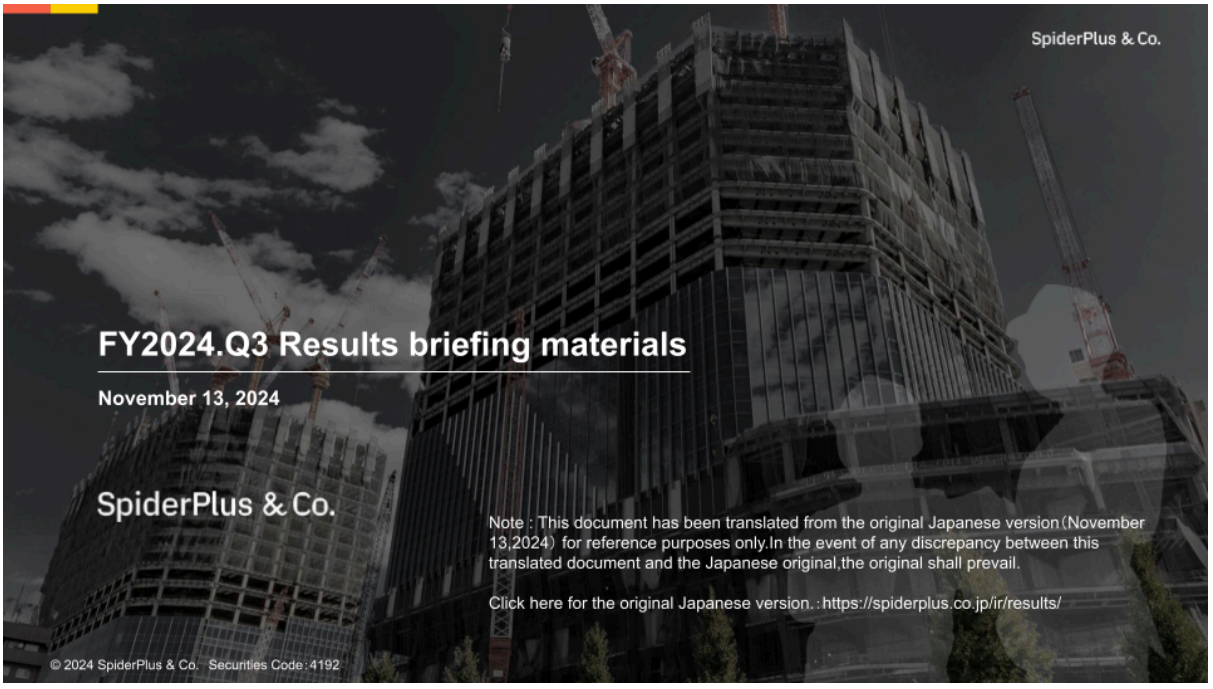
SpiderPlus & Co.

Nov 15, 2024

SpiderPlus&Co.
Kenji Ito, President and Representative Director
(TSE Growth: 4192)

Script FY2024.Q3 Results briefing materials

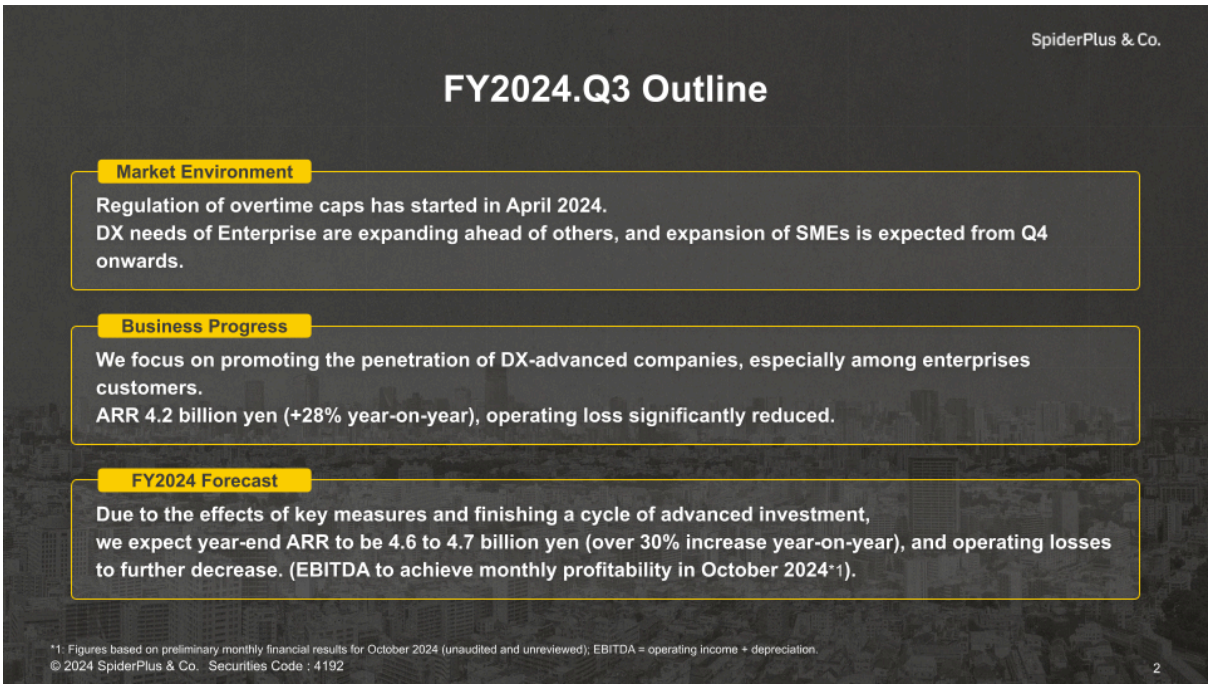


【Financial Results】
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【Notes1】
This document has been translated from the original Japanese version*1 for reference purposes only.
In the event of any discrepancy between this translated document and the Japanese original,the original shall prevail.
*1 : Click here for the original Japanese version. : https://spiderplus.co.jp/ir/results/

【Notes2】
Forward-looking statements in this script are not guarantees of future results or performance. Such forward-looking statements involve known and unknown risks and uncertainties that could cause actual future results and financial condition to differ materially from any future results or outcome expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those described in these statements include, but are not limited to, changes in national and international economic conditions and trends in the industries in which we operate. This transcription has been prepared for informational purposes only. It is not intended as an offer to sell or a solicitation of an offer to buy any securities in Japan, the United States or elsewhere.

Executive Summary



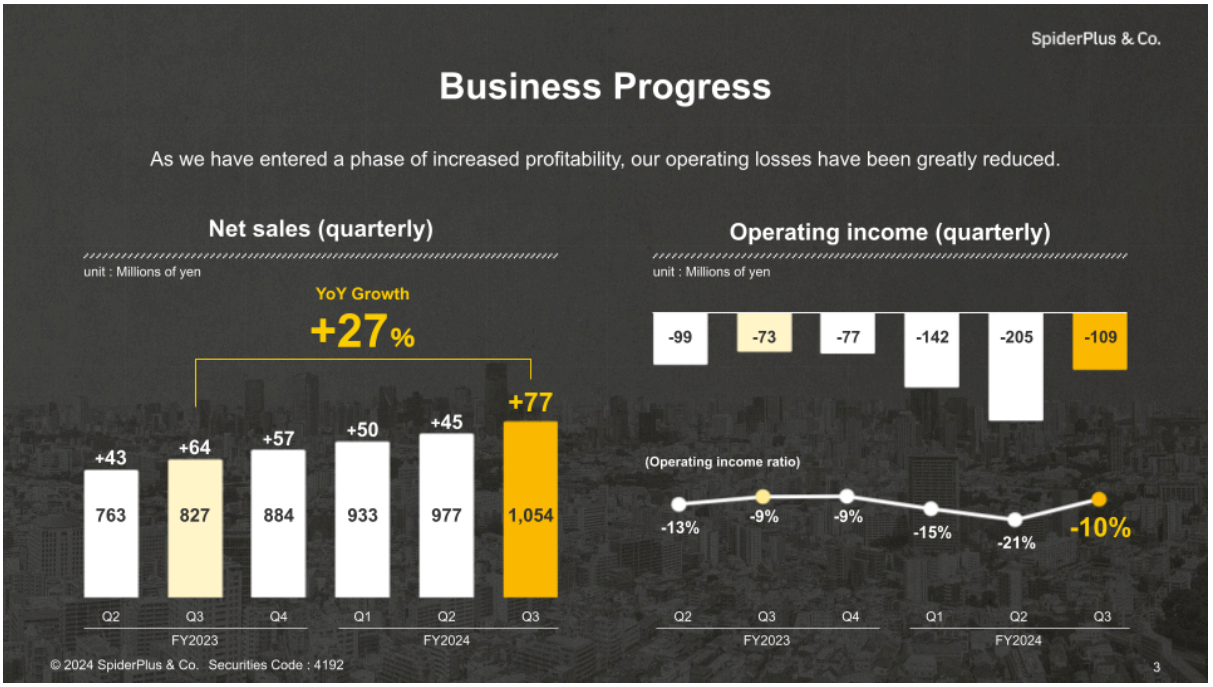
This is an overview of Q3 FY2024.

First, let's take a look back at the market environment. With the commencement of overtime work limit regulations in the construction industry from April 2024, as well as rising material prices and labor costs, we expect to see an increase and expansion in DX demand in the second half of FY2024, especially from Q4.

At present, while IT investment by large enterprises is picking up, the expansion of needs among small and medium-sized enterprises is slower than expected, and we expect to see a full-fledged rise in DX demand from now on.

