UZABASE | 3966

Sponsored Research
March 15, 2022

Sessa Investment Research

The Year UZABASE Focused Back to Japan Continuing to invest in growth while keeping in mind earnings

▷ **FY12/21 actual results: Net Sales grew 25%* to ¥16.0 bn but EBITDA shrank 22%**

—In FY12/21, net sales rose **25.1% (¥16,063 mn)**, but **EBITDA fell 22.1% (¥1,904 mn)**. UZABASE posted **¥589 mn in net profit attributable to owners of parent** after recording an extraordinary loss of about ¥500 mn following the withdrawal from NewsPicks GINZA. Earnings recovered from the previous fiscal year when the company recorded a dramatic loss of ¥6,472 mn as a result of an impairment loss due to the withdrawal from the Quartz business.

— **Annual recurring revenue (ARR), one of the company's key business indicators, rose 23% to ¥12.37 bn**. Broken down by business segment, there was particularly strong growth in SaaS business, as it grew 29% to ¥9.82 bn compared to 3% growth in NewsPicks to ¥2.58 bn.

— Net sales from the SaaS business rose 32.0% to ¥10,012 mn. As for product breakdown, SPEEDA net sales increased 24%, FORCAS sales, 43%; AD/NP sales, 72%, and INITIAL sales, 40% as new services continued to see strong growth. Despite continuing investments to grow new services, UZABASE was able to generate an EBITDA margin of 15.8% for the business. Although SPEEDA's churn rate was concerned, it is trending downward.

— As for the NewsPicks business, growth slowed in reaction to the drastic increase in paying subscribers in 2020. The ad business contributed to earnings as its net sales rose 15.5% to ¥6,106 mn.

* The year-on-year changes in earnings in this report differ from the figures given in the following chart because they remove the impact of the Quartz business.

JPY mn, %	Net Sales	YoY (%)	Oper. Profit	YoY (%)	Ord. Profit	YoY (%)	Profit (Loss) ATOP	YoY (%)	EPS
2017/12	4,565	48.2	545	117.5	518	130.0	438	63.8	15.13
2018/12	9,340	104.6	830	52.1	533	2.9	610	39.5	20.42
2019/12	12,521	34.1	(1,236)	–	(1,429)	–	(1,620)	–	(51.35)
2020/12	13,809	10.3	104	–	(281)	–	(6,472)	–	(186.58)
2021/12	16,063	16.3	1,460	14.0x	1,576	–	589	–	16.07
2022/12 (CE)	19,500–20,000	–	400–900	–	400–900	–	–	–	–

Source: compiled by SESSA Partners from company data

4Q FOLLOW-UP

UZABASE

Focus Points:

A platform company for business information, with ARR of ¥12.3bn from SaaS and News Picks. Focusing on domestic business, reorganized into SaaS and NewsPicks businesses, aiming for sales of ¥45bn in 2025 with CAGR=30% growth.

Key Indicators	
Share price (Mar 14)	841
YH (Jan 4)	1,499
YL (Mar 14)	832
10YH (Oct 12, 2020)	4,445
10YL (Nov, 4, 2016)	637.5
Shr. out (mn shrs)	36.750
Mkt cap (¥bn)	30.907
EV (¥bn)	27.772
Shr eqty ratio (Dec 31)	32.0%
FY12/22 PER (CE)	–
FY12/21 P/B (act)	4.76x
FY12/21 ROE (act)	9.58%
FY12/22 DY (CE)	0.00%

Share price 52 weeks

Source: Sessa Partners from SPEEDA data

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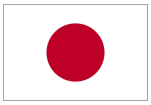

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▷ **FY12/22 earnings forecast: Net sales of ¥19.5 bn–¥20.0 bn. Continue to invest in growth while keeping in mind profitability**

