SpiderPlus & Co.

November 20, 2024
SpiderPlus&Co.
Kenji Ito, President and Representative Director
(TSE Growth: 4192)

Transcript of interview with equity research analyst

Date and Time	：Monday, November 18, 2024, 4:00 p.m. - 5:00 p.m.
Inquiries to	：IR, Corporate Planning Department, SpiderPlus & Co.
Email inquiries to	：ir@spiderplus.co.jp
Telephone inquiries to	：+81-3-6709-2834

【Notes】

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/

【Notes on Transcription】

This transcription contains forward-looking statements. These forward-looking statements are based on information available as of the date of the financial results meeting. These forward-looking statements 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 and financial condition expressed or implied by such forward-looking statements.

Factors that could cause 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.

Information regarding matters and organizations other than the Company is based on publicly available information, and the Company has not verified and does not guarantee the accuracy or appropriateness of such publicly available information.

This transcription is 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 U.S. or elsewhere.

The content of this transcription differs in part from the actual questions and answers at the briefing due to considerations of personal information, readability, control of duplicate questions, and selection of questions related to financial results and business.

List of Questions and Answers

Transcribed questions and answers by sell-side analysts

1. About The balance between IDs and ARPU in ARR growth
2. About Strategies for penetration of existing customers
3. About Outlook for the number of contracted companies for FY2025
4. About the concept of mid-term KGI
5. About Customized development staff
6. About EBITDA in the black for a single month
7. About Bottlenecks in Customer Penetration
8. About Business meeting lead time in developing SMBs
9. About SPIDERPLUS Pricing for SMB Development

SpiderPlus&Co. questions for Analyst Nakagawa

1. About Assessment of the financial results of the construction companies in November 2024
2. About DX Initiatives by Construction Companies
3. About Our View of Our Strategy

Transcribed questions and answers by equity research analyst

Questioner: Yoshihiro Nakagawa, Equity Research Department, Mizuho Securities Co.
Respondent: Yutaka Fujiwara, Director, Corporate Officer and CFO, SpiderPlus & Co.

The balance between IDs and ARPU in ARR growth

Based on the analysis of KPIs, the average number of IDs for New contracted companies is likely to be between 5 and 10.
While growth in ARPU is important, we expect that growth in IDs is also important to achieve a high growth rate in ARR, what is your view?

As you can see, the contract often starts at a minimal level, so the key point is how quickly SPIDERPLUS can penetrate the customer base after its introduction and acquire users who have not yet been introduced. The number of uninstalled users that can be acquired after the introduction of SPIDERPLUS is higher for enterprise customers, but the same trend can be seen for SMB customers.

The ARPU is intentionally increased in order to achieve early penetration among customers.

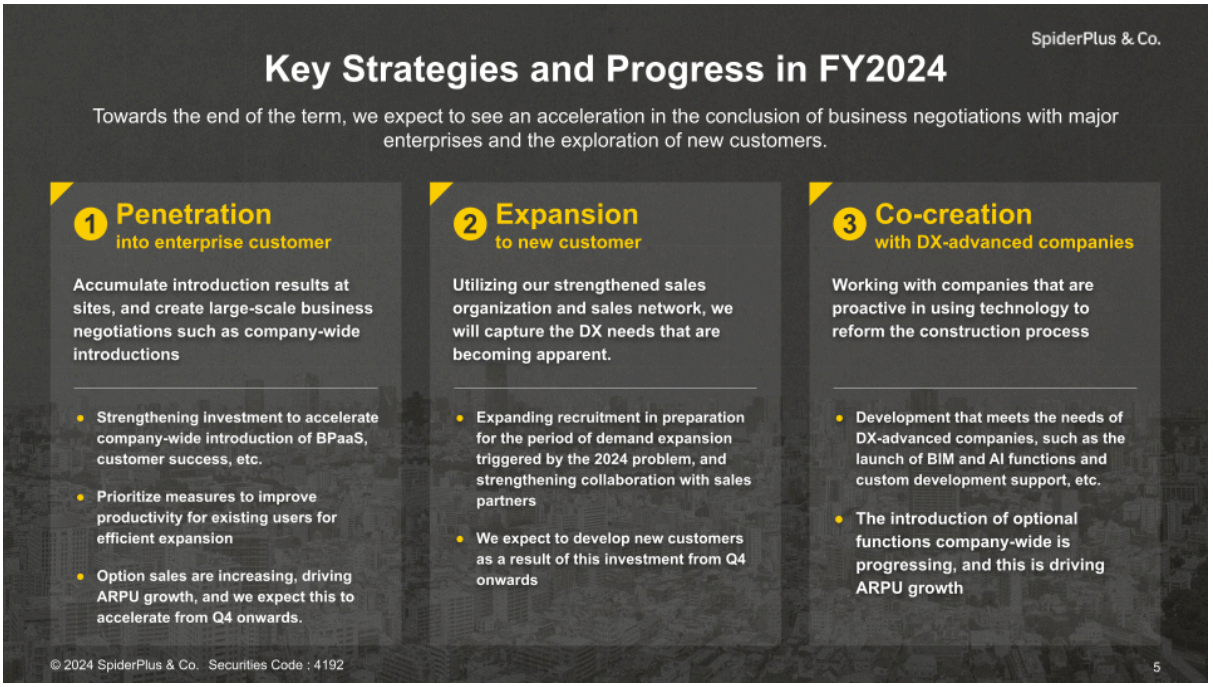
Strategies for penetration of existing customers