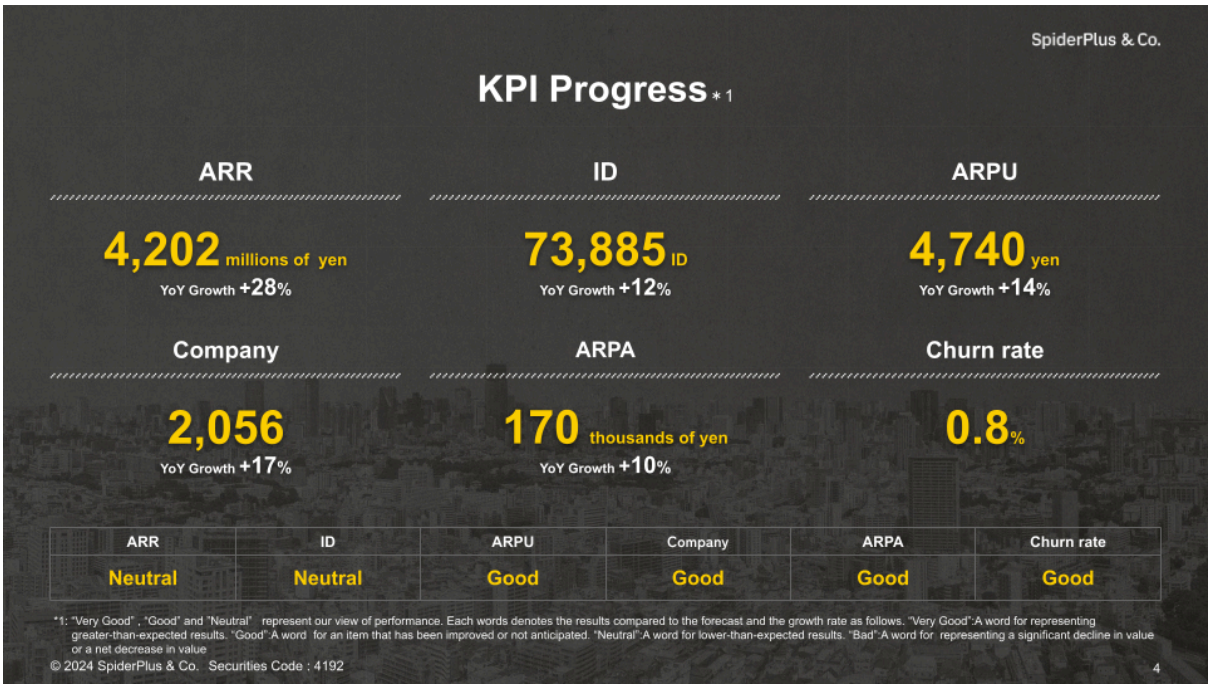
Based on this, as a result of focusing on penetration among large enterprises, ARR at the end of Q3 was 4.2 billion yen (QoQ +28%), and the operating loss improved significantly from approximately 200 million yen in the previous quarter to approximately 100 million yen. Based on current business progress, we expect FY2024 year-end ARR to be 4.6-4.7 billion yen, with ARR growth of over 30% QoQ.

In addition, we expect operating losses to further decrease toward the end of the fiscal year. EBITDA has already turned positive on a monthly basis, but we will continue to make investments in a planned manner in anticipation of demand expansion.



This is about performance progress.

FY2024 was the final year of the advanced investment period, and we strengthened recruitment in the first half of the year. From the second half of the year, we shifted from the phase of expansion of scale to the phase of improving profitability, and operating losses were significantly reduced. In the future, we expect the operating income margin to improve toward full-year profitability in the following fiscal year (FY2025).

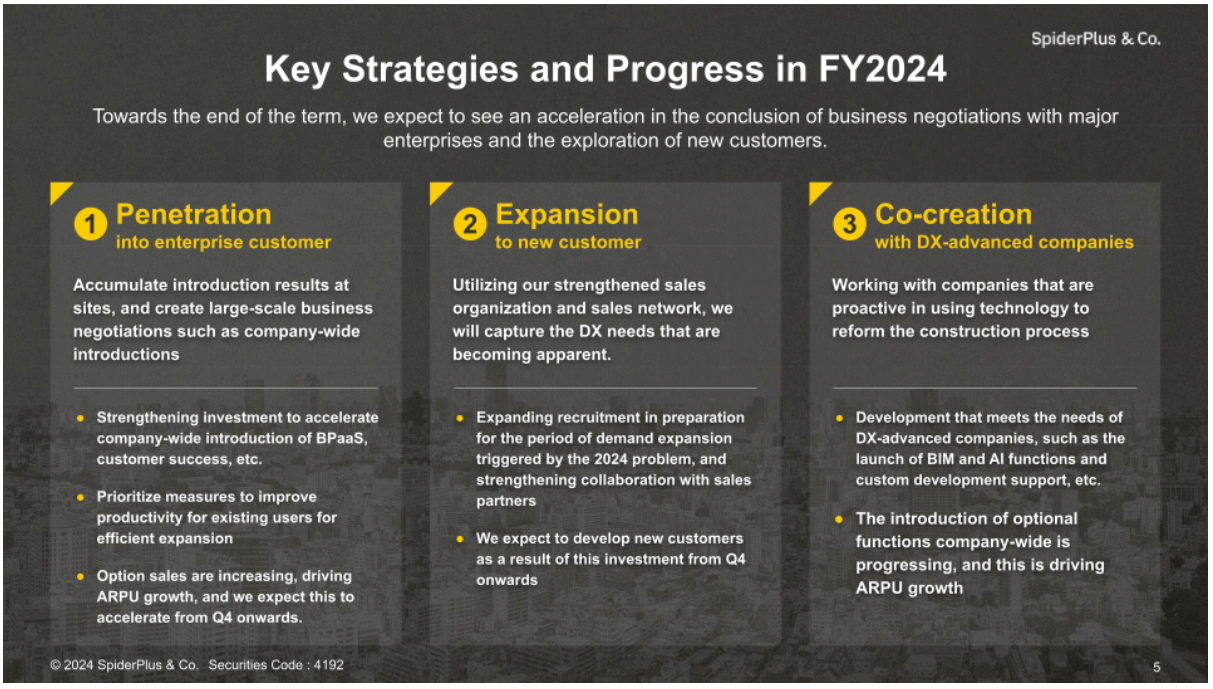


This section provides an overview of the progress of each KPI and our assessment of the situation.

In FY2024, we are focusing on strategically increasing the added value per user, or in other words, on growing ARPU by expanding sales of options. In addition, all KPIs except for ID and ARR are progressing as expected.

Although we have given lower priority to the number of IDs than to ARPU growth, we expect to be able to acquire a little more than we had targeted, and as a result, ARR results are also lower than our targets.

We expect that the growth of ARR at the end of the term will accelerate as a result of the effects of the initiatives taken during the term.



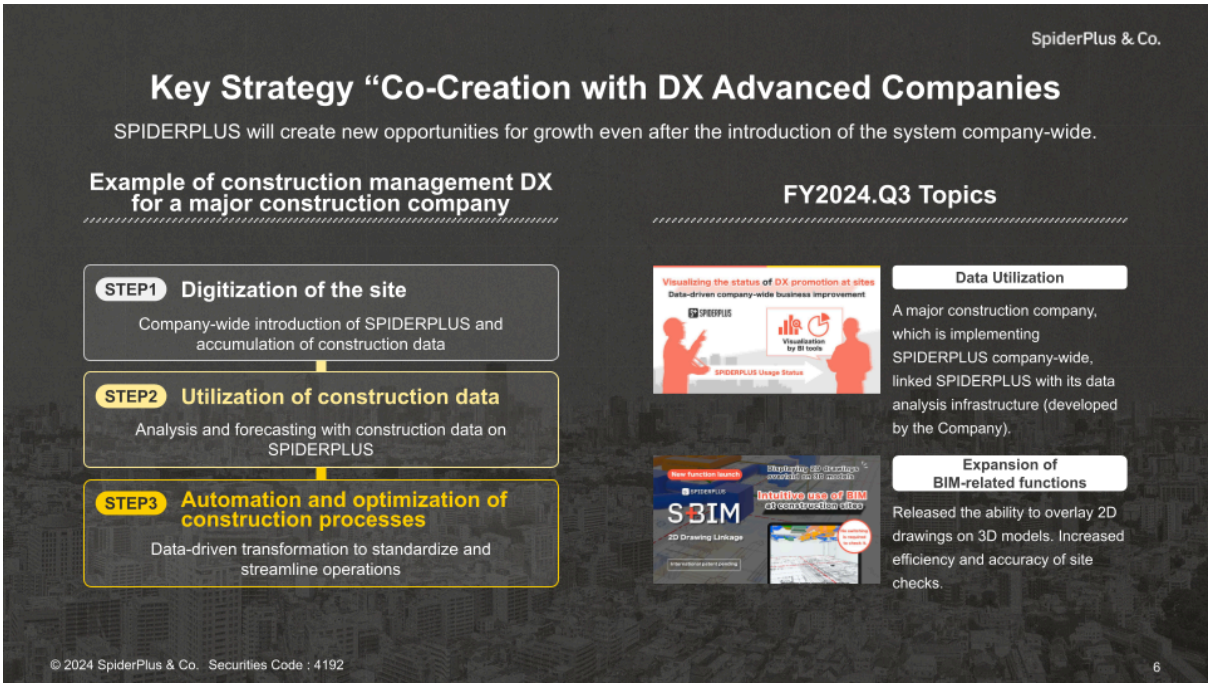
This is a review of the key strategies and progress made in FY2024.

This fiscal year, we are pursuing three major strategies.

First, promoting company-wide introduction to large enterprises. Second, we are using our enhanced sales organization to explore new markets among companies that have not yet introduced our services. Third, we are providing professional services that utilize BIM and AI functions in collaboration with DX-advanced companies.

Through these initiatives, we will accelerate the conclusion of business negotiations and the exploration of new customers, and expand opportunities for growth. We expect this strategy to enhance the competitiveness of our company and provide a foundation for sustainable growth.

As for progress up to FY2024.Q3, although it is taking time to expand to companies that have not yet introduced the system and to hold business negotiations with large enterprises, we expect to see an acceleration in the growth rate from FY2024.Q4.

