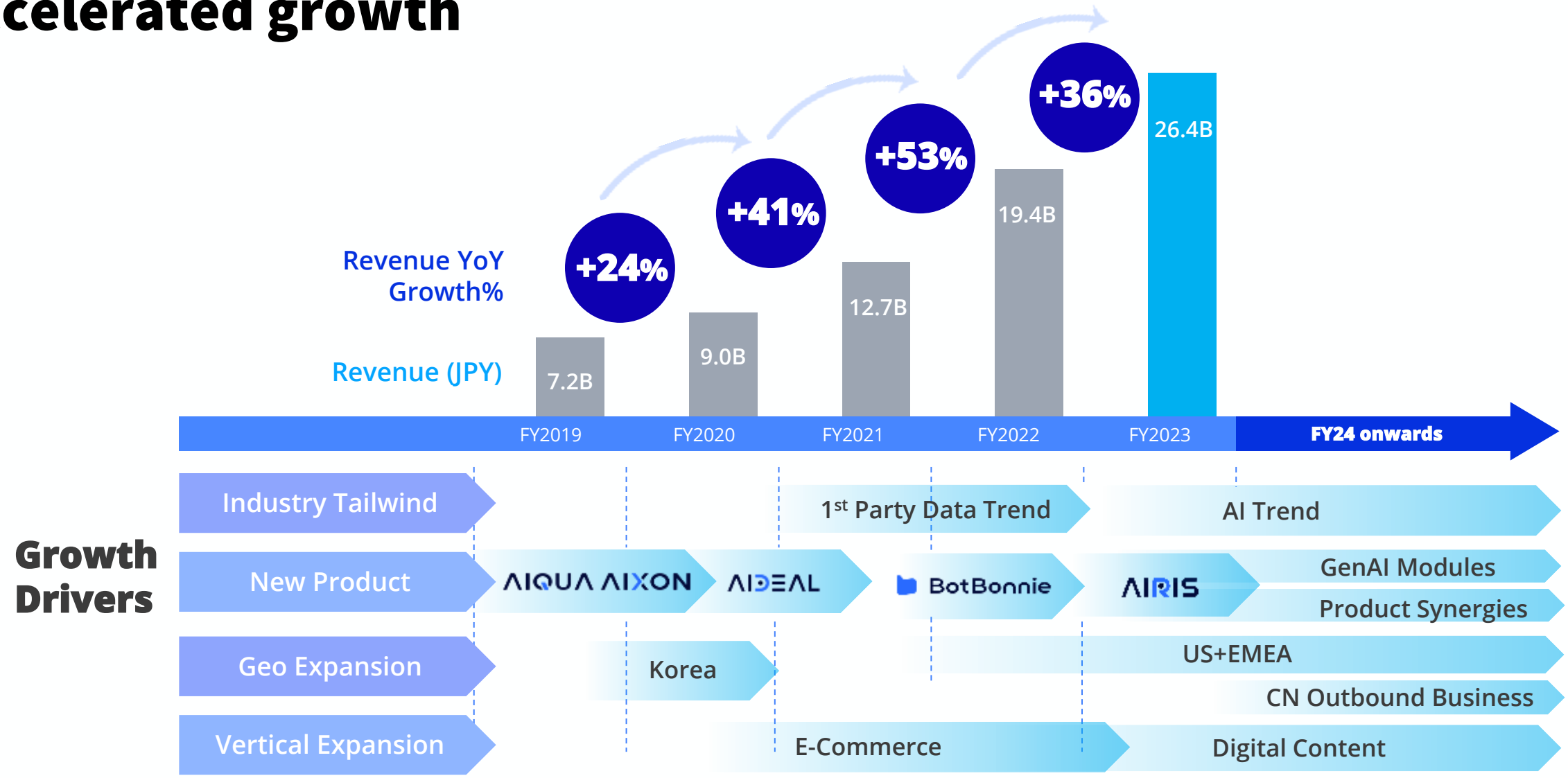
Core Free Cash Flow Margin(1) (% Revenue)



(1) Core Free Cash Flow Margin = Cash flows from operating activities to revenue ratio + Payments for intangible assets assets to revenue ratio

