

Retty

FY2020.09

Presentation Material

Retty Inc.

NOVEMBER 2020

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- 1 Company Profile**
- 2 Full Year Results for the Fiscal Year Ended September 2020**
- 3 Growth Strategy**
- 4 FY 2021 Full-year Earnings Outlook**

(Supplement material)

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- 1 Company Profile**
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1 Mission

Making the world happier, one meal at time

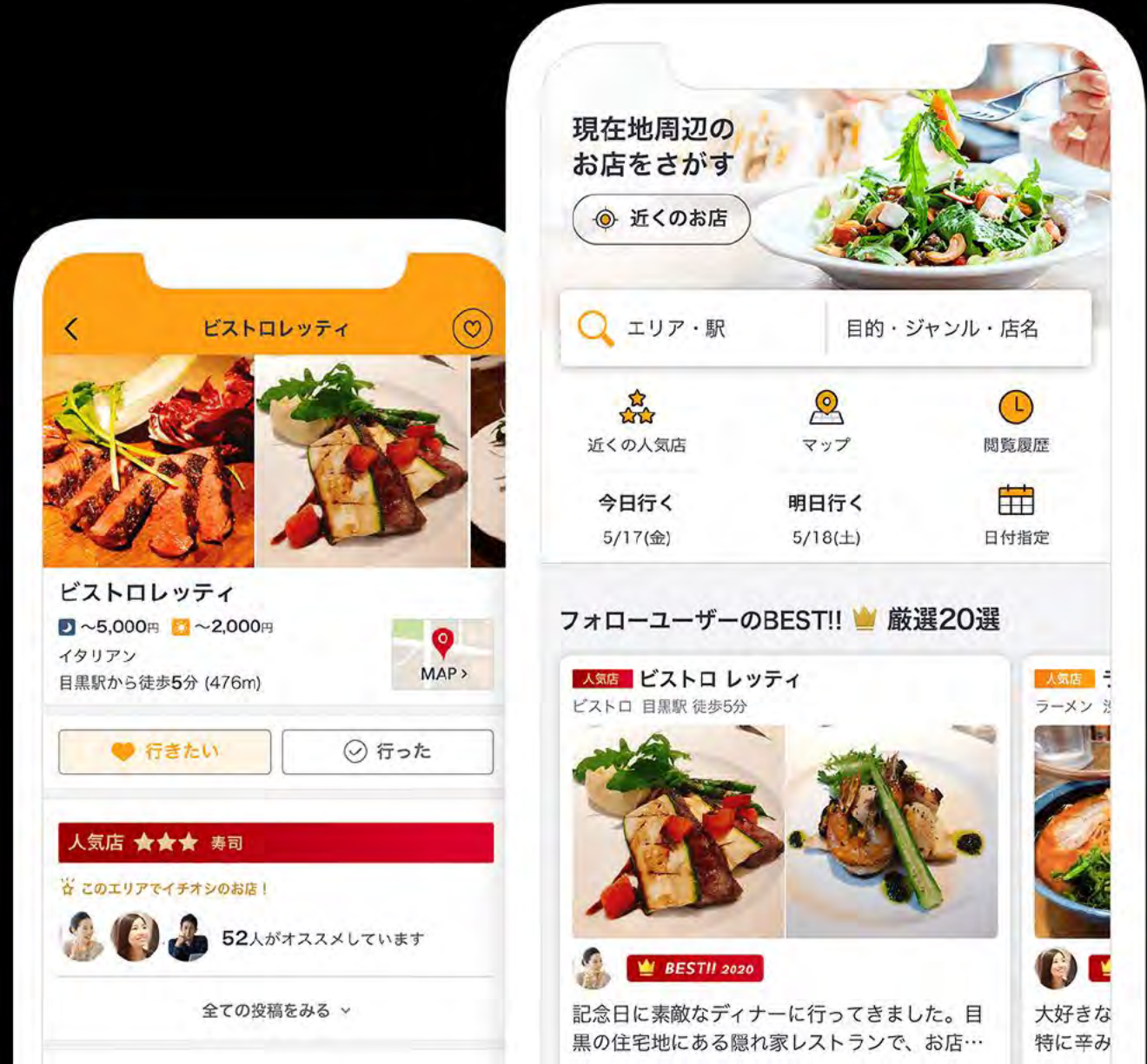


Realize a world where both the users and operators can be happy in the area of “food,” which is part of the proud culture of Japan and is central to the lives of people around the world. Retty aims to connect people with positivity, through recommendation of favorite restaurants.