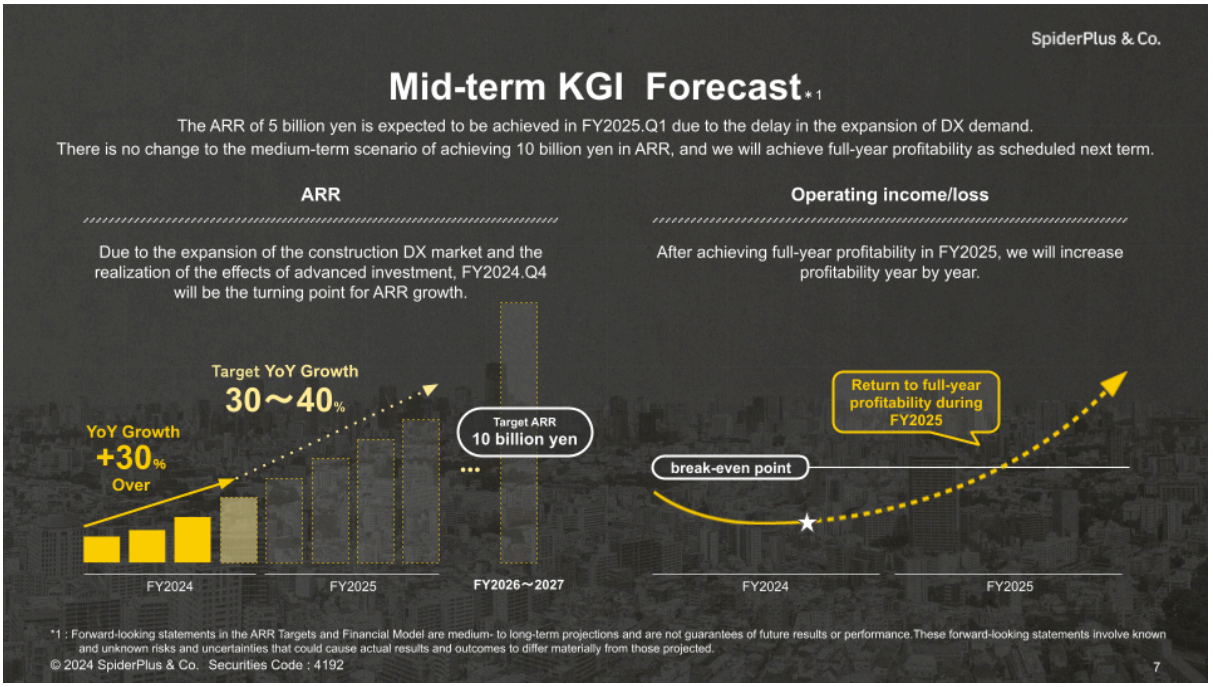


This is an explanation of the “co-creation with DX-advanced companies” part of the key strategy.

This is an example of how “SPIDERPLUS creates new opportunities for growth even after the introduction of the system company-wide”.

In the case study introduced here, the company is working to automate and optimize the construction process through data-driven innovation by promoting digitization at the site through the company-wide introduction of SPIDERPLUS, and then analyzing and predicting construction data on SPIDERPLUS using BIM and AI to streamline operations.

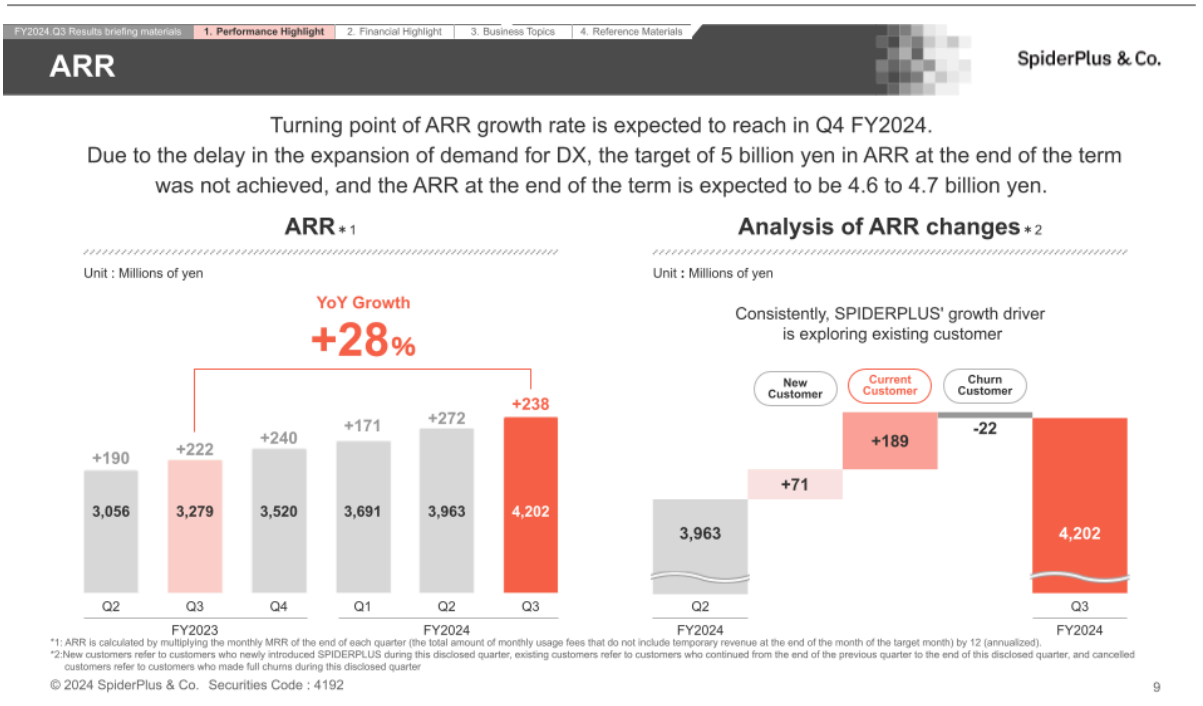
In order to meet the needs of companies that are taking the lead in DX, we have launched functions that meet the needs of DX-advanced companies, such as BIM and AI functions. In addition, we have launched multiple individual development projects with customers who have introduced the software Company-wide, and our “Professional Services” offering, which includes customization, is now in full swing.



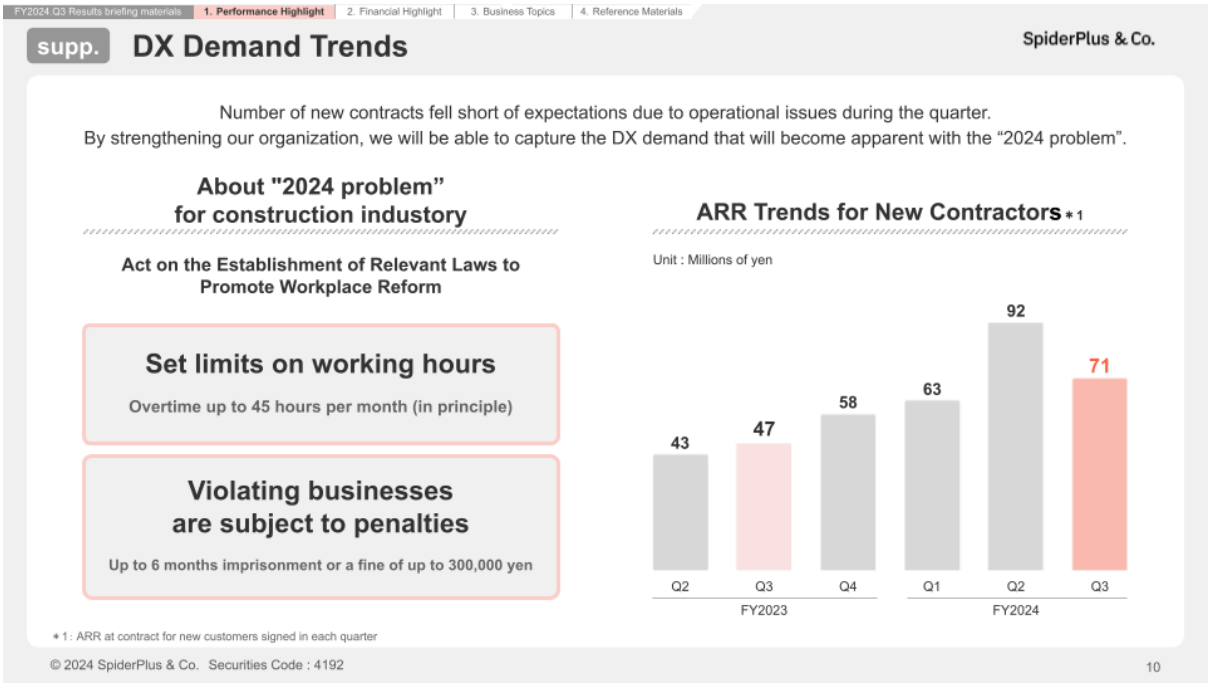
This is the outlook for the medium-term KGI.

Due to factors such as the delay in demand expansion causing longer lead times, we expect to achieve the FY2024 year-end ARR target of 5 billion yen in Q1 FY2025, but there is no change to the medium-term scenario of achieving ARR of 10 billion yen, and we are also on track to achieve full-year profitability next fiscal year.

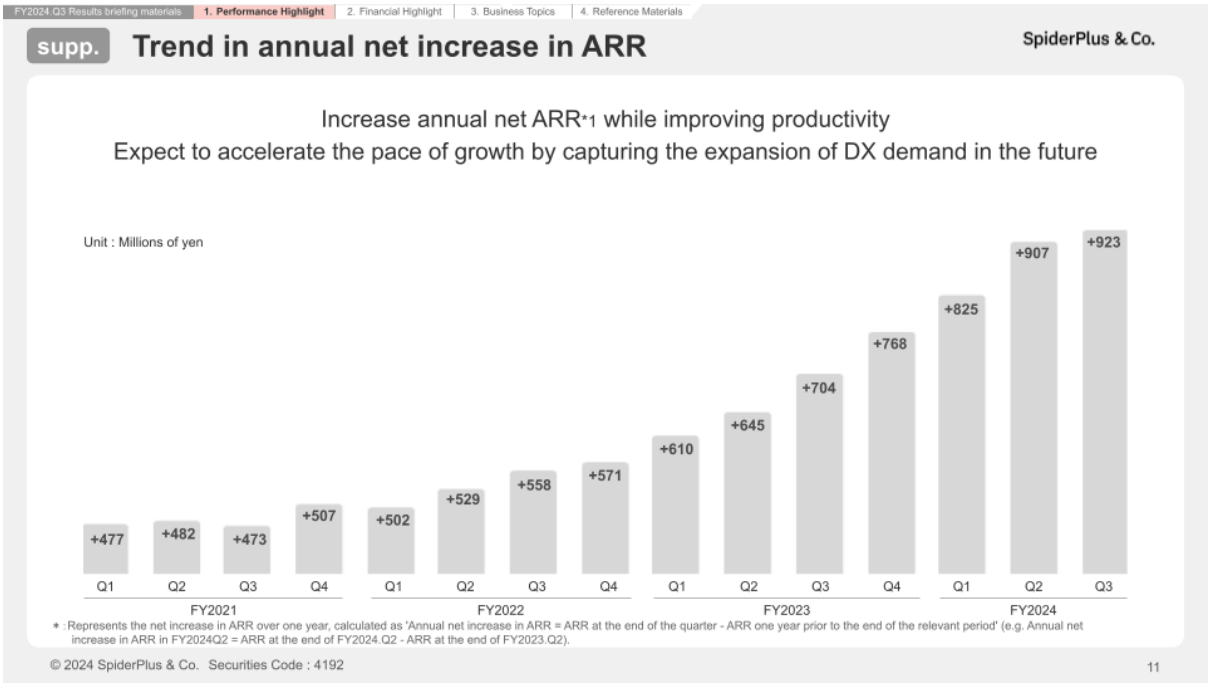
FY2024.Q3 Performance Highlights



ARR is expanding mainly due to penetration measures for existing customers, and the growth rate was +28% YoY. We target the turning point for the ARR growth rate to be in FY2024.Q4, with demand becoming apparent and expanding in the wake of the “2024 problem”. We are promoting measures related to penetration within large enterprises, which is a key strategy.