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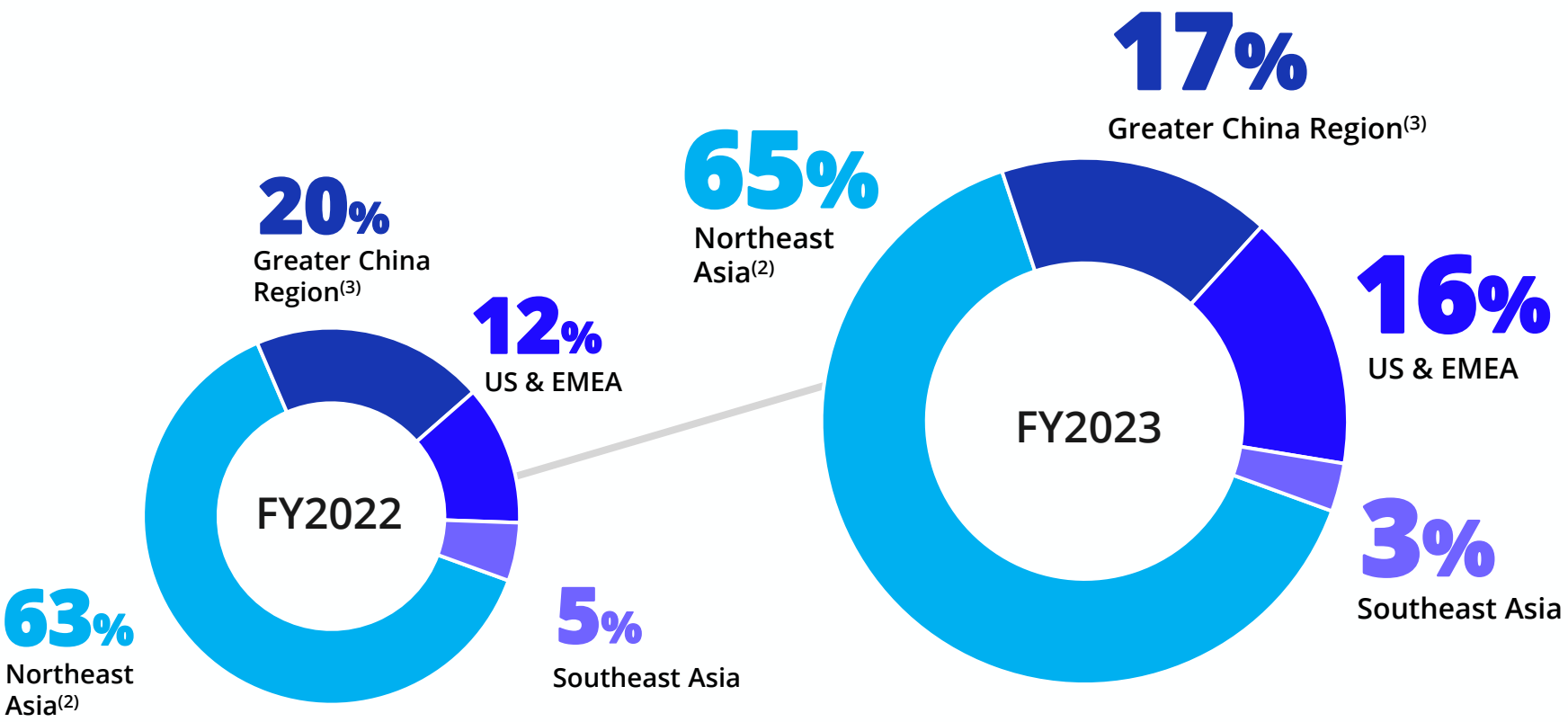
Adding additional growth drivers each year is the key for our accelerated growth



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Diverse revenue base from diverse growth drivers of multiple regions

FY22 & FY23 Revenue % by Region[1]



(1) Percentages may not total 100 due to rounding
(2) Northeast Asia includes Japan & South Korea
(3) Greater China Region includes Taiwan, Hong Kong & China

NEA

Around 40% YoY revenue growth with vertical penetration and strong existing customer expansion

GCR

Further solidification of business foundation and emerging expansion of CN outbound business