What specific efforts are you making with regard to "penetration," which you cite as a strategy for existing customers?

The key to our penetration within our clients is how we can create "promoters" within our clients, in other words, "people who can spread SPIDERPLUS within our clients.

We expect that by creating "SPIDERPLUS promoters" within the customer base and having these promoters cooperate in the spread of SPIDERPLUS, we can achieve highly efficient penetration within the customer base. This method of penetration will also reduce the CAC as penetration progresses due to the network effect.

Based on this thinking, the company is emphasizing ARPU growth through option sales expansion (value-added improvement) with a plan to create "SPIDERPLUS promoters".



Outlook for the number of contracted companies for FY2025

Can you tell me if the outlook is correct that the number of contracted companies will also expand in the next fiscal year (FY2025)?

This is our premise.
Although we have been conducting sales activities mainly to large enterprises, we have established a sales network that enables us to efficiently cultivate SMB customers as well, and we expect the numbers to grow in the next quarter (FY2024.4) and the next fiscal year (FY2025) and beyond.

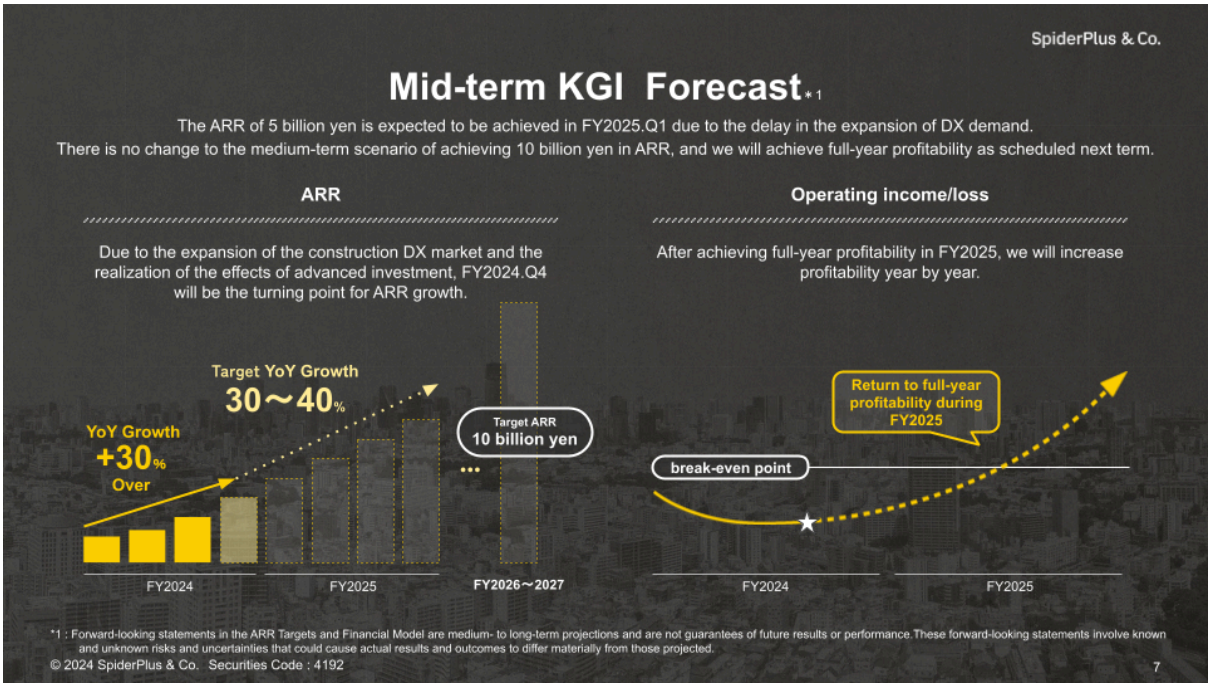
About the concept of mid-term KGI

You mentioned that ARPU growth will continue to be stronger than IDs next year. Please tell me if this means that ARPU will continue to lead the way in achieving 10 billion yen ARR.