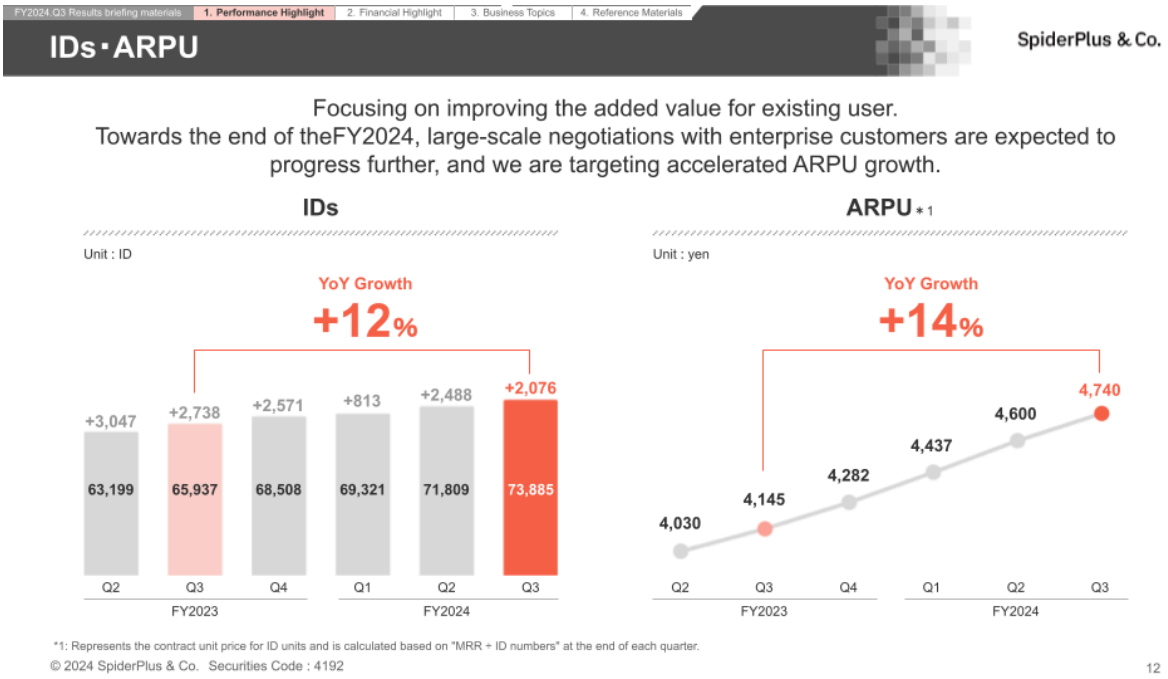
Here is some additional information on the trend in demand for DX. The commencement of overtime caps in April 2024 has led to an increase in the number of cases, regardless of whether they are large enterprises or small and medium-sized enterprises, where there is active investment in “certain introduction effects”. Furthermore, although our ARR for new contracted companies grew significantly in the previous quarter due to this increase, it temporarily fell below our target in the third quarter due to some operational issues at our company. As we are working to address the issues that affected the figures, we expect this figure to expand again from Q4 2024 onwards in line with the increase in the number of new contracted companies.



As a supplement to ARR, we will explain the trend in the annual net increase in ARR*1.

*1: This represents the annual net increase in ARR, and is calculated as “annual net increase in ARR = end-of-quarter ARR - end-of-year ARR one year earlier” (e.g., annual net increase in ARR for FY2024 Q2 = end-of-FY2024.Q2 ARR - end-of-FY2023.Q2 ARR)

The annual ARR net increase has accelerated since 2023, after the advanced investment period from 2021 to 2022, and has further accelerated in the second quarter. Although it has temporarily leveled off in the third quarter, we expect further acceleration from Q4 onwards, in anticipation of expansion and increase in DX demand.



This is about the number of IDs and ARPU.

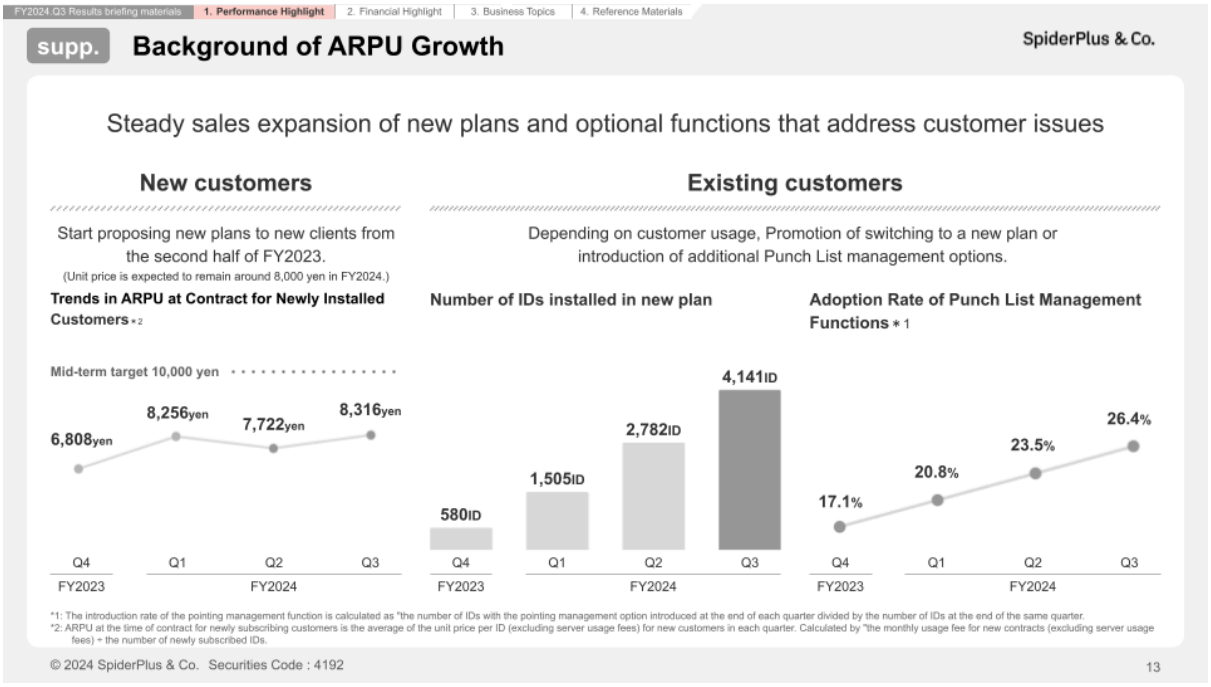
As key measures for FY2024, for enterprise customers, the three main measures are: 1) Expand the number of users (IDs) at sites where the system has not yet been introduced through customer penetration measures; 2) accelerating the introduction of options that allow for deeper use of SPIDERPLUS (cross-selling); and 3) proposing a switch to new plans with economic rationality for customers who are already using the service in depth.

For SMB customers, we are focusing on exploring and strengthening relationships with sales partners nationwide in the first half of the year, and we will use the leads generated from this to increase ARR in the Q4.

As a result of these measures, penetration within enterprise customers is progressing smoothly, and as a result, ARPU has grown strongly compared to the number of IDs.

As a factor in the strong growth in ARPU, please understand that “while various projects are being carried out in parallel based on each customer's account plan, in FY2024 Q2, the cross-selling of options and the switch to new plans led to results ahead of schedule”.

In addition, as stated above, we are targeting growth in the number of IDs for SMB customers from the Q4.

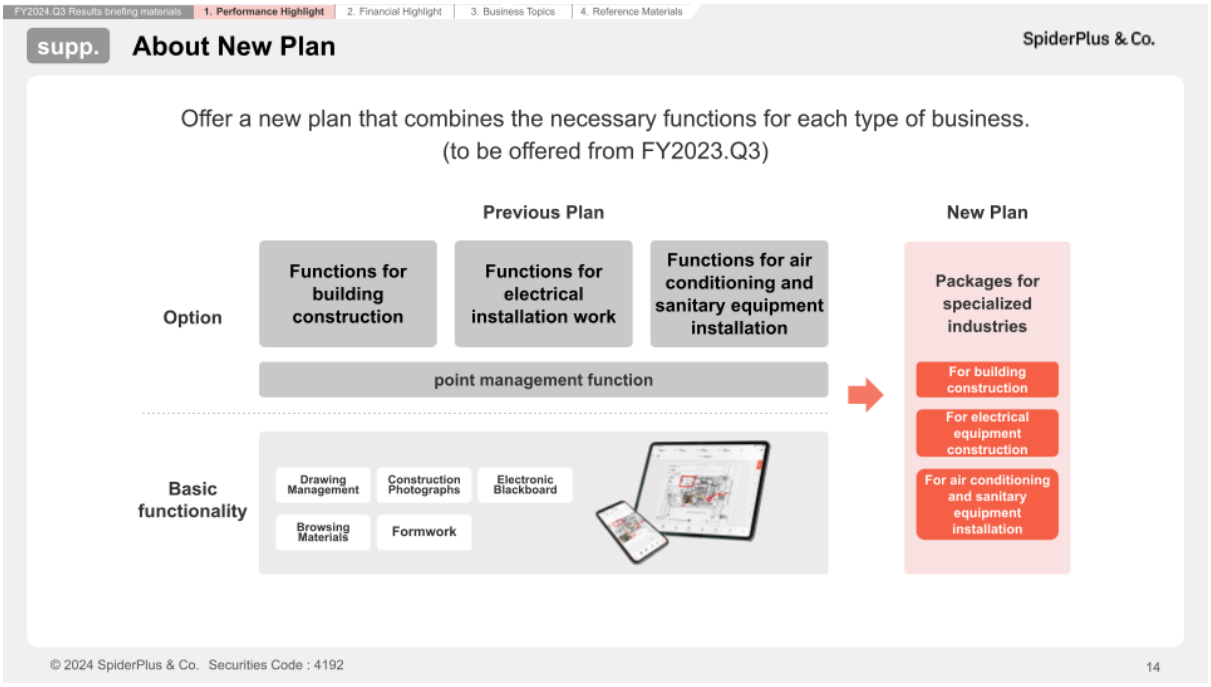


This is about the background to the increase in ARPU.