US & EMEA

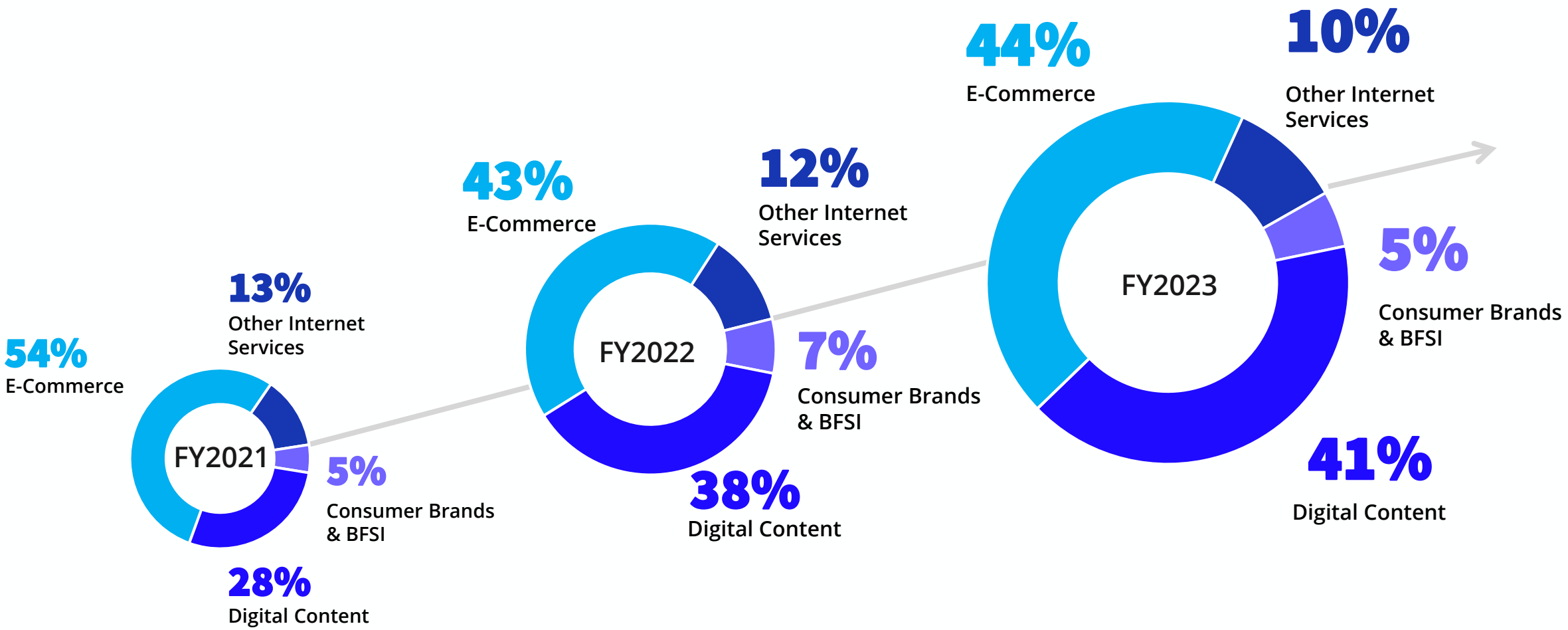
Revenue YoY growth reached 84% YoY and our new market entrance enlarged our TAM significantly

SEA

Continue to focus on key accounts until the market is more mature

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Continuous growth momentum through vertical expansion along with diverse verticals & geo to moderate business seasonality