ARPU growth > ID growth will not continue until FY2027. Please understand that ARPU growth is ahead of ID growth in the short term.

By increasing ARPU, we can increase the Benefits of Introducing SPIDERPLUS for users, i.e., the value-added to customers, and, as mentioned in the previous answer, by creating SPIDERPLUS

promoters within customers, we have a scenario in which the number of IDs will grow efficiently later on.



Turning Point in the Construction DX Market

Please tell us about the turning point in the market, which was also explained in the financial results presentation.

The turning point will be divided into Large enterprises and SMBs.

First, for SMBs, demand has not fully materialized as we targeted, and we expect it to bounce back to our performance after the end of the fiscal year, based on growing needs and our sales activities. We consider the emergence of this demand as a turning point for SMBs.

In Large enterprises, we have the impression from IR materials of listed construction companies and customer feedback collected through sales that the target of DX investment is beginning to turn toward more essential DX, such as "data utilization.
We see this as a turning point in the "sophistication of DX needs.

We expect this turning point to be a turning point for ARR growth, and for this reason, we continue to set the early achievement of 10 billion yen ARR as a mid-term KGI.

Customized development staff

Regarding development resources to meet the individual development needs of DX-advanced companies, since the financial results presentation shows a decrease in the number of development staff, is it correct to say that there are enough leases to meet individual development needs, or is it correct to say that there is a good prospect for hiring as well?

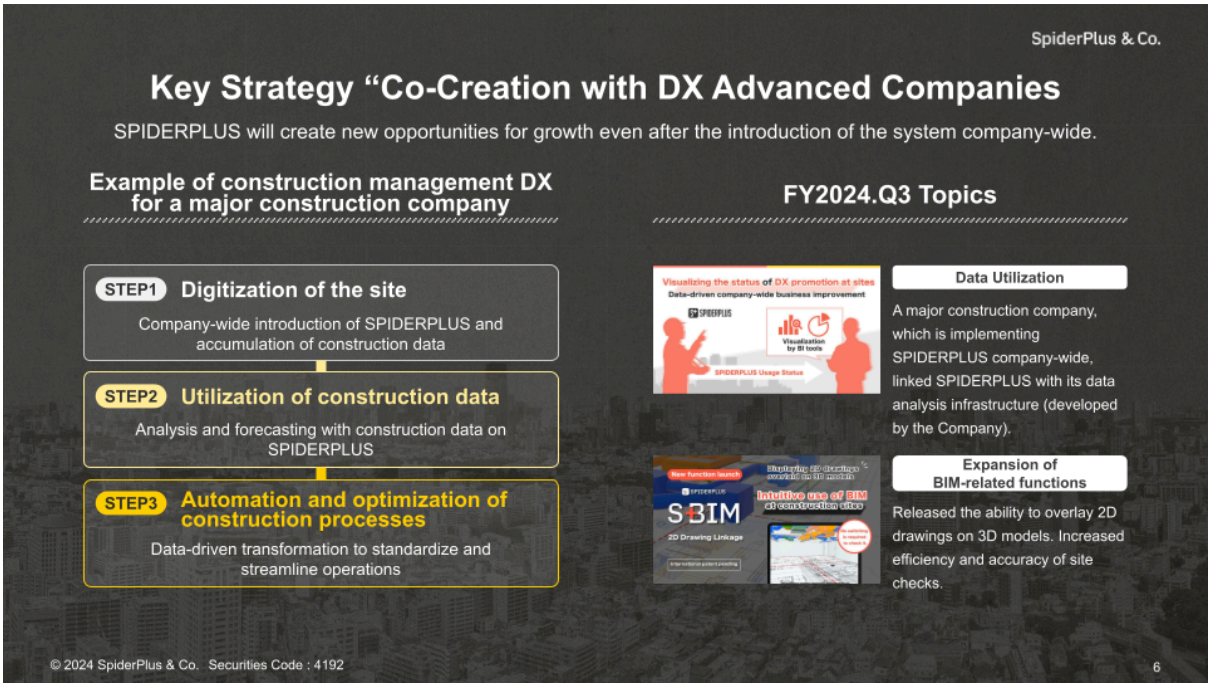
As a premise, although we will respond to the needs of individual companies as a priority strategy, we do not target a large increase in the percentage of sales from individual company development.