The ARPU growth rate increased due to the introduction of new plans for new customers and the cross-selling of optional functions to existing customers, as well as the switch to new plans.

The ARPU for new customers at the time of contract is around 8,000 yen, the same level as Q1, due to the expansion of the introduction of new plans with optional functions.
Some sales partners were adjusting their sales of the new plan, but sales of the new plan by large enterprises began in Q4.

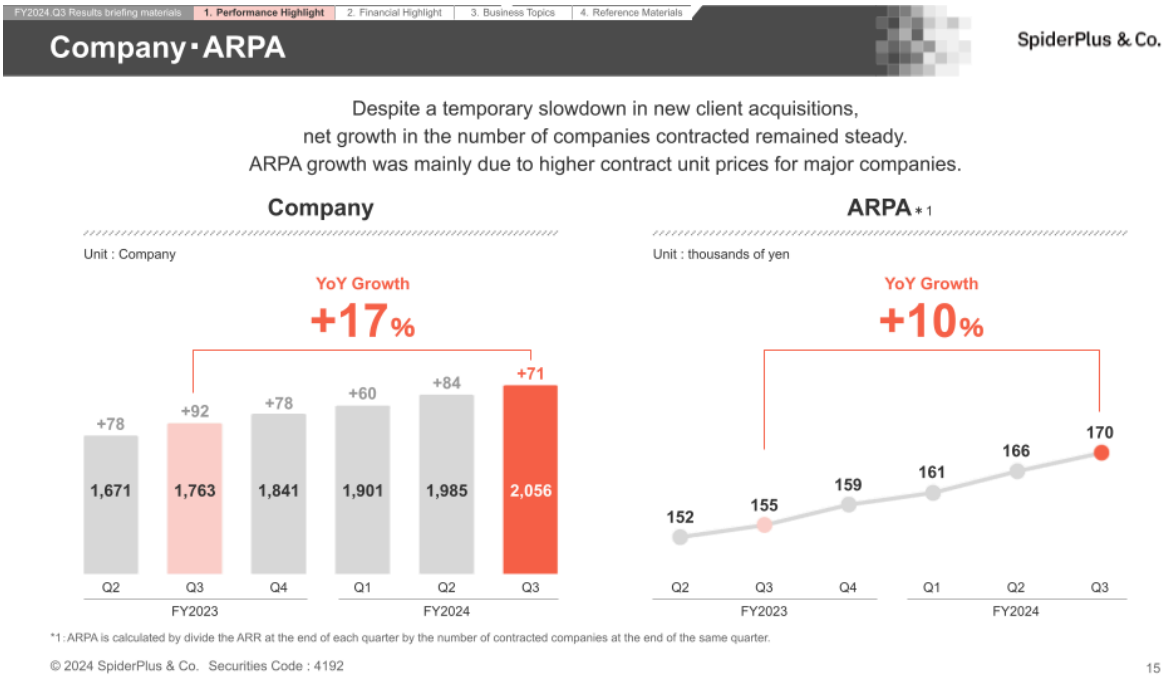
For existing customers, we are promoting the switch to the new plan and the additional introduction of the Punch List management option according to the usage situation of the customer. Especially, the introduction rate of the Punch List management function, which we have been focusing on since the beginning of 2024, is increasing.



We would like to provide some additional information about the new plan.

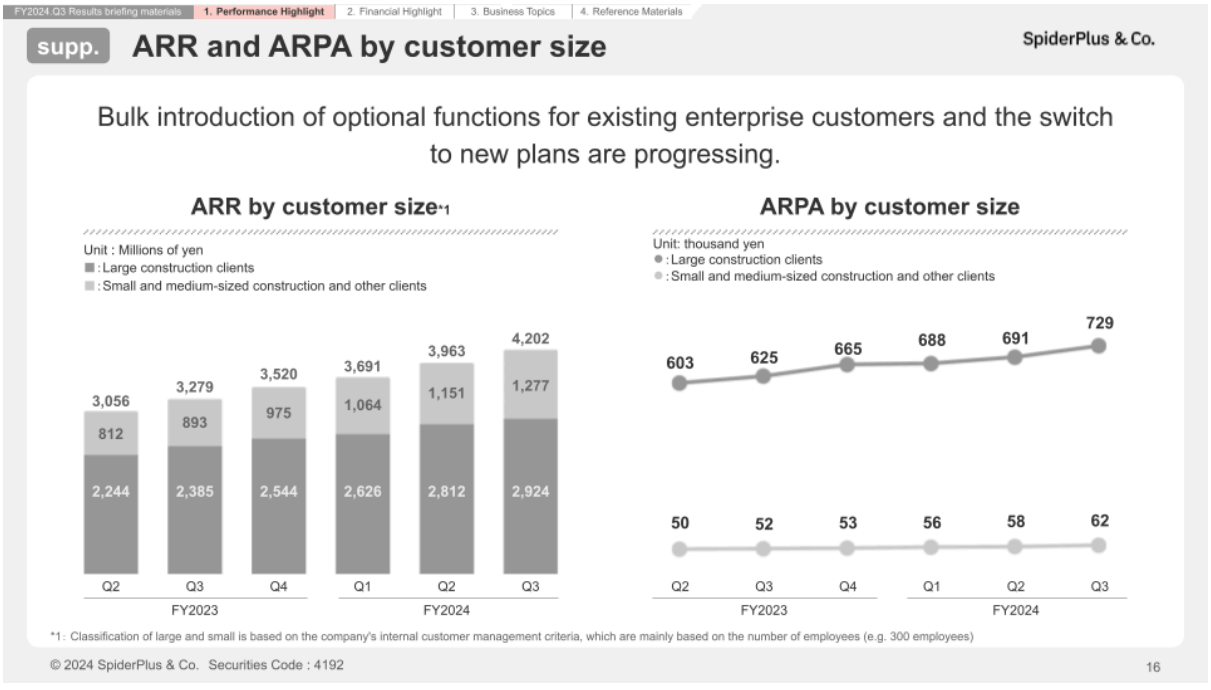
The new plan is a packaged plan that combines the necessary functions for each industry, and it has been available since the third quarter of the previous fiscal year (FY2023.Q3). The packaged plan includes as standard the optional functions that were previously sold individually as separate options.

Another feature of the new plan is that we have further enhanced our support and onboarding systems for customers who sign up for the new plan. At present, the new plan is mainly being offered to new customers, but we are also gradually proposing that existing customers switch to the new plan, taking into account how they are using SPIDERPLUS and the economic rationality for the customer.



The number of contracted companies stagnated in FY2024.Q3 due to instability in lead acquisition, but when considering the year as a whole, it is progressing as expected.

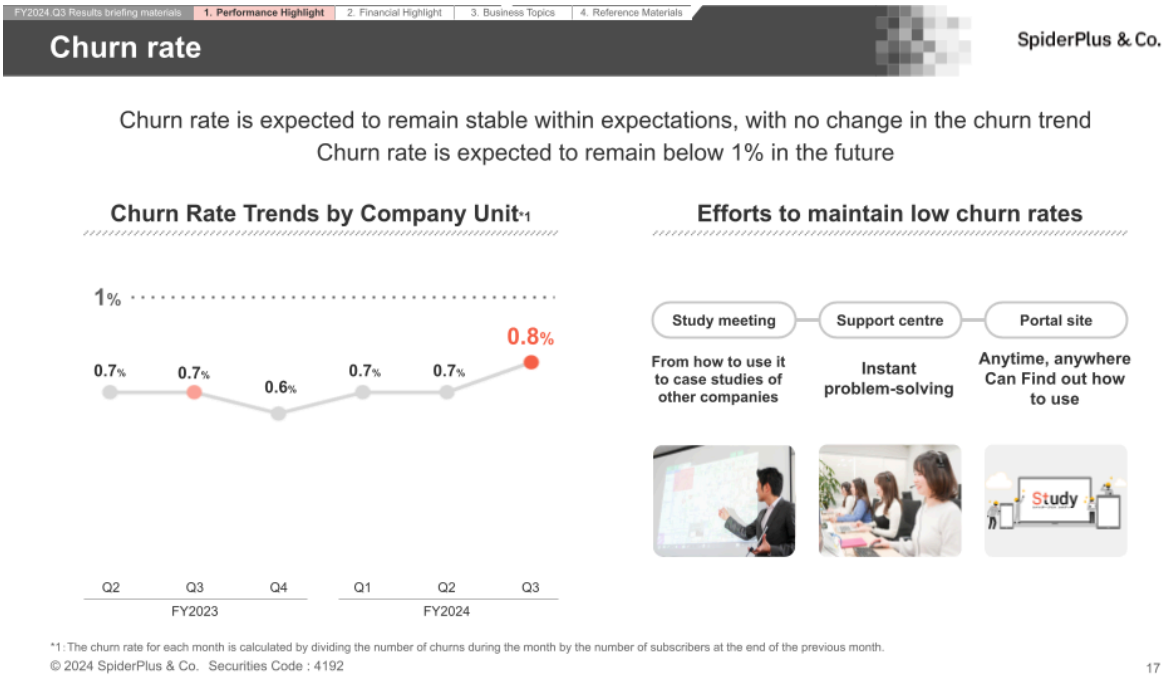
There is no bias in the trend of new contracted companies, and we are receiving introductions from large enterprises, centered on new introductions to small and medium-sized enterprises. ARPA has risen by 10% from the same period last year to 170,000 yen, due to factors such as bulk introduction of optional functions by enterprise customers.



This is a supplementary document that breaks down ARR and ARPA by customer scale.