1 Service Image



Find the BEST
restaurant for you



1 Service Concept

Real name-based
Review



Recommendation
Without scores



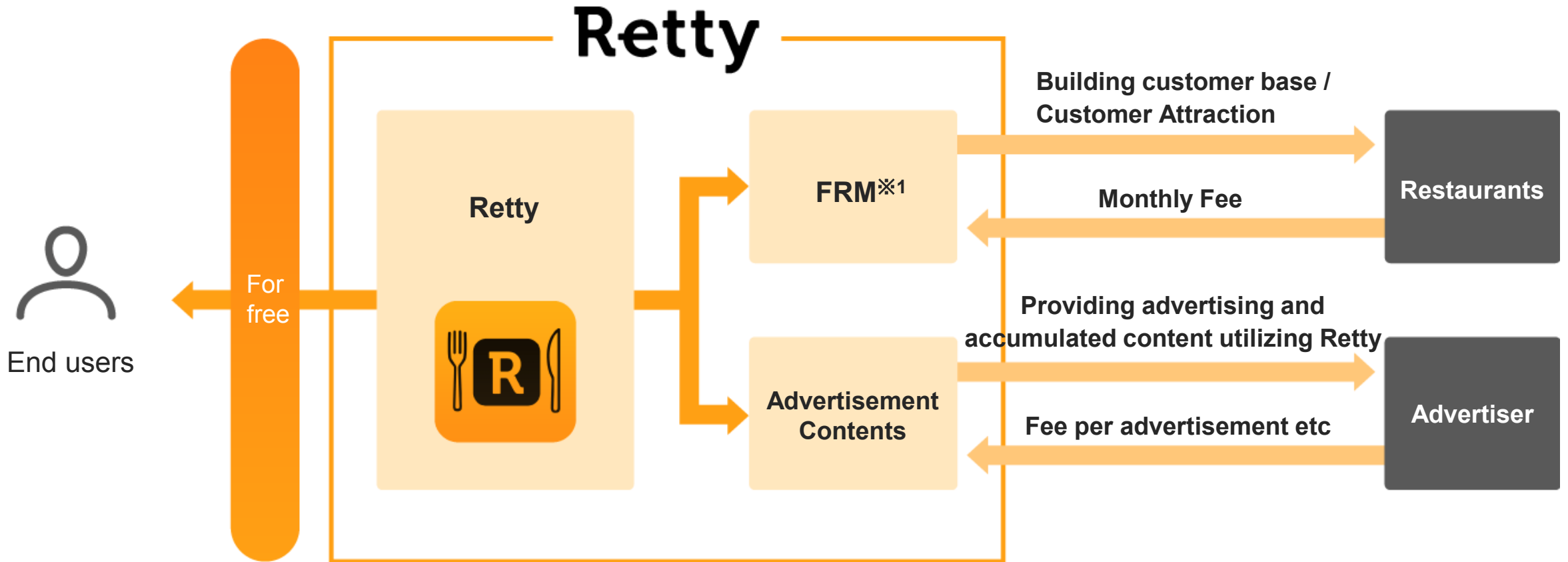
Search starts with
“people”



Find a matching restaurant through trusted people

Restaurant review service with reviewers using real names

1 Business model



※1 FRM: Fan Relationship Management

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2 Full Year Results Highlight

▶ **Steady growth of net sales and profit until 1H20, achieving profit level equivalent to full year for FY19**

In 1H20, FRM realized sales growth of +39.3% YoY

Operating income was 118 million yen in 1H20, a significant increase over the previous year's full-year figure of 100 million yen

▶ **Full year sales decreased by 2.3% YoY due to the impact of COVID-19, but latest KPI figures are recovering sharply**

Full year net sales for FY20 decreased by 2.3% to 2,215 million yen due to the decrease in FRM stocks and advertisement/contents revenue

3Q20 net sales decreased to 72.0% of 3Q19, but 4Q20 figures have recovered to 82.6% of 4Q19 level

KPIs that will affect sales growth such as the number of paying FRM member restaurants have already recovered to the level of FY2019 average

▶ **Investment in growth promotion and agency support measures resulted in operating loss of 283 million yen**

Promotions using various media in conjunction with the government's "Go To" Eat Campaign to support growth

Invested in sales support for agencies to enhance sales force, which is the driving force for increasing top tier member restaurants

Quickly launched products aligned with the market and client demand such as premium bookings and take-out menus

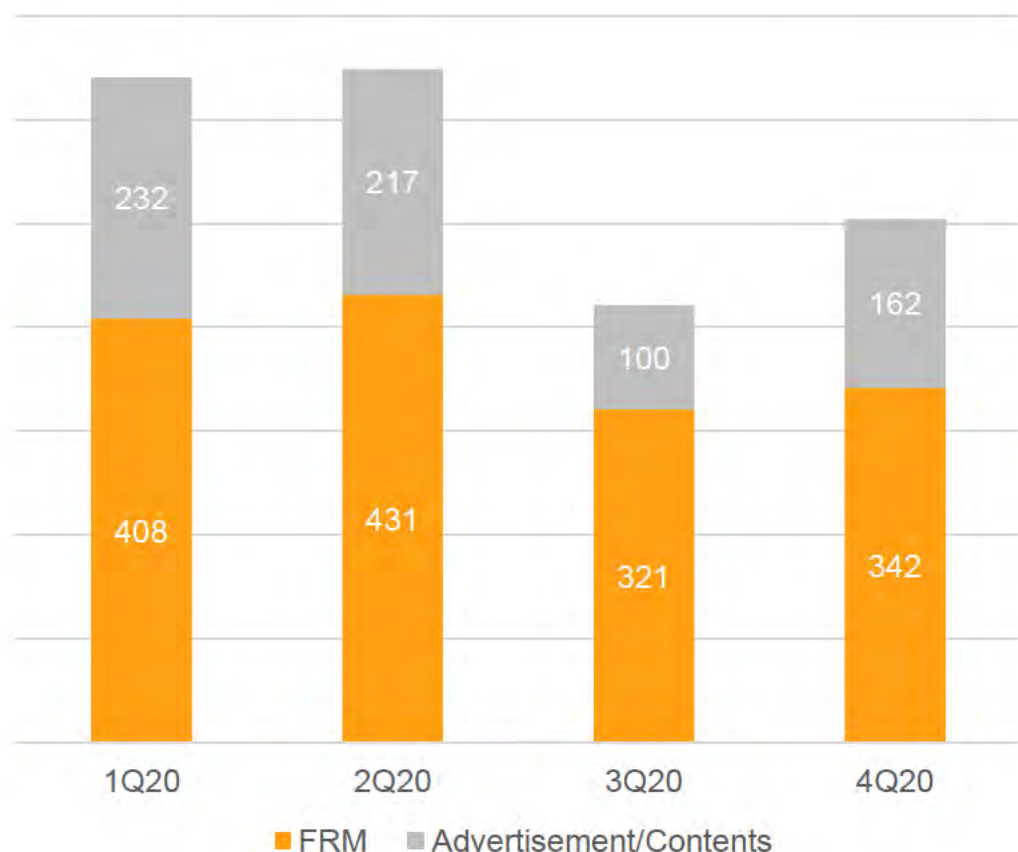
2 Full Year Results Summary

Net sales decreased 2.3% YoY due to the impact of COVID-19

	FY2019	FY2020	
	Full Year Results	Full Year Results	YOY
Net sales	2,268	2,215	-2.3%
Gross Profit	1,474	1,416	-3.9%
Gross Profit Margin	65.0%	63.9%	-1.1%
Operating income	100	(283)	-
Operating Margin	4.4%	-	-
Ordinary Profit	99	(274)	-
Net Profit	155	(324)	-