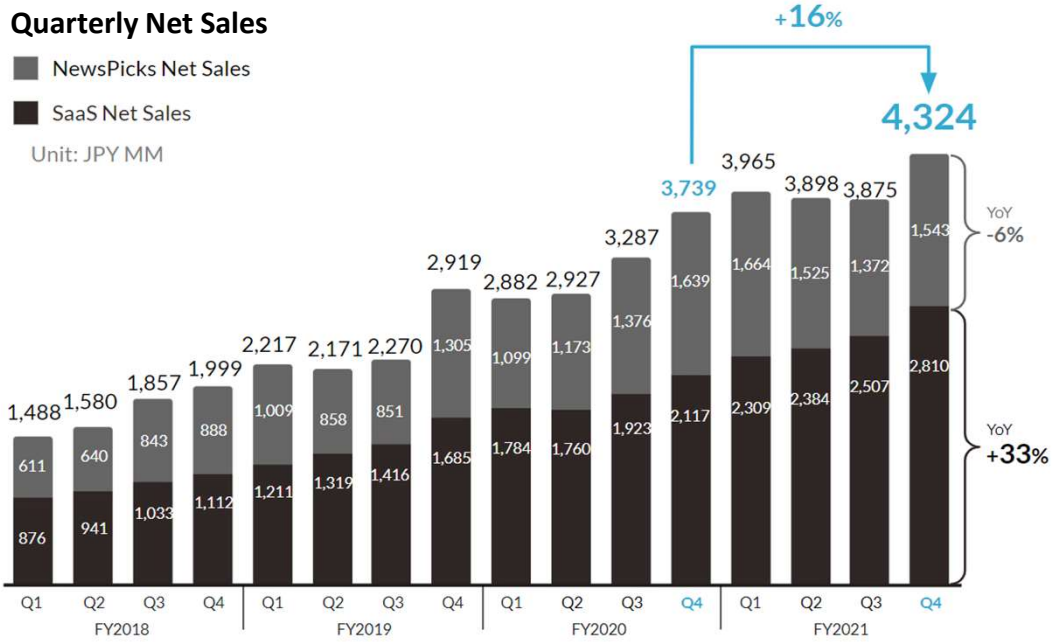
— For FY12/22, UZABASE expects to post net sales of ¥19.5 bn–¥20.0 bn, EBITDA of ¥1.0 bn–¥1.5 bn, operating profit of ¥400 mn–¥900 mn, and positive net profit attributable to owners of parent. The SaaS business will continue to show 30% growth. The NewsPicks business is also expected to start to recover. The company describes a growth strategy in which earnings bottom out in FY12/22 on account of investments in marketing to raise awareness of NewsPicks.

▷ **Long-term management strategy: Target FY12/25 nets sales of ¥45.0 bn with a CAGR of 30%.**

— In December 2021, UZABASE held a strategic plan briefing and clarified its qualitative and quantitative management orientation, which included a new "purpose" and earnings policy. The company has set a target for FY12/25 net sales of ¥45.0 bn with CAGR of 30%.

▷ **Share price trend: Continuing consolidation but expectations for boost from investments for growth**

— UZABASE's share price continues to undergo a correction in response to the decline in growth stocks throughout the world. Its share price has also been weighed down by a projected decline in FY12/22 earnings due to investments for growth. Even when compared to other SaaS companies, UZABASE is clearly underperforming. We need to carefully monitor if its share price to begin to rise when the boost from the investments for growth based on this new management strategy is factored in.



Note: Net sales through FY12/20 Q4 are minus Quartz business net sales. Source: FY12/21 Q4 results briefing material

1. FY12/2021 Results

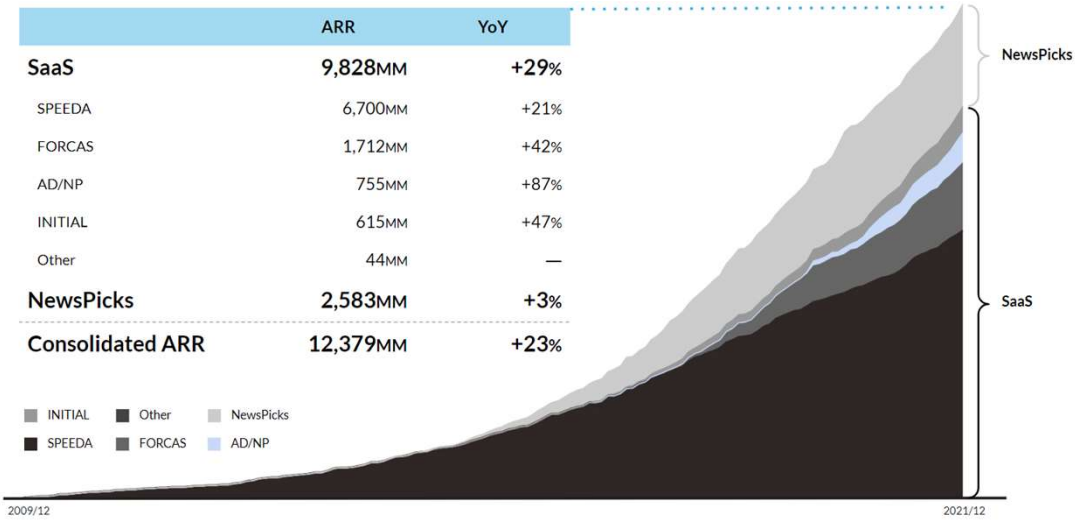
1) Net sales rose 25% to ¥16.0 bn, and EBITDA almost doubled to ¥1.9 bn.