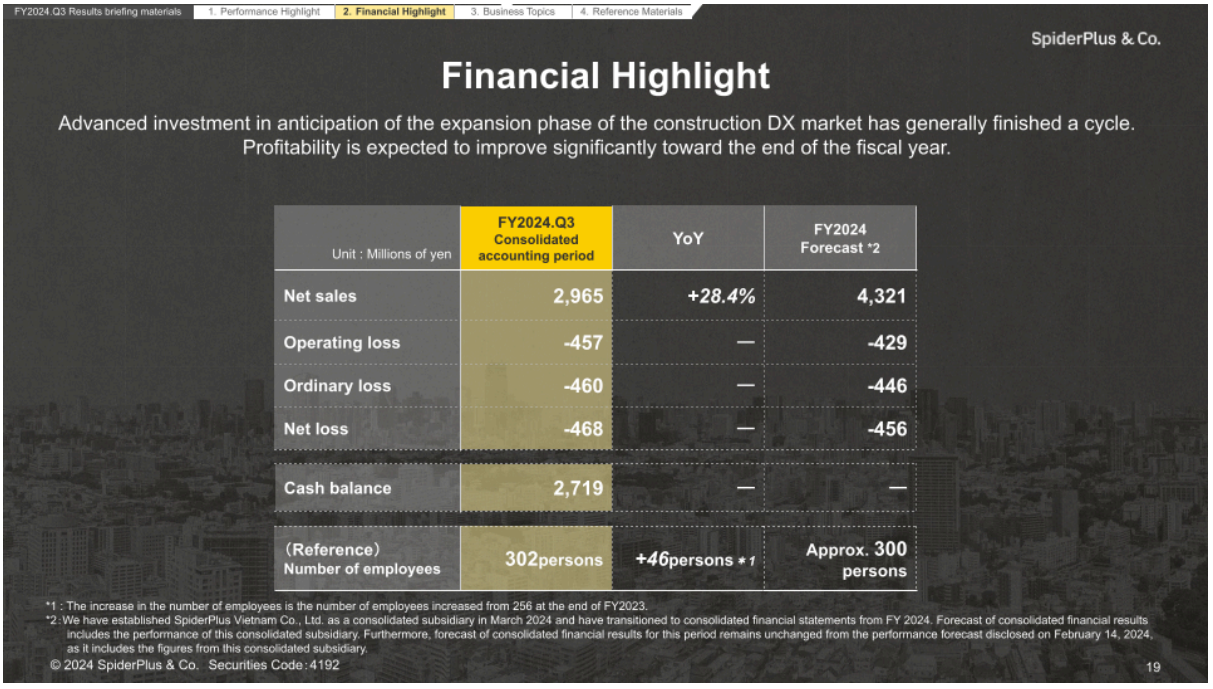
The growth in ARR is mainly due to the expansion of penetration within enterprise customers. The results of the aforementioned measures to improve ARPU, such as the expansion of options, are ahead of schedule.

We also assess that the quarter was a good one for acquiring large enterprise customers.



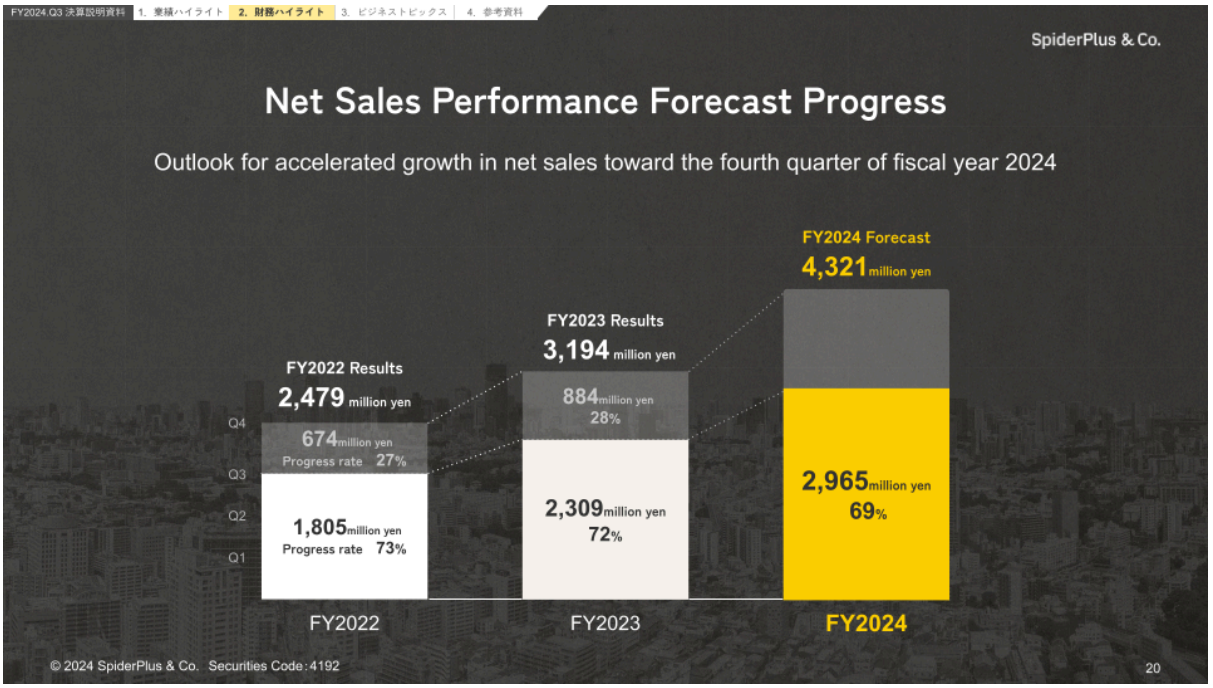
There have been no significant changes in the cancellation rate or cancellation trends, and we expect the cancellation rate to continue to remain at a low level of less than 1%.

FY2024.Q3 Financial Highlights

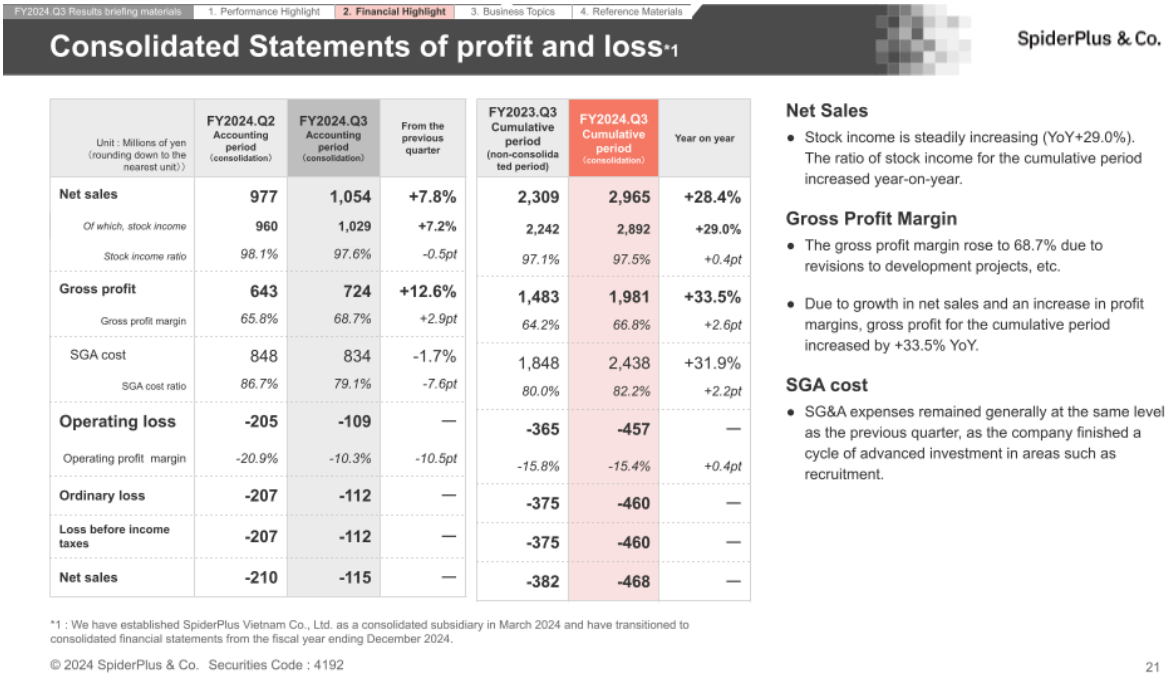


Financial highlights. As we established a Vietnamese subsidiary as a consolidated subsidiary at the end of March 2024, we have been reporting consolidated results since Q1 FY2024, and the figures for Q3 are also on a consolidated basis. As the Vietnamese sales subsidiary has only just started operations, the impact on our consolidated results is minimal.

In addition, the FY2024 performance forecast includes the performance of the Vietnamese subsidiary, so there are no changes to the performance forecast. We have secured a cash and deposit balance of approximately 2.7 billion yen and are making advanced investments based on a stable financial foundation. As a result, especially in terms of recruitment, we have made good progress and the number of employees has exceeded 300.



The progress rate for net sales is 69%. The outlook for the growth rate of net sales is for it to accelerate through Q4, and we will continue to build up net sales.



This is the consolidated income statement. Both Net Sales and Gross Profit increased compared to the same period last year and the previous quarter.

The gross profit margin was approximately 69%, and the gross profit growth rate YoY was +33.5%. SG&A expenses for the third quarter were approximately 830 million yen, the same level as the previous quarter, as a result of the planned expansion of scale of investment while maintaining investment discipline.

Consolidated Balance Sheet *1

SpiderPlus & Co.

Unit : Millions of yen (rounding down to the nearest unit)	FY2022 (non-consolidated period)	FY2023 (non-consolidated period)	FY2024.Q3 (consolidation)
Cash and deposits	3,044	2,846	2,719
Other current assets	497	575	639
Current assets	**3,542**	**3,421**	**3,358**
Software	558	463	367
Software in progress	183	220	252
Other fixed assets	510	490	469
Fixed assets	**1,252**	**1,174**	**1,090**
Total assets	**4,794**	**4,596**	**4,448**
Borrowings	443	499	815
Other liabilities	666	711	681
Total liabilities	**1,109**	**1,211**	**1,497**
Total net assets	**3,684**	**3,385**	**2,951**
Equity ratio	*76.8%*	*73.6%*	*66.3%*

Overview

- The equity ratio has fallen to 66.3% as a result of borrowing to expand cash reserves, but the company continues to make forward investment based on a stable financial base.

Cash and deposits

- Although operating cash flow was negative due to advanced investments, cash and deposits totaled 2,719 million yen as a result of debt financing.

Software / Software in progress

- Investments mainly related to the renewal and development of SPIDERPLUS

Debt

- Borrowed 350 million yen in Q2 FY2024 to expand working capital (4-year repayment period, fixed interest rate)
- 1,200 million yen in overdraft and other lines of credit available (as of September 2024)

*1 : We have established SpiderPlus Vietnam Co., Ltd. as a consolidated subsidiary in March 2024 and have transitioned to consolidated financial statements from the fiscal year ending December 2024.