2 Full Year Net Sales Composition

*FRM is our stock business, and net sales decreased for 2H20 due to fee waivers and membership cancellation caused by businesses closing down
Securing paying member restaurants is our growth driver, which recovered to the average level of FY19 with room for further growth*



Advertisement
Contents

- Net sales decreased due to fall in monthly users and advertisement unit price
(Number of monthly users have recovered to the level of previous fiscal year)
- Decrease resulting from sorting projects without strong growth prospects or profitability during the fiscal year

FRM

- Decrease of 105 million yen in 2H20 due to fee waivers
(temporary measure for FY20 only)
- Number of paying member restaurants decreased from 10,790 in April to 9,510 in June due to cancellation due to business closure, etc.
(New member acquisition already recovered to net gain from July)

2 Sales Breakdown

Sales

=

Member restaurant
customer stock

×

Member unit price
(ARPU)

Member restaurant stock customers volatility factor

Number of new
Member restaurants

Cancellation
ratio

ARPU

520+ /month

(Average for the Q4 FY2020.09)

About **2.0%**

(Average for the FY2020.09)

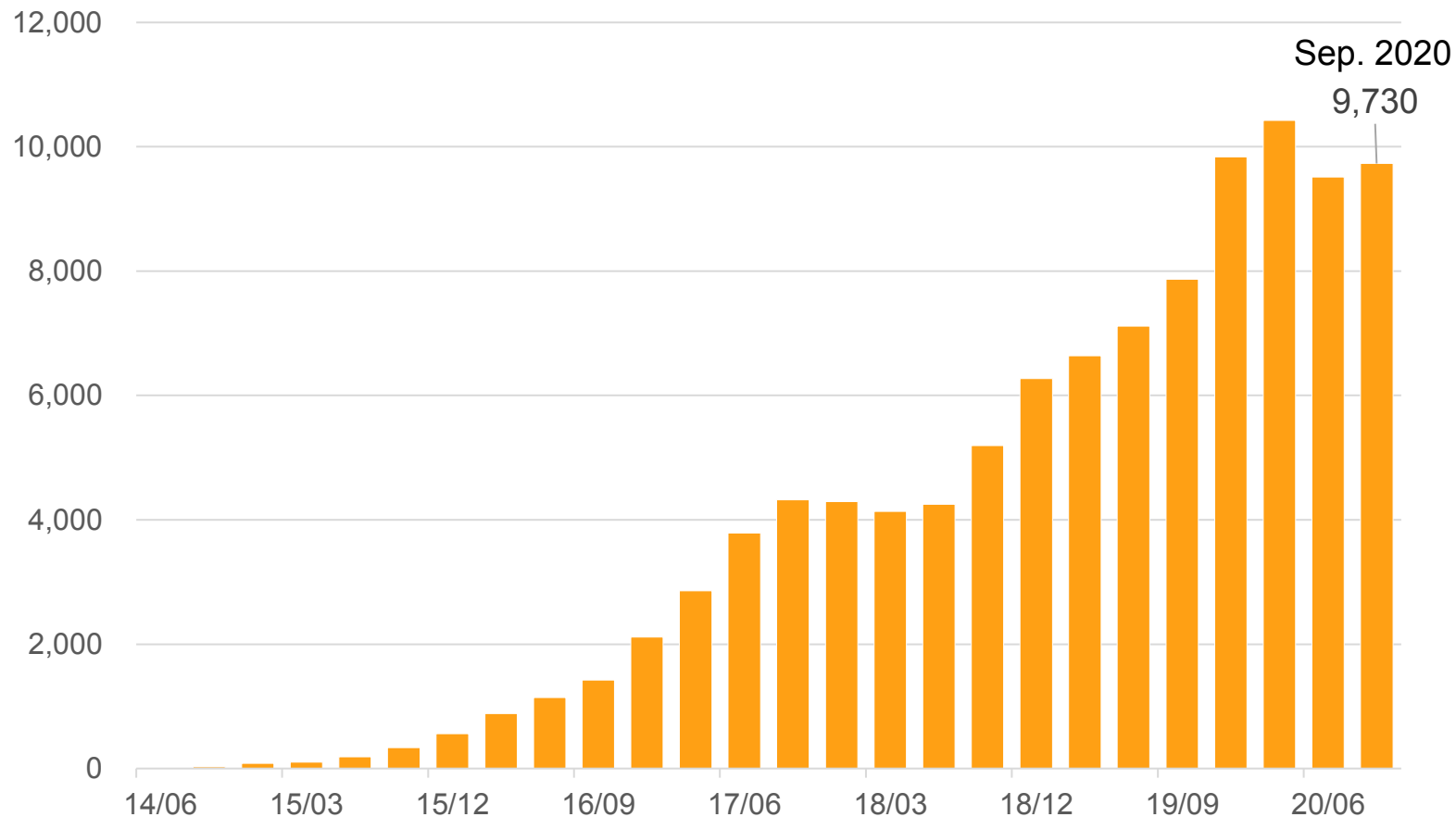
19.3k JPY

(Average for the Q4 FY2020.09)