FY12/21 net sales rose 25.1% (¥16,063 mn), but EBITDA fell 22.1% (¥1,904 mn) due to front loaded investment for growth. Despite changes to segments, which came into effect this fiscal year, net sales for the SaaS business, which is centered on SPEEDA, increased 32.0%. NewsPicks business net sales grew 15.5%. ARR has also steadily grown (see following figure). Consolidated ARR rose 23% to ¥12.37 bn.

UZABASE posted net profit attributable to owners of parent of ¥589 mn for various reasons including the impairment loss of ¥289 mn due to the shutdown of NewsPicks GINZA, and ¥210 mn in provision for loss on withdrawal from offices. Even though posting a loss of ¥6,063 mn for FY12/20 as a result of an impairment loss accompanying withdrawal from the Quartz business and other factors, the company turned a profit this fiscal year. Excluding the one-time impact of withdrawing from NewsPicks GINZA, the company achieved its initial earnings projections.

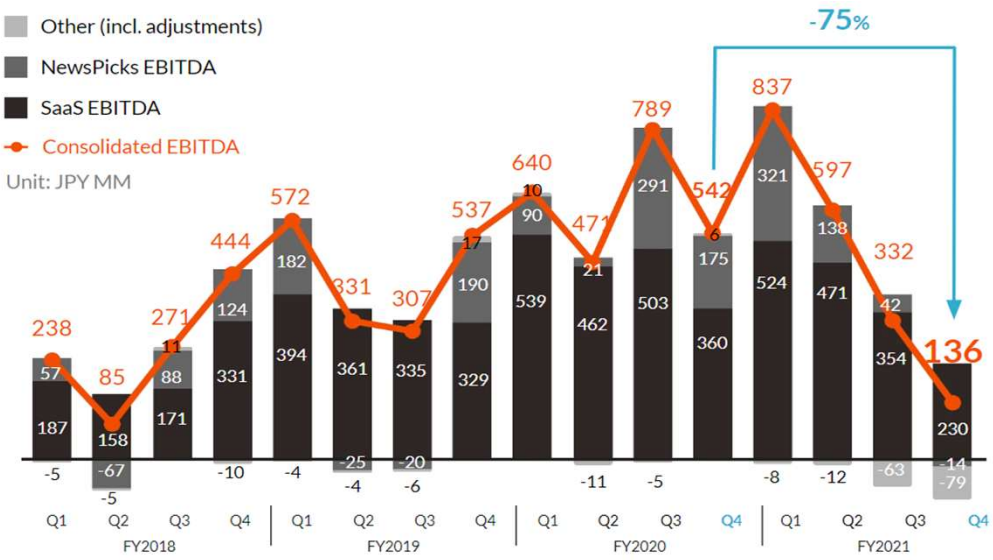
ARR(Annual Recurring Revenue)

	ARR	YoY
SaaS	9,828MM	+29%
SPEEDA	6,700MM	+21%
FORCAS	1,712MM	+42%
AD/NP	755MM	+87%
INITIAL	615MM	+47%
Other	44MM	—
NewsPicks	2,583MM	+3%
Consolidated ARR	12,379MM	+23%



Source: FY12/21 Q4 briefing material

EBITDA



Note: EBITDA through FY12/20 Q4 is minus Quartz Business EBITDA. Source: FY12/21 Q4 results briefing material

Looking at quarterly trends, EBITDA trended downward in Q3 and Q4 as a result of planned investments for future growth in FY12/21 (see above figure). There was a particularly large increase in the number of engineers (135 at beginning of FY12/21→191 at beginning of FY12/22).