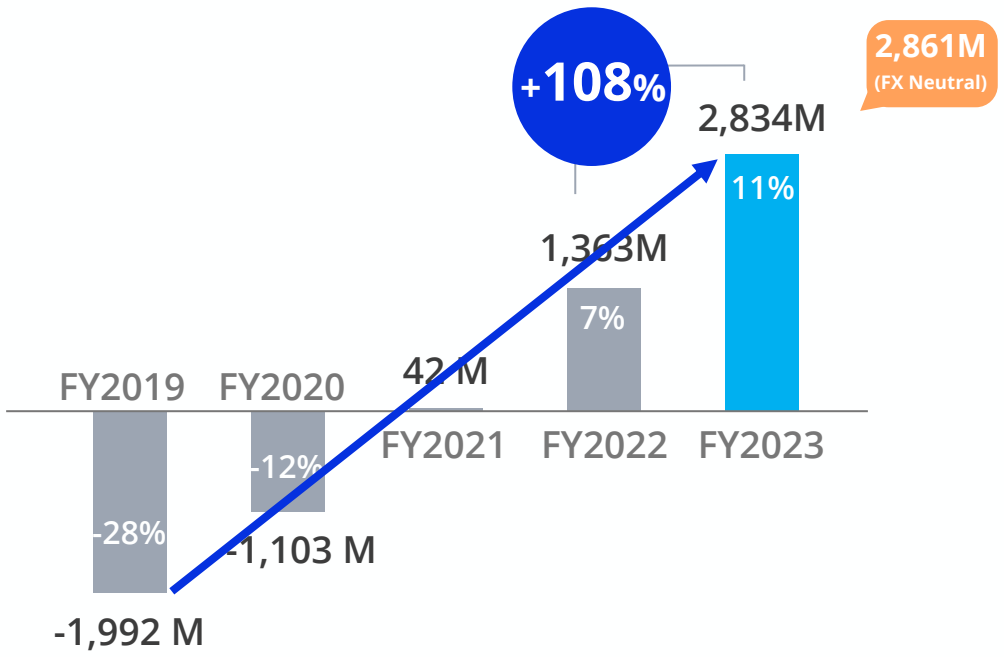


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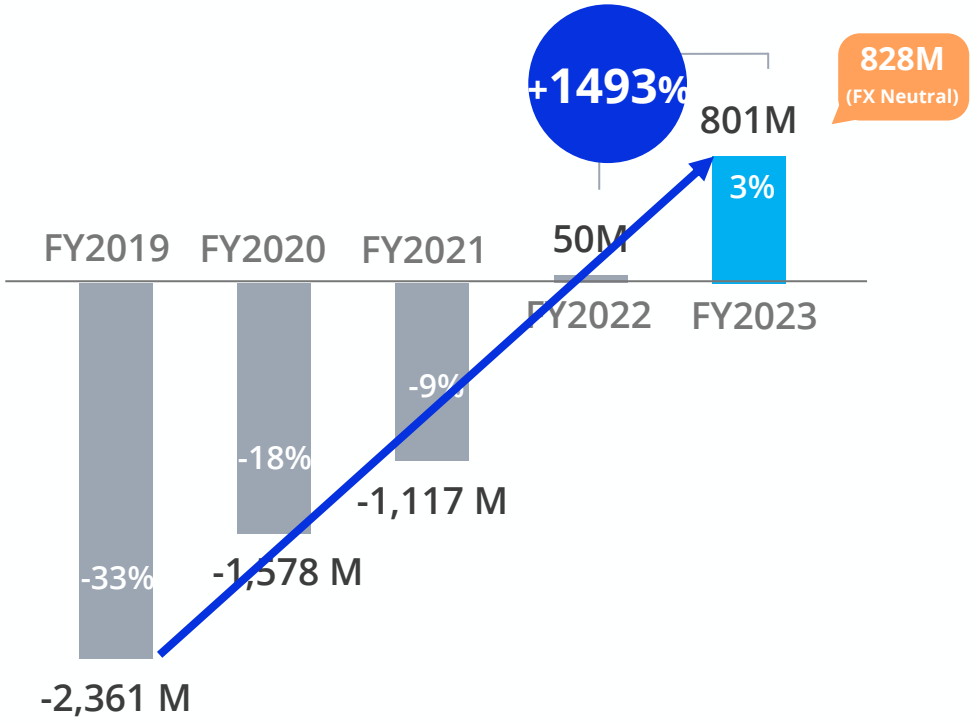
Execution consistency leads to continuous profit improvement

- We achieved a substantial improvement in profitability, with operating income expanding around 16X YoY in FY23, driven by increased gross margin and strong operating leverage. We expect further profitability improvement going forward.

EBITDA(1) & Margin (JPY)



Operating Income & Margin (JPY)



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

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Capital Efficiency Management



Product Synergies with Efficient Go-to-Market Shorten S&M Payback Cycles

Systematic go-to-market strategy, better cross-sell synergies and bundle sale from product synergies lead to productive sales activities which further shorten the payback cycle of our S&M investment.



High ROI Sales & Marketing Investment Driven by Large TAM

As our AI-driven solutions mainly target digitally-oriented larger enterprises and we have widened our TAM through geo and vertical expansion, we can leverage targeted account-based marketing (instead of mass marketing) to promote our solutions to customers efficiently, enabling us to manage S&M expenses with a high ROI.