2 Number of Member Restaurants

The number of member restaurants bottomed out in June and returned to a net increase from July onwards as the number of acquisitions recovered, reaching 9,730 by the end of September 2020

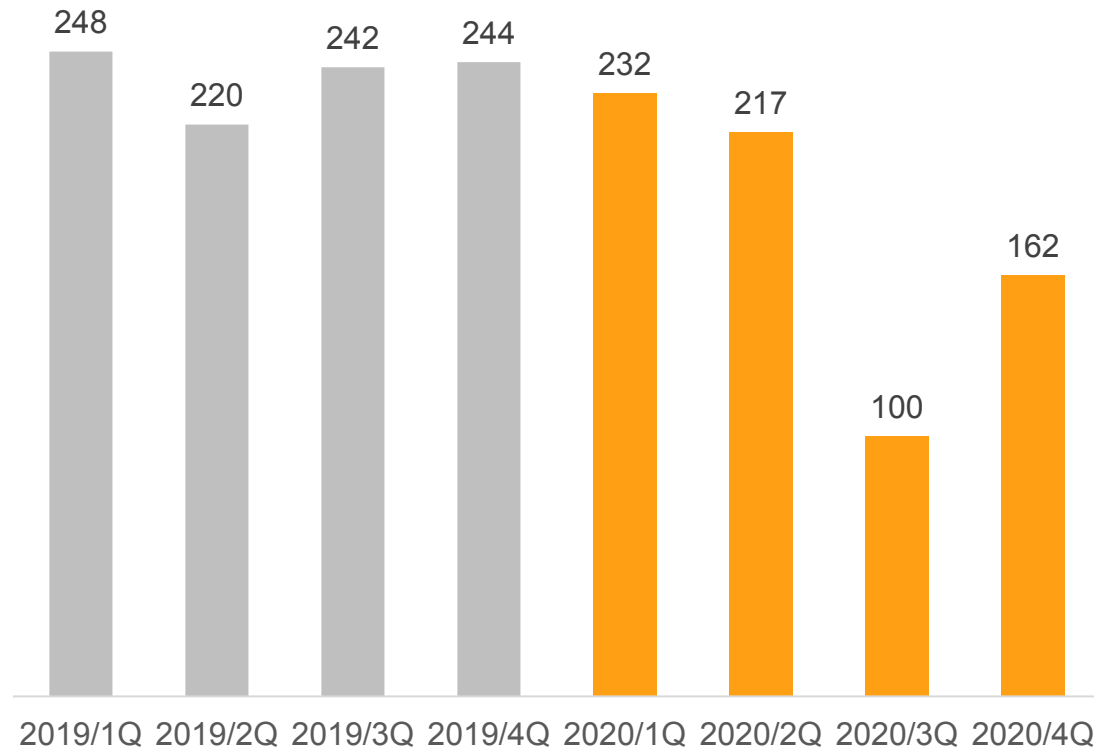
Number of Member Restaurants



2 Advertisement/Contents Net Sales

Net sales decreased by 25.5% YoY due to temporary decrease in monthly users and fall in advertisement unit price

Advertisement/Contents Net Sales (million yen)



Advertisement/Contents Net Sales Structure

Monthly Users

Number of monthly users decreased temporarily due to less people going out with the COVID-19 related Declaration of State of Emergency. Figures recovered to 100% YoY since August 2020.



Advertisement Unit Price

Unit price decreased as advertisers were reluctant to place ads. Figures will fluctuate depending on the status of economy.

2 Investments for future growth

Total of 357 million yen investment made in 4Q20 for growth from FY21, resulting in full year operating loss of 283 million yen.

FRM
Fee waivers*1

Contributed to reducing
membership cancellations

105 million yen

FRM
Expenses for supporting
agency operating framework

Contributed to acquiring new
member restaurants

91 million yen *3

Products
Promotion expenses for GtE *2
campaign

Contributed to competitive
service/positioning

160 million yen *4

*1 Limited time fee waiver offered to paying restaurant members that met certain criteria