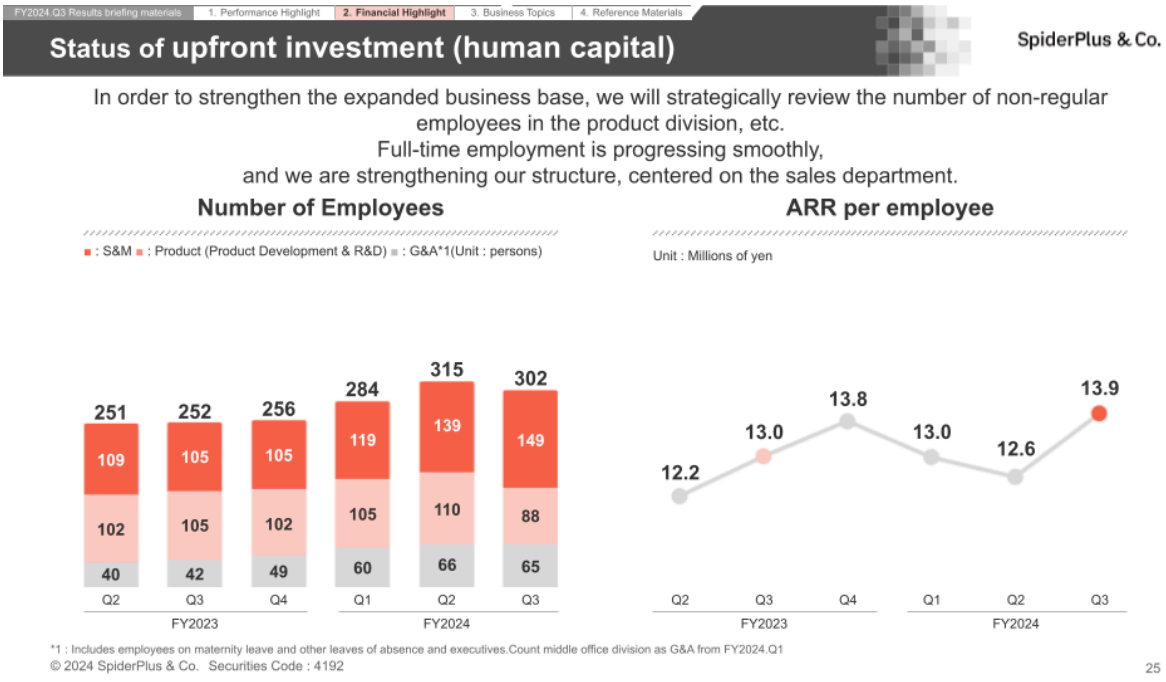
Basically, individual company development is also an effort to promote the SaaS service more quickly and to have customers use it more deeply.

We are on track to secure development resources, both internally and through alliances.

The current development organization is focused on ensuring development productivity and scalability in preparation for future expansion of scale of the organization, which has led to the liquidation of SES staff through project Revise .

Therefore, please understand that the decrease in development staff is temporary.