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Of the balance sheet, the cash and deposit balance is 2.7 billion yen, and the equity ratio is 66%, ensuring a stable financial base.

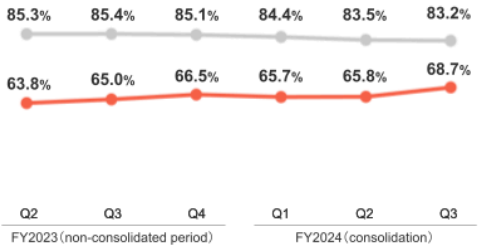
Cost of Sales

SpiderPlus & Co.

The gross profit margin increased to approx. 69%
Aiming for an efficient service maintenance system,
we are reviewing our development system and personnel allocation.

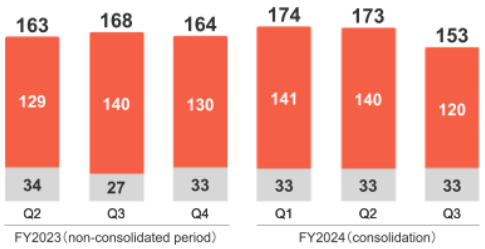
Marginal profit ratio*1 and Gross profit margin

● : Gross profit margin ratio ● : Marginal profit ratio



Breakdown of Fixed Costs*2

■ : Development labor costs *3 ■ : Other fixed costs (mainly depreciation related to products) Unit : Millions of yen



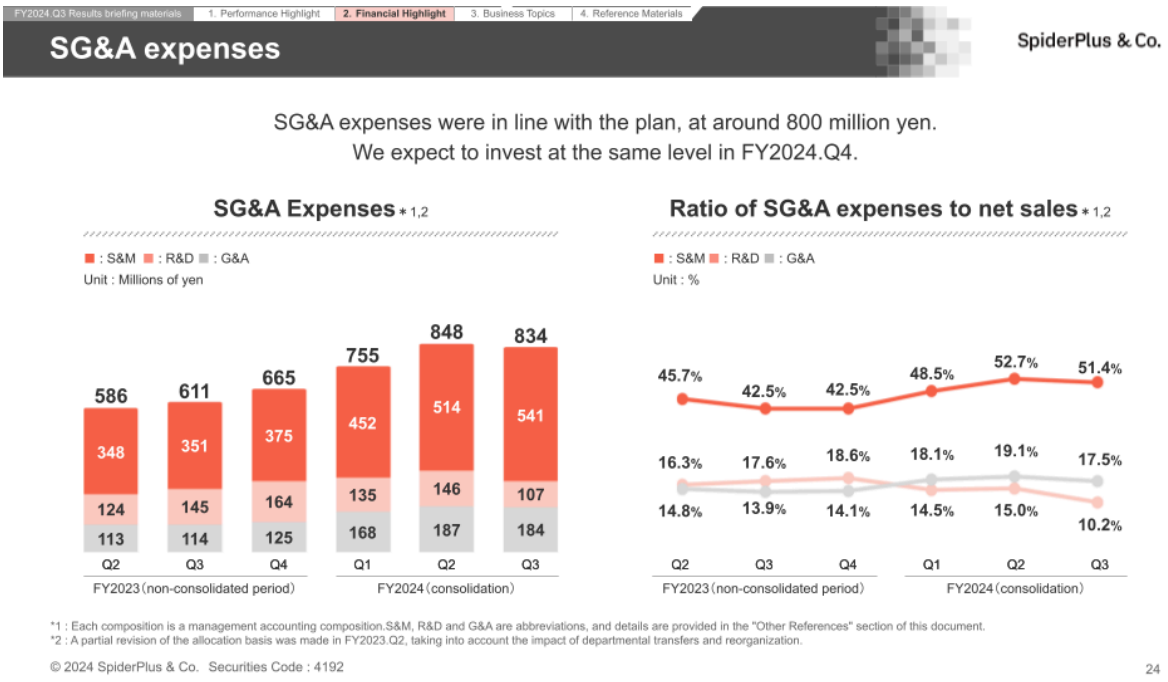
*1 : Marginal profit is calculated by "net sales - communication costs (cost of sales) - commissions paid (cost of sales)., Marginal profit margin is calculated as "marginal profit divided by net sales".
*2 : Only fixed costs in cost of sales, not fixed costs in SG&A expenses.
*3 : Includes expenses related to outsourcing (including SES) and temporary staffing, in addition to regular employee personnel expenses.Other fixed costs are based on the Company's management accounting aggregate classification.

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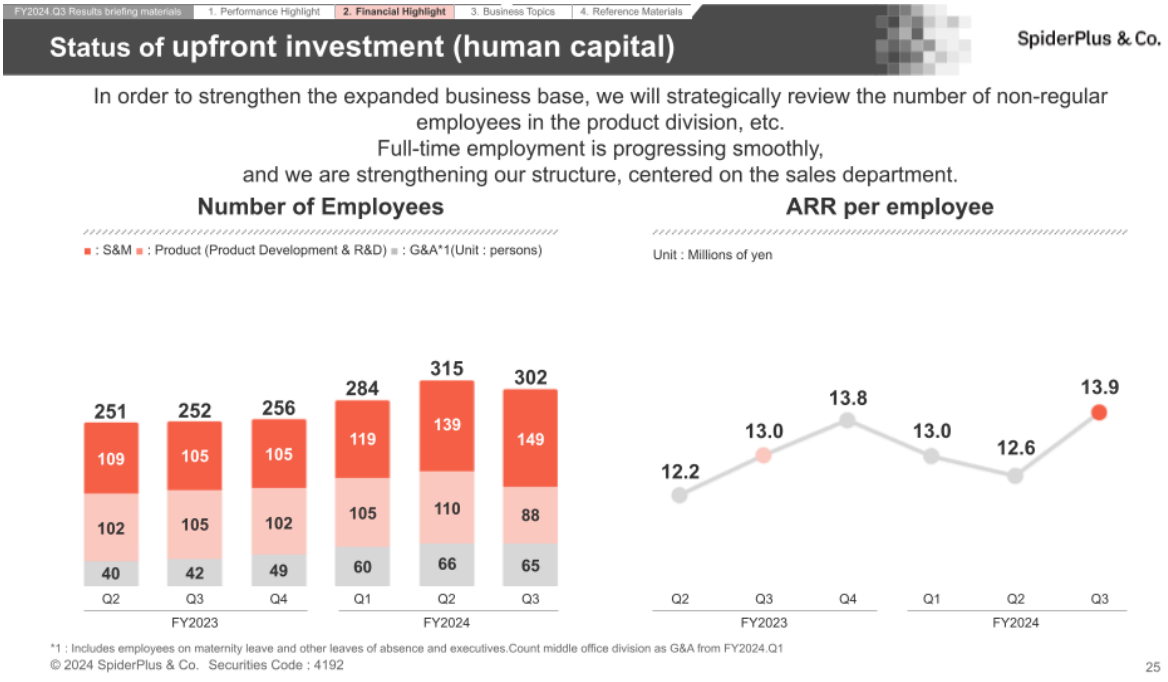
The gross profit margin has risen to 68.7%.

In accounting for development personnel expenses, we record them as either cost of sales or SG&A expenses, depending on the department to which the development staff belong and the project they are working on. For example, the man-hours for projects related to the development of highly innovative functions are recorded as SG&A expenses. The cost of sales may increase or decrease depending on the allocation of development staff.

In Q3, the efficiency of our service maintenance system and the strengthening of our development system led to an improvement in the gross profit margin.

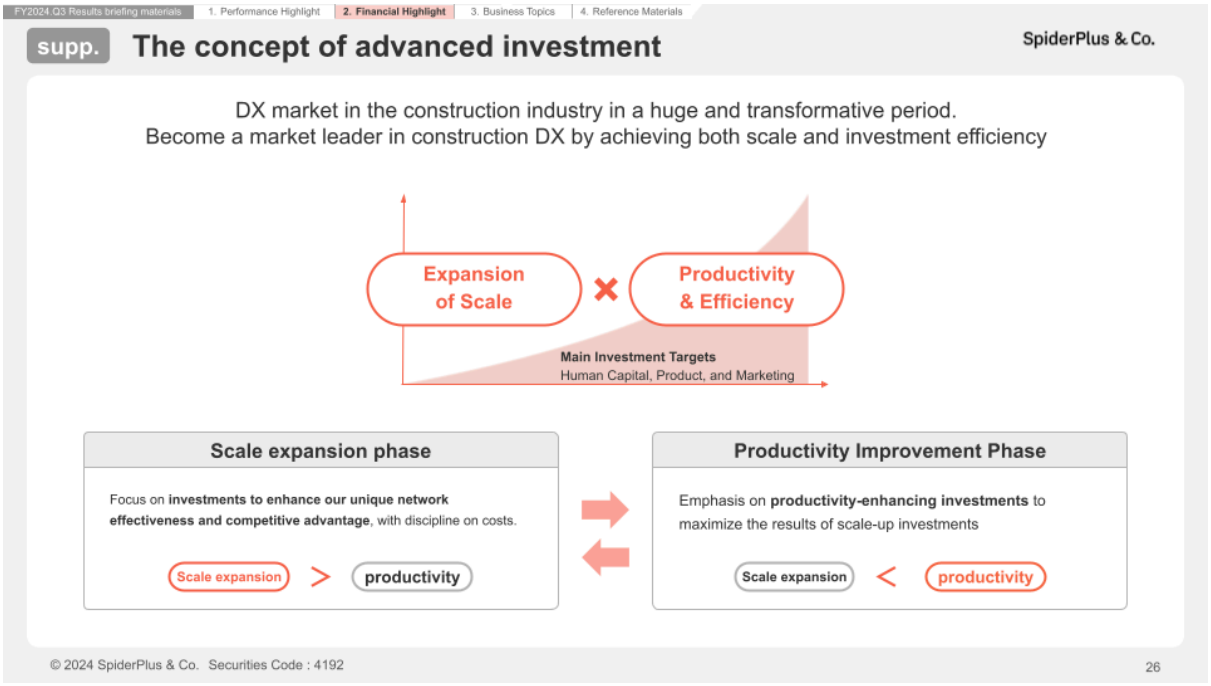


SG&A expenses for the quarter under review came to approximately 830 million yen. By prioritizing measures to increase the efficiency of investment, we positioned the previous fiscal year (FY2023) as a phase of productivity improvement, and especially the efficiency of the sales department increased significantly. In FY2024, we will maintain the increased productivity while actively and disciplinedly promoting investment for the expansion of scale.