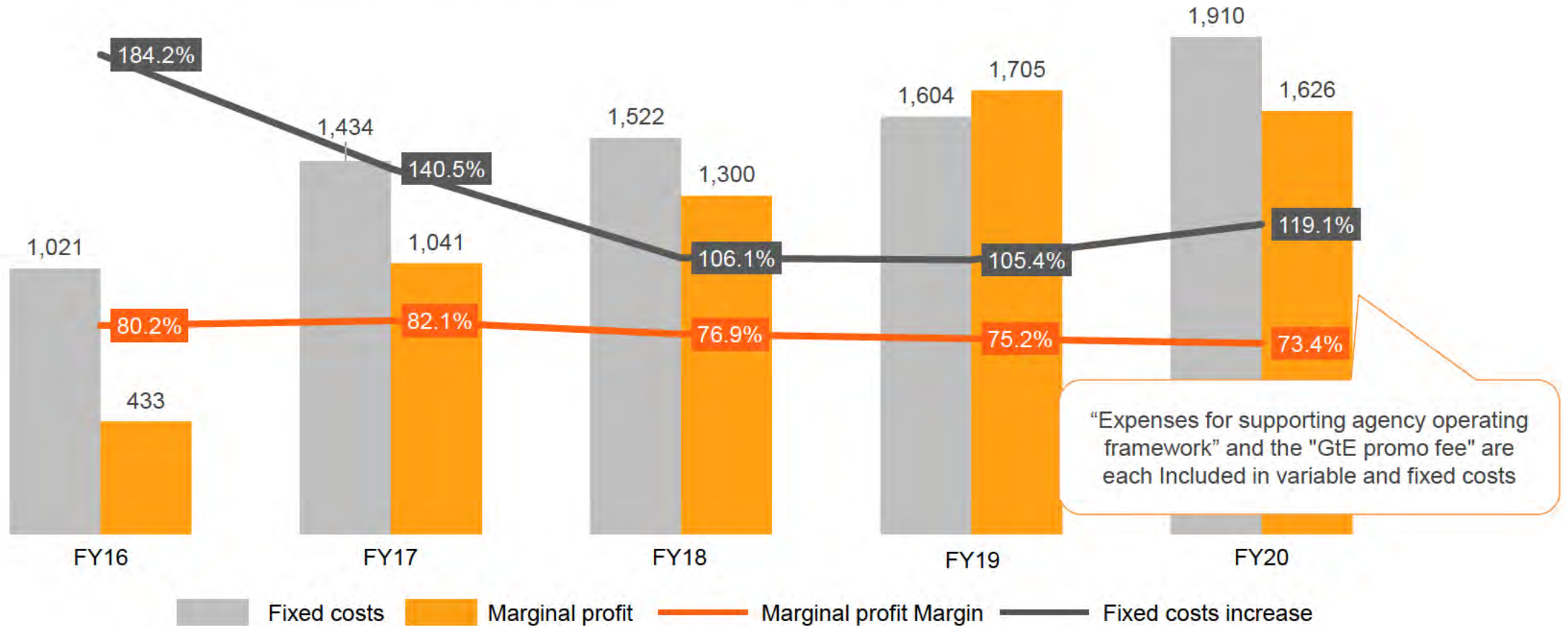
*2 GtE: Go To Eat Campaign

*3 It is included in variable expenses (sales promotion).

*4 It is recorded in fixed costs (advertising expenses).

2 Marginal profit margins are high and stable

Marginal profit*¹, Fixed costs*² (million yen), Fixed costs increase, Marginal profit Margin



*1 Marginal profit is calculated by subtracting variable cost from sales. Variable cost is the sum of production cost which is the cost of production for advertisement/contents solution business, and sales promotion cost which is the fees paid to agents for restaurant customer attraction business.

*2 Fixed cost mainly comprises of costs other than variable costs, such as labor cost, server cost, and land and building rent.

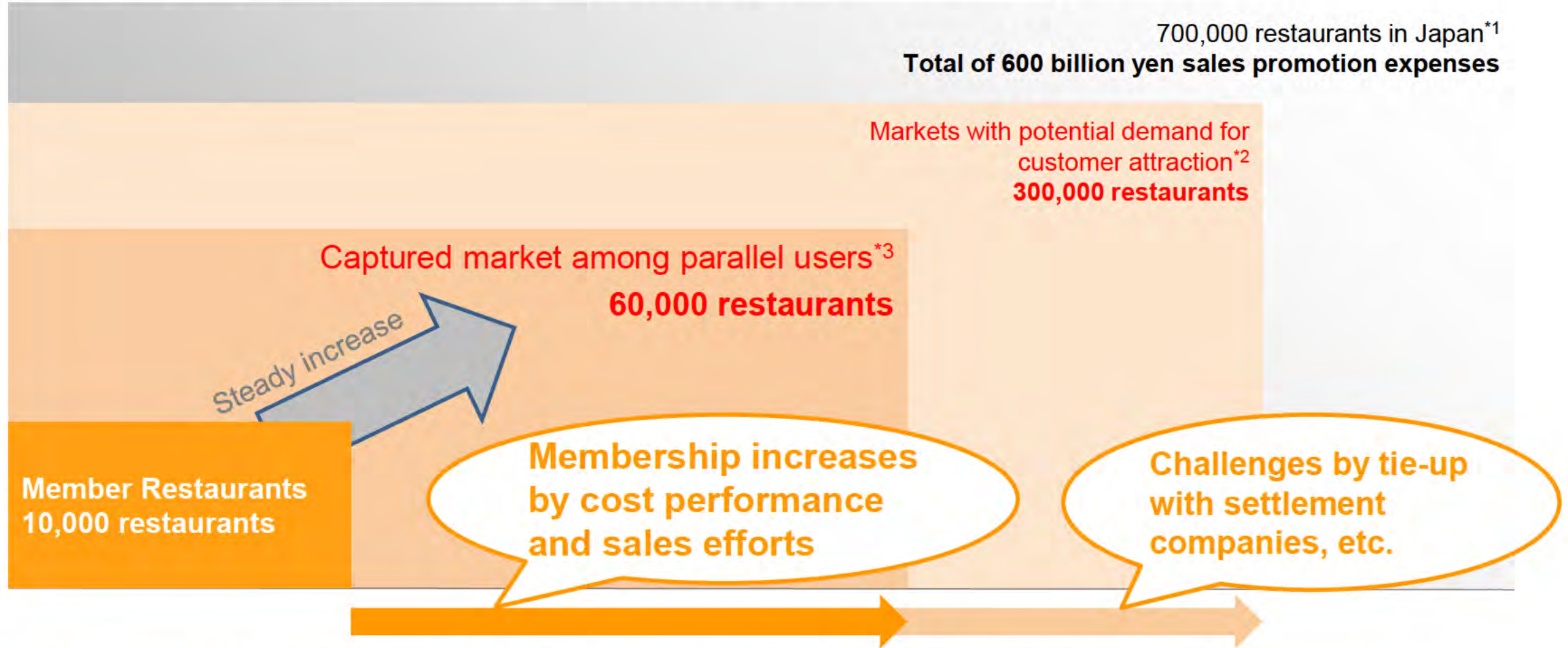
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3 Target Markets

Converting 60,000 manifested restaurants to member restaurants is a high strategic priority