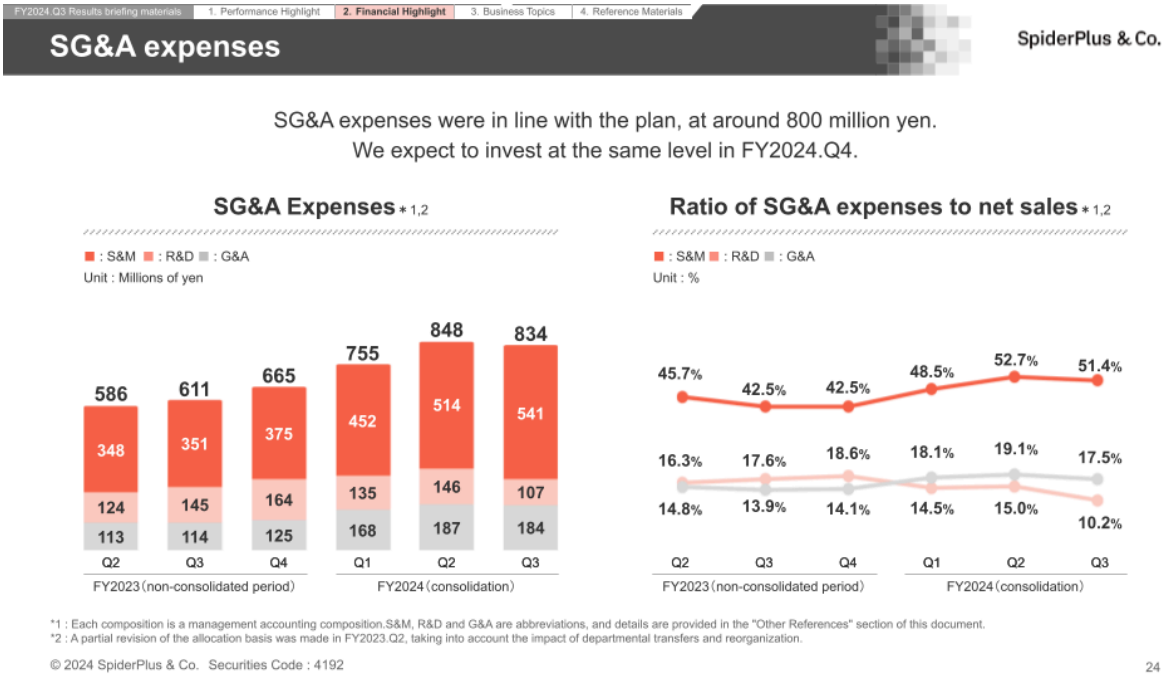




EBITDA in the black for a single month

You mentioned that EBITDA turned positive in a single month in October, can you tell me if this was due to cost reductions?

The change in SG&A expenses has been within the range targeted since the beginning of the year. Please understand that SG&A expenses have remained flat and Net Sales have turned profitable as a result of the growth in Net Sales.



Bottlenecks in Customer Penetration

Looking at the financial results of construction companies, it appears that the environment for orders is improving and that the unit price of orders is being raised. In this case, it is expected that raising order unit prices, rather than DX, will be an option for customers to improve productivity. In light of this, please tell us what is going well in terms of penetration within your customers and what, if any, bottlenecks you are facing.

With construction firms' performance strong, we expect that the key to success will be "how to complete the project on time," as more and more firms are currently accumulating backlogs of orders.

Therefore, we see "increased productivity" as a need that will continue to grow.

Currently, Large enterprise construction clients are able to secure short-term staffing by utilizing temporary staffing services, but the use of IT tools is a must to improve productivity.

And the bottleneck in penetration within the customer will be the site introduction results and the creation of promoters in specific branch offices and branch units.

Customers that do this well are those that work well with customer success and sales partners.

Therefore, in the first half of FY2024, we were working on the creation of this za-za group.