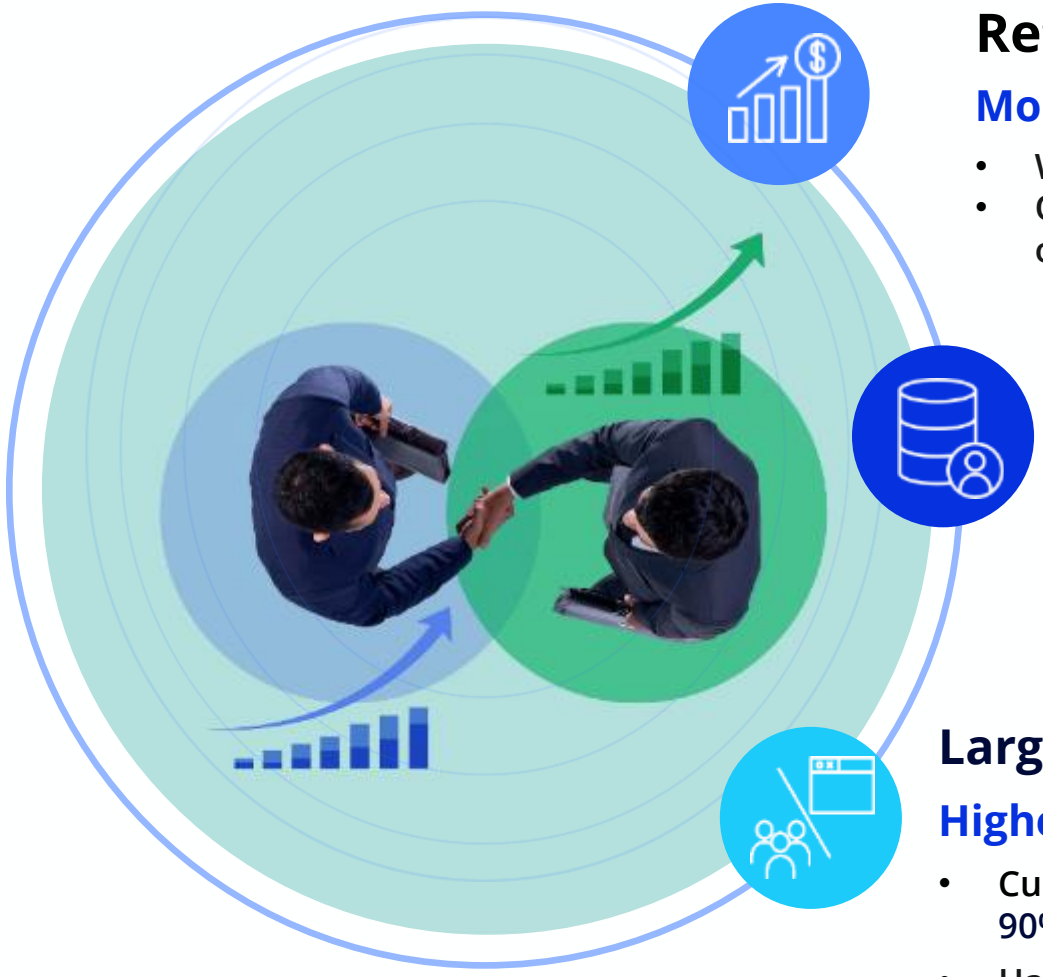


Efficient AI Technology Scaling through Cloud-based Platform

We deploy our AI technology across customers effectively via our cloud-based platform. This allows us to achieve a high operating leverage from R&D investment.

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Business Growth Outlook: Robust Customer Base



Return-Driven Solution

More recession-proof

- We provide predictable returns on customers' marketing spending.
- Our solutions provide direct revenue or profit impact in over 80% of our customers.

1st Party Data Trend & Higher AI Awareness

Continuous business expansion

- 1st party data is the key to cope with increased privacy restrictions that accelerates our business expansion, especially in US & EMEA
- Increased awareness of AI underscores our product value and drives our business growth

Large Enterprise Customers & Diversified Verticals

Higher business resilience

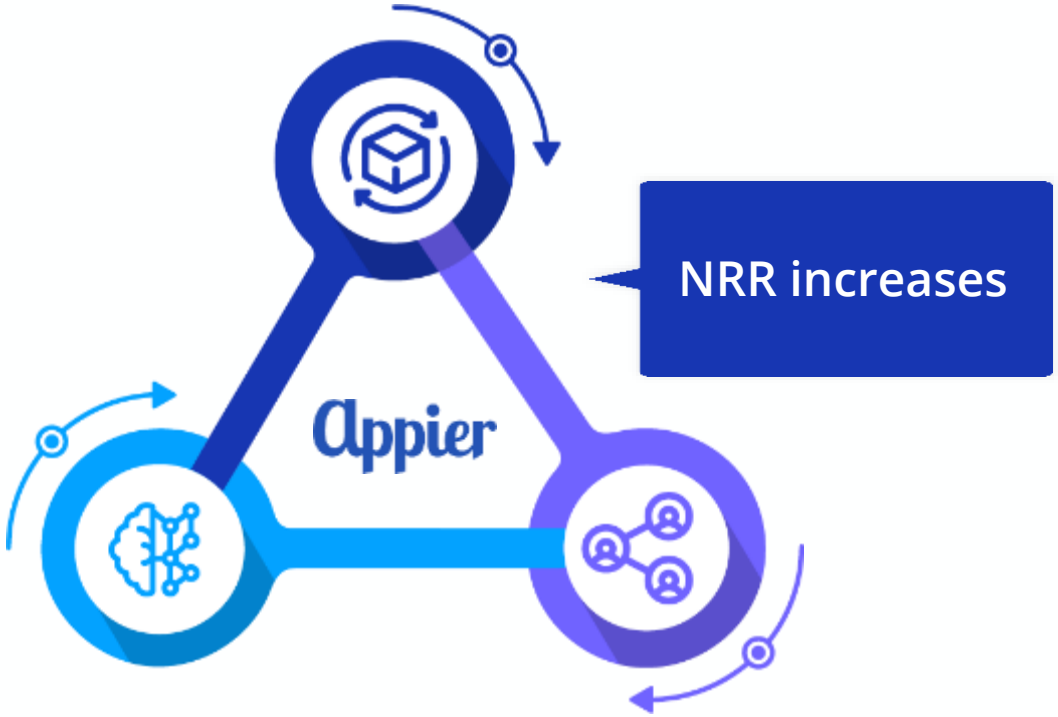
- Customers with more than ¥10B annual revenue have contributed to over 90% of our revenue.
- Having two strong vertical growth engines in E-commerce and Digital Content, with a large TAM for each, allows us to cope with dynamic and uncertain macro environments