This is about the human investment that accounts for a significant part of advanced investment. With an eye on the expansion phase of demand, we have also been flexibly implementing personnel assignments and reorganizing departments in order to increase the productivity of the organization.

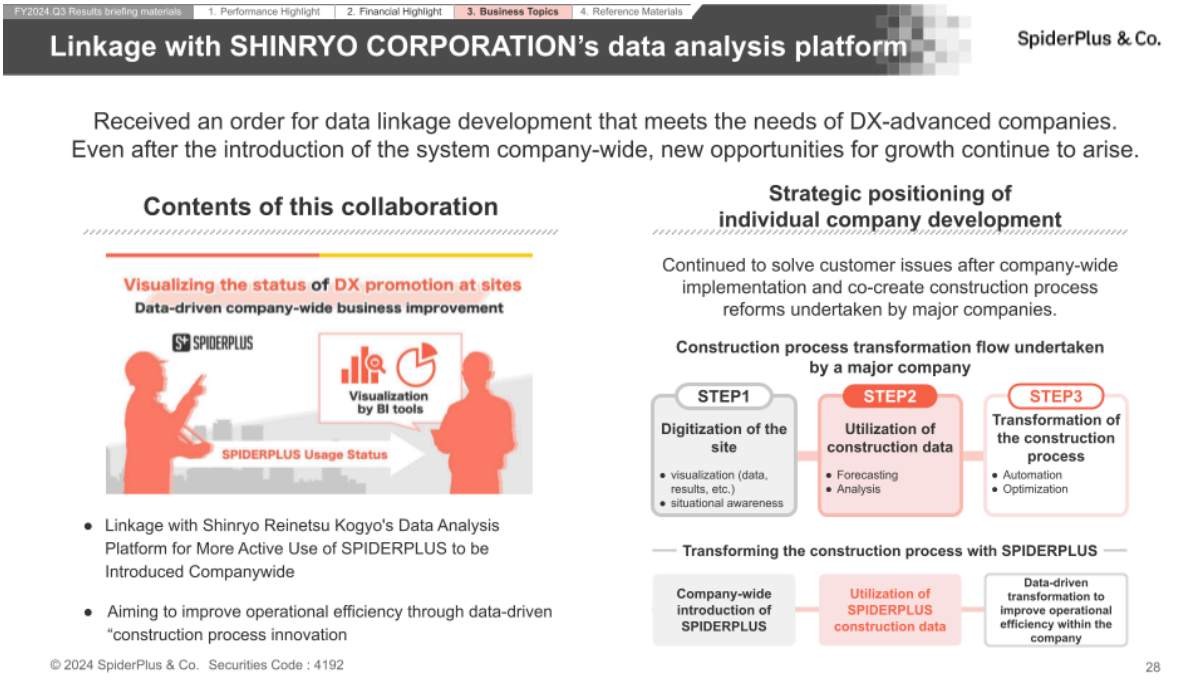
We are working to strengthen our expanded business base and increase productivity, and we are also strengthening our development system and strategically reviewing non-regular employment in the product department. In addition, we are steadily hiring full-time employees, and we are especially strengthening the sales department, which is in contact with customers. As a result of these efforts, ARR per employee was 13.9 million yen.



This is about our approach to advanced investment.

We are making strategic advanced investments in order to become the market leader in the DX market for the construction industry, which is huge and in a period of change. We are making focused investments in areas where we can increase productivity and the efficiency of investment, and we are effectively increasing the ARR growth rate.

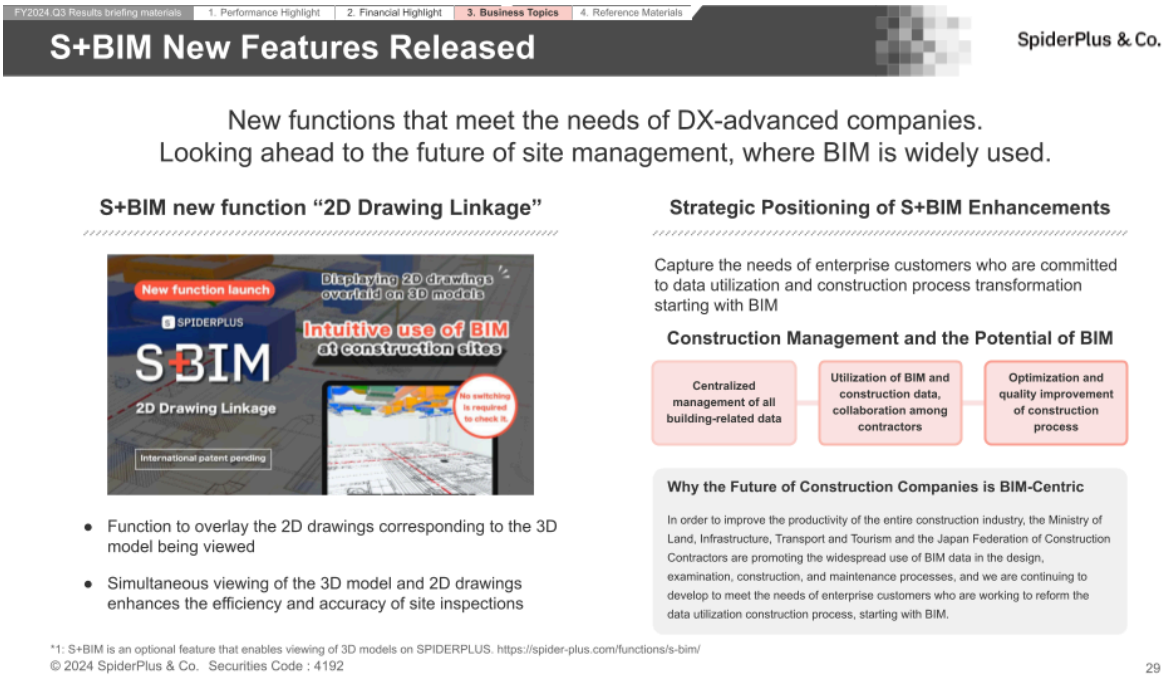
Business Topics



This is an example of SPIDERPLUS being linked to the data analysis platform (BI tool) of Shinryo Corporation (hereafter, "Shinryo"). Shinryo has been using SPIDERPLUS since its Company-wide introduction in 2012, and has decided to further promote its use within the company.

In light of this, our company is promoting individual development services (service name: Professional Services) that are increasing in DX-advanced companies, such as "development of linkages between customers' core systems and data accumulated in SPIDERPLUS," as an important measure.

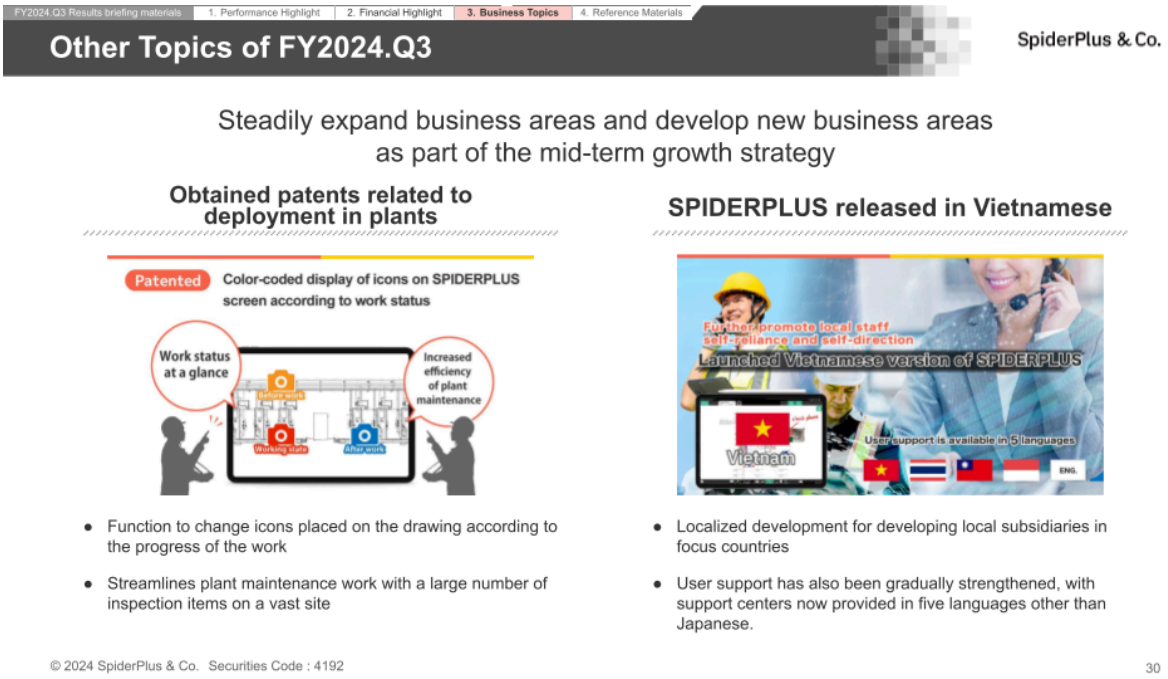
By promoting Professional Services, we will effectively promote the utilization and expansion of SPIDERPLUS by capturing the increasing needs for data linkage and data utilization in the construction industry.



We have developed and started providing “2D Drawing Linkage”, which displays 3D models and 2D drawings on the same screen. “2D Drawing Linkage” is a new function added to the optional function “S+BIM” of SPIDERPLUS.

By using this function, the need to switch between screens when using both 3D models and 2D drawings is eliminated, streamlining the process of checking work at the site using both 3D models and 2D drawings. (As of September 2024, an international patent application for this function is pending.

With this function, we will promote the introduction of the optional function “S+BIM” and contribute to the spread of BIM, which is expected to be used in the construction industry, where labor shortages are becoming more serious.



Other topics include the acquisition of new patents to enhance competitiveness and the launch of the Vietnamese version of SPIDERPLUS.

We are also steadily expanding our areas of development and cultivating new areas as part of our medium-term growth strategy.



Finally, we aim to create “construction sites of the future” with our customers in 2030, when labor shortages are expected to become more serious, and to make SPIDERPLUS an indispensable presence.

We hope you will continue to pay attention to our company, which is supporting the construction industry, which supports society, with the power of technology.

and above

For inquiries regarding this matter, please contact
Investor Relations, Corporate Planning Office, Spider Plus, Inc.
Email inquiry to : ir@spiderplus.co.jp
Telephone inquiries: 03-6709-2834