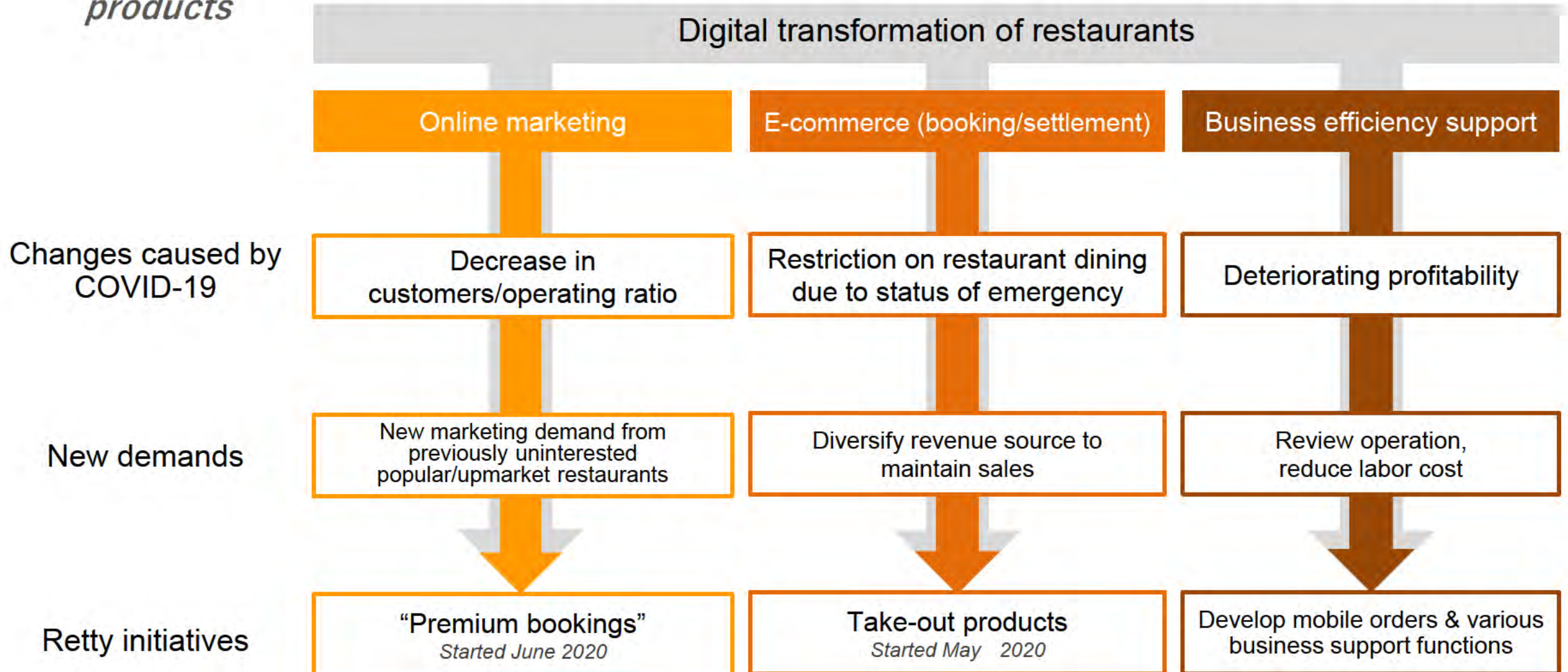
^{*1} Based on figures from Ministry of Economy, Trade and Industry (METI): Food Business Index 2016 (Food Service Operations (as of 2014)).

^{*2} Calculated by multiplying the number of restaurants located in Tokyo and other prefectures with ordinance-designated cities by the ratio of restaurants who responded "monthly expense for new and repeat customer attraction is 5,000 yen or more" to the survey (survey on sales promotion (as of March 2018)) by LINE Corporation.

^{*3} Calculated based on number of members stated on the earnings result materials at the end of March by Competitors.

3 New Strides Against Market Changes

With the widespread adoption of DX and the changing market, quickly launched three products



3 Accumulate stable revenue with hybrid model of customer appeal + business efficiency



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4 FY2021 Full-year Earnings Outlook

For FY21, net sales growth will slow down temporarily due to the decrease in sales base for our stock business from the impact of COVID-19, but new paying member acquisition is recovering. Aiming for 35%+ net sales growth from FY22