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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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ESG Initiatives

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Our Commitment

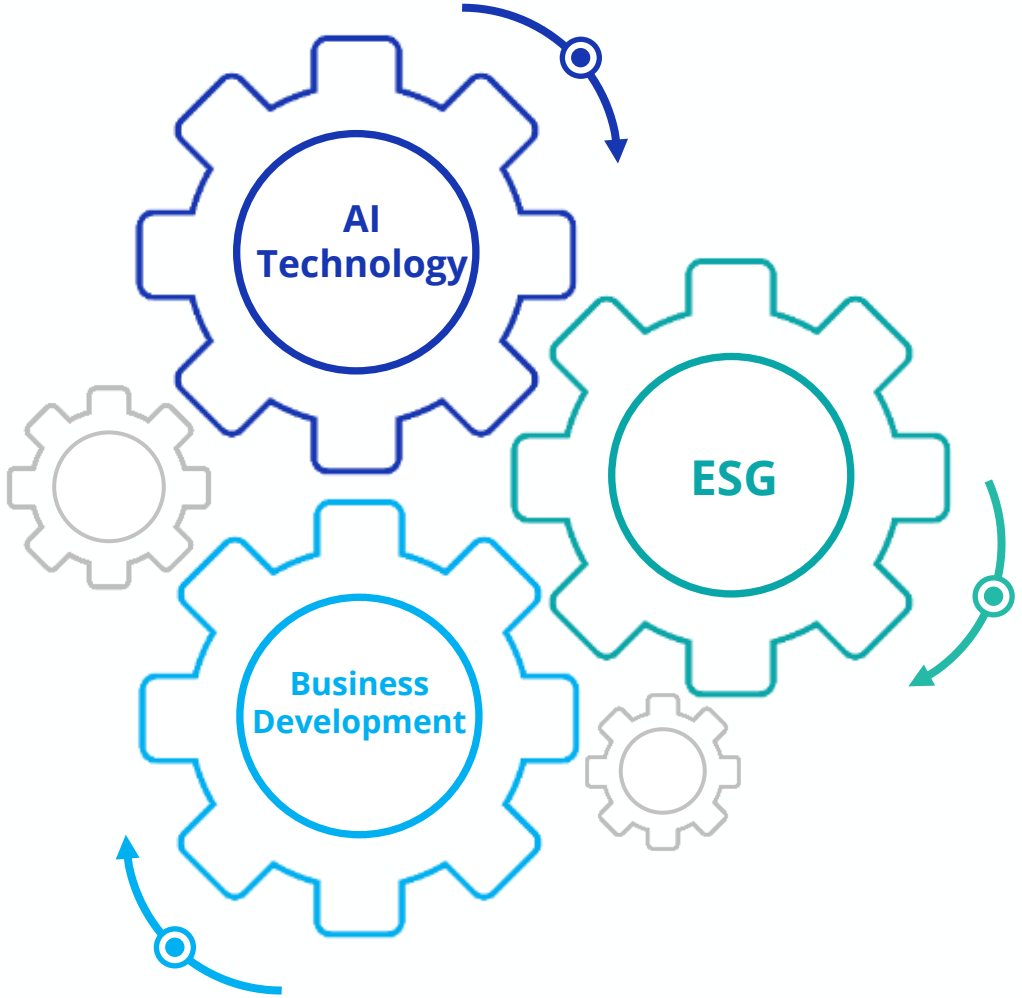
MSCI ESG RATINGS A
CCC | B | BB | BBB | A | AA | AAA

Embed ESG into Our Business

Appier envisions a future where precise, automated, and proactive decision-making is made possible through enterprise software powered by AI.

We believe ESG should be placed at the center of our focus on building a sustainable business and are determined to make commitments and to proactively engage our stakeholders in Appier's journey towards ESG excellence, as this is part of our vision for the future of our business.