Business meeting lead time in developing SMBs

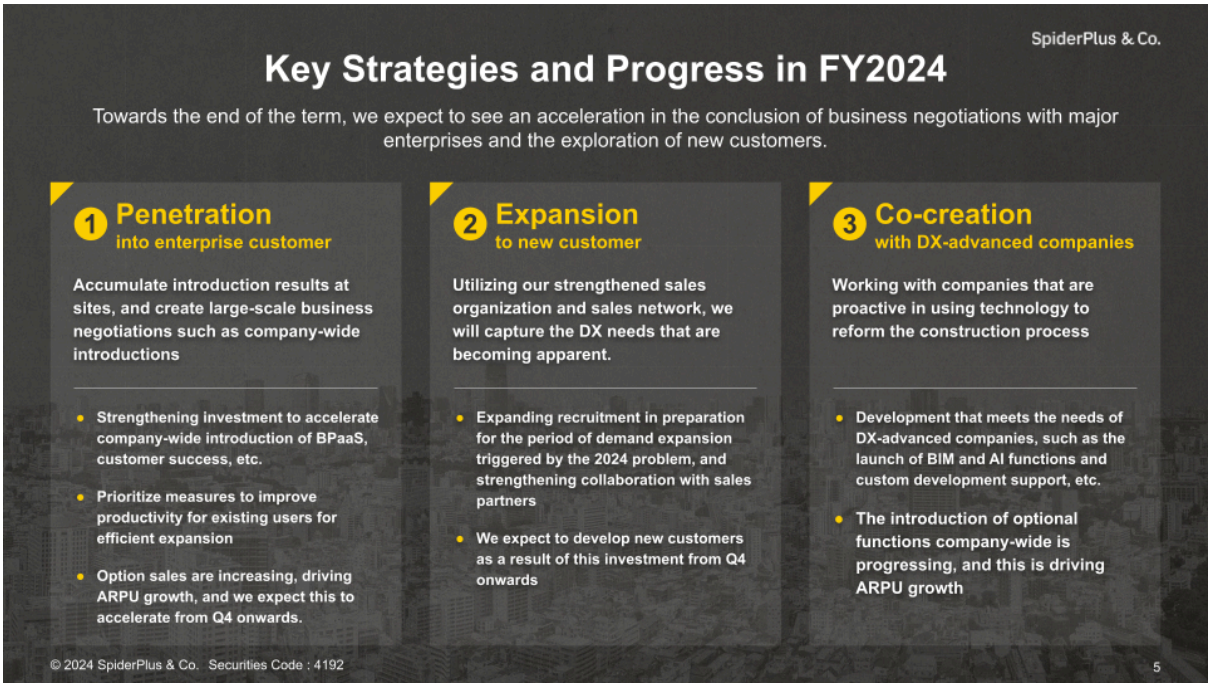
You mentioned that DX awareness is increasing even among SMBs. Are there any competitive comparisons that have resulted in longer lead times, and if so, what are the reasons for this?

There is no longer a long lead time for business negotiations due to the competitive situation.
In developing SMBs, the AI function of SPIDERPLUS, "automation" and "manpower saving" through BPO services, and introduction results at Large enterprises are the key points for being selected.

On top of that, the slow development of SMBs through Q3 is due to the fact that the rise of 2024 issue demand was slower than expected.

In addition, mastering SPIDERPLUS is not as easy as using online conferencing tools and requires a certain level of customer success and support.

The key strategy for FY2024 is that we have been working together with our sales partners as well as with ourselves to build a mechanism for our introduction customers to master the use of SPIDERPLUS.



SPIDERPLUS Pricing for SMB Development

Please tell us if pricing is a bottleneck in developing SMBs.

Based on the introduction results of existing customers, SPIDERPLUS will lead to solid benefits of introducing SPIDERPLUS if it can be mastered, so pricing will not be a bottleneck in terms of cost-effectiveness.

Other bottlenecks include the procurement of tablet devices and, in the case of a company with an aging workforce, "despite the enthusiasm of the representatives, there is a rejection within the company of the idea of using IT tools to change the way work has always been done.

Question from SpiderPlus&Co. to equity research analyst

Questioner ：Yutaka Fujiwara, Director, Corporate Officer and CFO, SpiderPlus & Co.
Respondent ：Yoshihiro Nakagawa, Equity Research Department, Mizuho Securities Co., Ltd.

Assessment of the financial results of the construction companies disclosed in November 2024

Mr. Nakagawa, what changes or views did you perceive from the disclosures and interviews with construction companies during this earnings season?

The impression is that many companies, both general contractors/subcontractors and Large enterprises/Middle-sized companies, are generally doing well in the construction business.

If there is any change, it is that the projects themselves are being Revised and the completion dates are being pushed back due to soaring material prices.
Therefore, we see the construction industry getting out of the "too-busy" period and seeing the "too-busy" period continue for a long time to come.

This means that we can expect that we have moved away from the need to somehow increase productivity to cope with the situation, which may not lead to rapid growth in DX demand.

On the other hand, the construction industry has a high turnover rate and it is difficult to secure human resources, so it is likely that DX will still need to invest in the industry.

DX Initiatives by Construction Companies

Are there any keywords that can be mentioned in the DX force of construction companies?

Throughout the briefings and interviews I have attended to date, I have had few opportunities to hear terms such as "BIM" and "CIM.

On the other hand, some companies with a more in-depth vision have listed "construction process reform" as a theme of their new mid-term plans. We also feel that changes in approaches are emerging among companies.

Our View of Our Strategy

Currently, we are focusing more on ARPU growth than IDs as our "customer penetration".
What is your view on this strategy?

Based on the understanding that both IDs and ARPU are important, we expect that there is an importance of early expansion in IDs, given the tendency for people to use tools for the first time for a long time.

On the other hand, we expect that it is important to increase ARPU as well as IDs, so we are trying to find a balance between the two.

and above