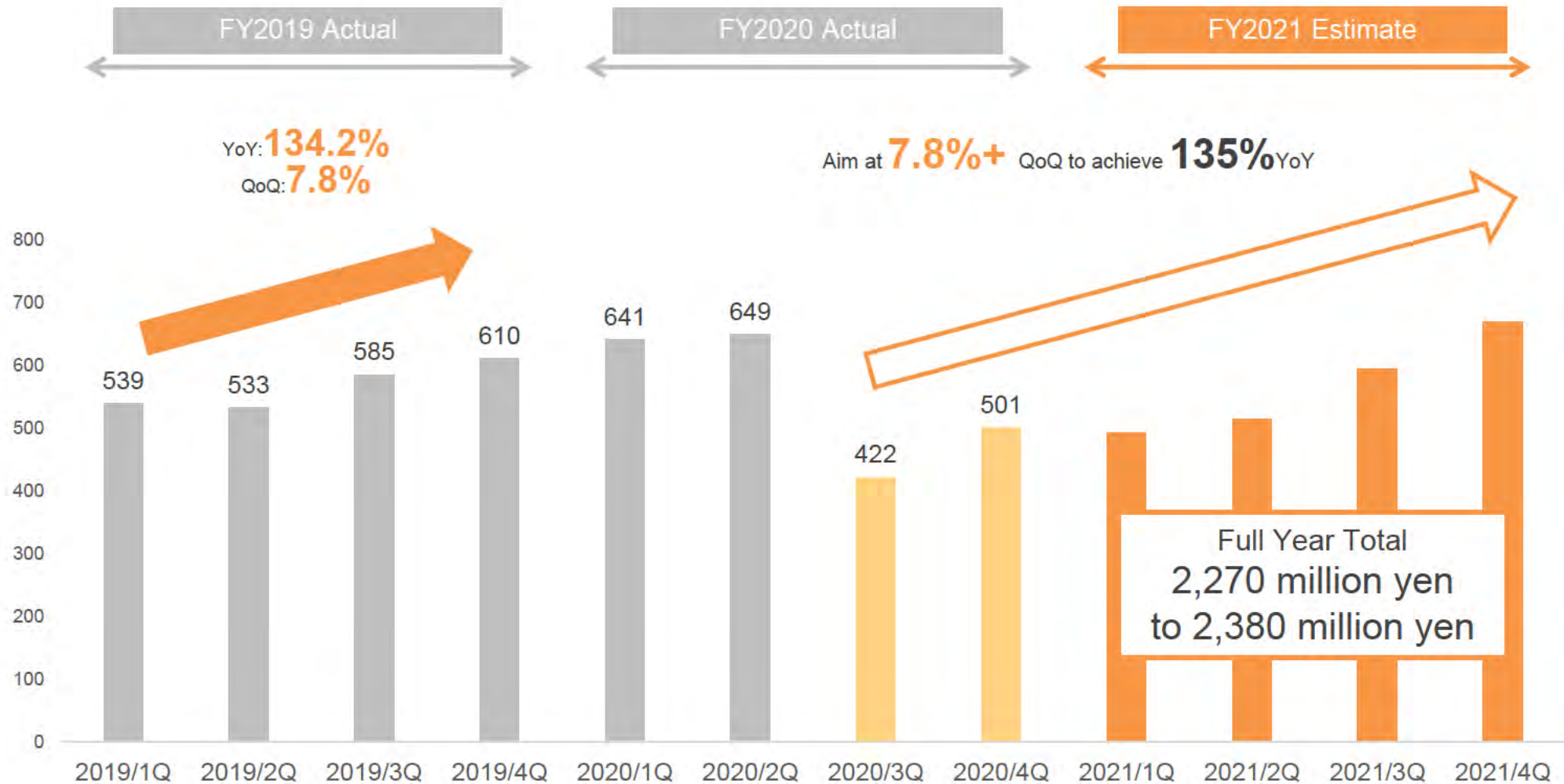
	FY2020	FY2021	
	Full Year Results	Full Year Outlook	YOY
Net sales ^{*1}	2,215	2,270 to 2,380	2.5% to 7.4%
Operating income ^{*2}	(283)	50 to 200	-

*1 The upper limit of the net sales assumes recovery in the number of new acquisition and cancellation of FRM trial membership (format used for major restaurant corporations to accept a large number of group restaurants as trial members at the same time at a lower fee), and unit price per user for advertisement/contents business to the level prior to the COVID-19 pandemic. The lower limit of the net sales assumes delay in the recovery.

*2 For operating income, in addition to the assumptions of net sales estimates stated above, we are expecting active investment in development resources, in salespersons including for the agents and in new businesses to realize medium- to long-term growth. The upper and lower limit of figures are calculated in accordance with these assumptions.

4 Net sales growth for full year earnings outlook

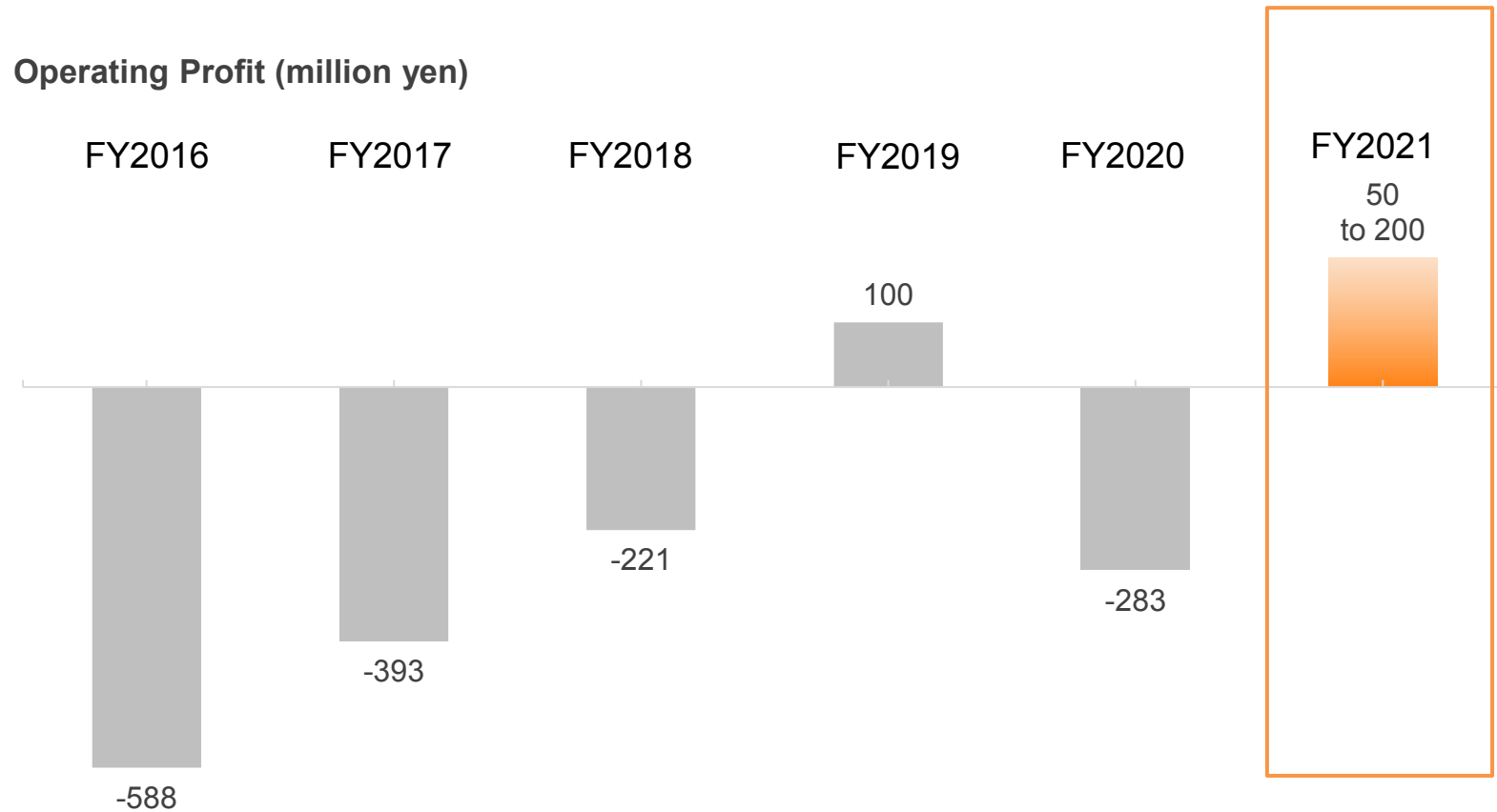
To recover from COVID-19 and achieve 135% annual growth, aim at average growth of 7.8% QoQ from 3Q20.