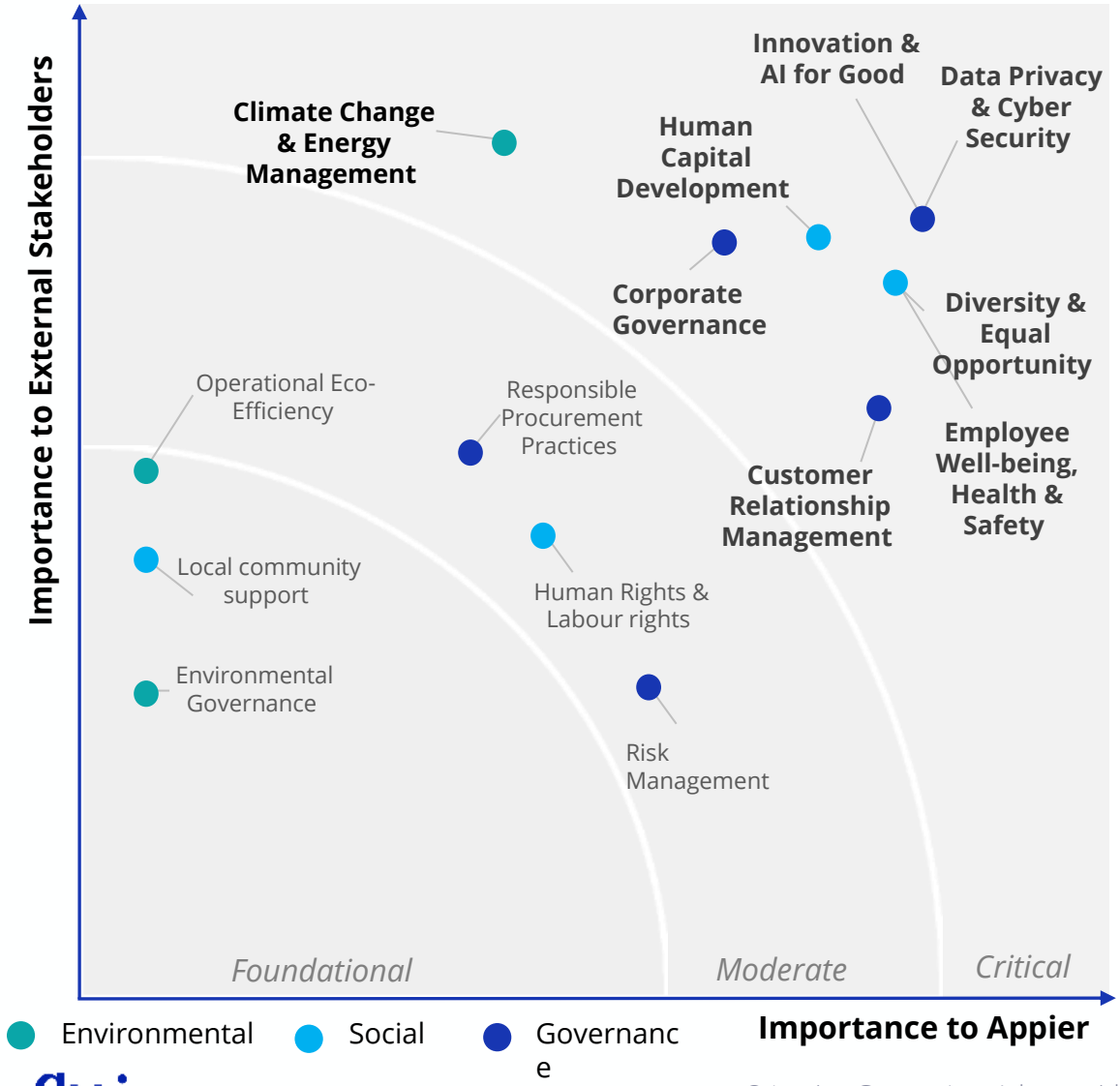
We were awarded an "A" rating by MSCI ESG Research(1) and we will continue to improve towards ESG excellence.



(1) MSCI ESG Research provides MSCI ESG Ratings on more than 8,500 global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers. MSCI ESG research is today known as one of the leading ESG rating agencies.

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Defining ESG Priorities: Materiality Assessment



Our Methodology

We worked with a third party to identify priority sustainability issues based on external trends and stakeholder engagements including interviews with internal and external stakeholders.

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Our Environmental, Social & Governance Framework



Environment
Greener Operation

- Minimizing the impact of our operations: Green & sustainable office
- Our AI solutions support smart working and contribute to our customers GHG reduction.



Social
Happier Crew

- Building a culture within our community that values long-term growth and sustainability
- Diversity, Equity and Inclusion (DE&I) as a core value
- Building a skilled labor force to add value to the tech / AI industry



Governance
Security & Privacy Protection

- Policies in place to ensure good governance with involvement from top management.
- Certified under the ISO/IEC 27001:2013 standard to ensure digital security

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TCFD Report Initiation

Embracing Environmental Responsibility

Introducing our TCFD report(1), a testament to our unwavering commitment to environmental responsibility. Aligned with global climate efforts, this comprehensive disclosure transparently addresses both risks and opportunities.

As we move forward, sustainability remains a driving force, propelling innovation towards a greener future.



(1) Report link: https://www.appier.com/en/greener-operation-appier

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Selected Financial Data

Consolidated Statements of Profit or Loss

(Millions of JPY)	2023 Q1 3 months	2024 Q1 3 months	YoY	2022	2023	YoY
Revenue	**5,552**	**7,374**	**33%**	**19,427**	**26,418**	**36%**
Cost of sales	(2,771)	(3,562)		(9,428)	(12,710)	
Gross profit	**2,781**	**3,812**	**37%**	**9,998**	**13,708**	**37%**
Gross margin	**50.1%**	**51.7%**		**51.5%**	**51.9%**	
Sales and marketing expenses	(1,777)	(2,328)		(6,394)	(8,263)	
% of Revenue	*32%*	*32%*		*33%*	*31%*	
Research and development expenses	(650)	(995)		(2,284)	(3,141)	
% of Revenue	*12%*	*13%*		*12%*	*12%*	
General and administrative expenses	(433)	(497)		(1,602)	(1,829)	
% of Revenue	*8%*	*7%*		*8%*	*7%*	
Other income	49	76		334	334	
Other expenses	(1)	(3)		(2)	(9)	
Operating income	**(31)**	**65**		**50**	**801**	
Operating margin	**-0.6%**	**0.9%**		**0.3%**	**3.0%**	
Finance income	122	120		213	547	
Finance costs	(102)	(105)		(153)	(285)	
Profit before tax	**(12)**	**80**		**111**	**1,063**	
Income taxes	(22)	(23)		(90)	(61)	
Profit for the year	**(34)**	**57**		**21**	**1,002**	
EBITDA	**386**	**736**		**1,363**	**2,834**	
EBITDA margin	**6.9%**	**10.0%**		**7.0%**	**10.7%**	

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Selected Financial Data

Consolidated Statements of Financial Position

(Millions of JPY)	2021	2022	2023	2024 Q1
Cash and cash equivalents	6,561	3,804	6,134	5,507
Time Deposit	14,939	13,933	8,004	8,134
Other financial assets – current assets[1]	-	3,577	4,940	5,373
Substantial cash	**21,500**	**21,313**	**19,078**	**19,014**
Other current assets	2,984	4,050	5,851	6,607
Total current assets	24,484	25,363	24,929	25,621
Total non-current assets	6,722	10,576	12,923	13,970
Total assets	**31,206**	**35,939**	**37,852**	**39,591**
Total liabilities	**8,370**	**9,737**	**8,761**	**6,297**
Total equity	**22,836**	**26,201**	**29,091**	**31,214**

(1) Holding short-term low-risk securities for fund management purposes.

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Selected Financial Data

Consolidated Statements of Cash Flows

(Millions of JPY)		2023 Q1 3 month	2024 Q1 3 month	2022	2023
Cash flows from operating activities	**(A)**	**-401**	**-200**	**996**	**2,224**
Excluding change in working capital		437	641	1,304	2,950
Change in working capital		-838	-841	-308	-726
Cash flows from investing activities		**6,782**	**-558**	**-3,772**	**1,971**
Payments for intangible assets	(B)	-703	-958	-2,330	-3,229
Payments for acquisition of subsidiaries		-42	-	-1,237	-381
Withdrawal and placement of time deposits		8,416	445	3,317	6,585
Acquisition and disposal of other financial assets – current (2)		-817	-	-3,411	-817
Others		-72	-45	-111	-186
Cash flows from financing activities		**-131**	**-170**	**-520**	**-2,250**
FX impact on cash and cash equivalents		59	301	539	385
Change in cash and cash equivalents		**6,309**	**-627**	**-2,757**	**2,330**
Ending balance of cash and cash equivalents		10,113	5,507	3,804	6,134
Core free cash flow (1)	**(A)+(B)**	**-1,104**	**-1,158**	**-1,334**	**-1,005**

Change in substantial cash

(Millions of JPY)	2023 Q1 3 month	2024 Q1 3 month	2022	2023
Balance of substantial cash	**20,141**	**19,014**	**21,313**	**19,078**
Cash and cash equivalents	10,113	5,507	3,804	6,134
Time deposits	5,561	8,134	13,933	8,004
Other financial assets – current (2)	4,467	5,373	3,577	4,940
Change in substantial cash	**-1,172**	**-64**	**-187**	**-2,235**
Core Free cash flow (1)	-1,104	-1,158	-1,334	-1,005
Cash flows from other investing activities (3)	-114	-45	-1,348	-568
Cash flows from Financing activities (4)	-131	-170	-520	-2,250
Fair value assessment on other financial assets – current (2)	46	70	68	253
FX impact	131	1,239	2,947	1,336
FX impact on cash and cash equivalents	59	301	539	385
FX impact on time deposits	44	575	2,310	656
FX impact on other financial assets – current (2)	28	363	98	294

(1) Core free cash flow = Cash flows from operating activities + Payments for intangible assets
(2) Holding short-term low-risk securities for fund management purposes.
(3) Payments for property, plant and equipment, Payments for acquisition of subsidiaries, and Increase in guarantee deposits
(4) Repayment of short-term borrowing of JPY 1.6B in FY23

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