4

Operating income for full year earnings outlook

Operating loss reported for FY20 due to impact of COVID-19, but expected to return to profitability in FY21



Supplement material

Platform enabling stable customer attraction



New customers

Stock

Increased access

Dine

Customer management

Repeat customer

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

Premium booking

Online booking
Performance fee model

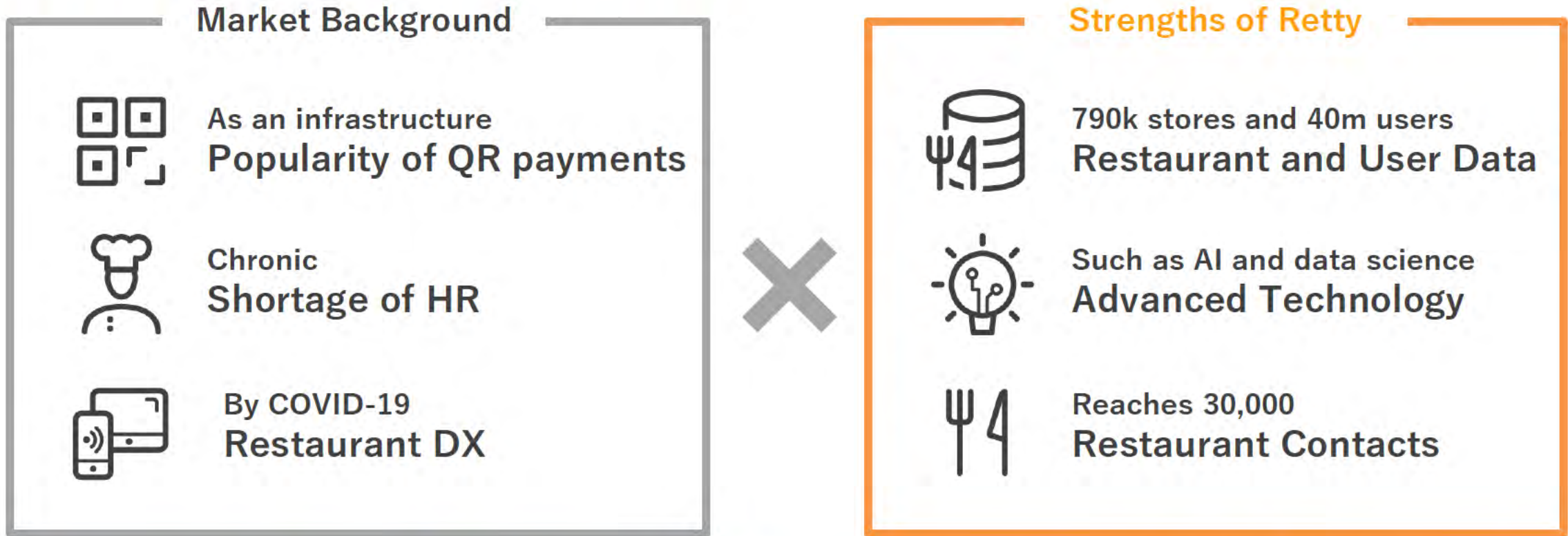


Take-out plans

Take-Out Customer Attraction & Reception System
Monthly Fixed 10,000 yen



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



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

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

Mobile Ordering Helps Restaurants Improve Operational Efficiency









Comparison of order taking workflow



お客様自身のスマホから注文



Capture offline data

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

Significantly reduce tasks by restaurant
(Enables better pricing/investment in quality of food)

Value spillover from mobile orders and the number of target

Ripple Value

Accumulated by mobile orders

Offline data

Recommendations by improving accuracy

Increase in the number of users

By improving customer service

Increase in FRM revenue

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

Target

If mobile ordering becomes as popular as in China

140k restaurants ^{※1}

If used by stores as much as promotional media

60k restaurants ^{※2}

Current Retty member restaurants

10k restaurants

※1 This figure was calculated by multiplying approximately 20% of the mobile order penetration rate in China (according to our research) by all 700,000 restaurants in Japan.

※2 Based on the number of paying members as of the end of June, based on the financial results of other gourmet services, and taking into account the percentage of combined use.

Retty