2) Trends by Segment

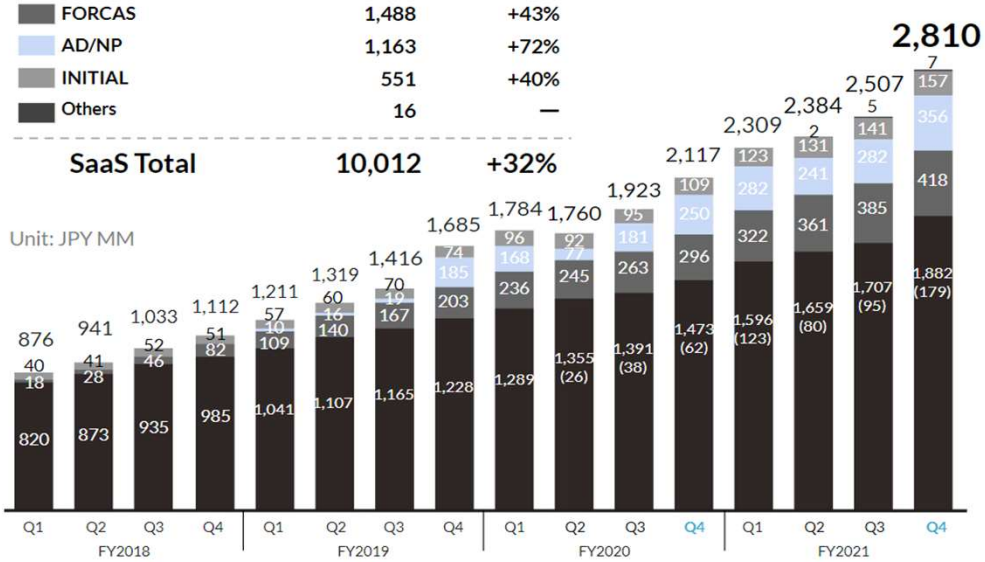
a) SaaS Business:* Net sales, ¥10,012 mn (+32.0%); ARR, ¥ 9,828 mn (29.5%); EBITDA ¥1,580 mn (-15.3); EBITDA margin 15.8% (-8.8 points)

Net sales for SPEEDA, the core of the SaaS business, rose 24% to ¥6,845 mn. Within that business, SPEEDA Expert Research, which has drawn a lot of attention recently, grew 273% to ¥479 mn.

SaaS business product attributes:
Business strategy:
SPEEDA, INITIAL, SPEEDA Edge
Customer strategy:
FORCAS, FORCAS Sales
Organization strategy:
Incubation Suite, NewsPicks
Enterprise provided through AD/NP

SaaS Business Net Sales

Product	FY12/2021	YoY Change
SPEEDA	6,845	+24%
(SPEEDA Expert Research)	479	+273%
FORCAS	1,488	+43%
AD/NP	1,163	+72%
INITIAL	551	+40%
Others	16	—
SaaS Total	**10,012**	**+32%**



Source: FY12/21 Q4 results briefing material

In addition to SPEEDA, sales of FORCAS, AD/NP, and INITIAL, other priority products, grew 43%, 72%, and 40%, respectively.

SaaS business EBITDA fell 15.3% YoY to ¥1,580 mn, and the EBITDA margin declined 8.8 points to 15.8%. Profit was recorded for both SPEEDA and INITIAL, but losses are still being posted for the other products. Despite boosting the profit margin for products in the stable growth phase, UZABASE is firmly maintaining its plans for aggressive investments in new businesses and products in the high-growth phase. One can argue that the current EBITDA trend is because of this.

SPEEDA's churn rate was a source of concern, but it has declined after peaking at 1.3% in 1Q and 2Q. As of the end of December, it had declined to about 1.0%. It appears that various measures, including robust customer support by the Customer Success Team and detailed examination of customer needs during sales activities, have been successful.

There has also been a positive upward trend in both the number of SPEEDA users and spending per customer. As of the end of FY12/21, the number of customers had grown to 1,901 companies with net increase of 239 compare to the end of FY12/20. Furthermore, average spending per customer rose 15% over the same period to ¥345,000/month. This is the result of various developments, including an increase in not only the price per ID but also the number of IDs per company and the introduction of SPEEDA EXPERT RESEARCH.

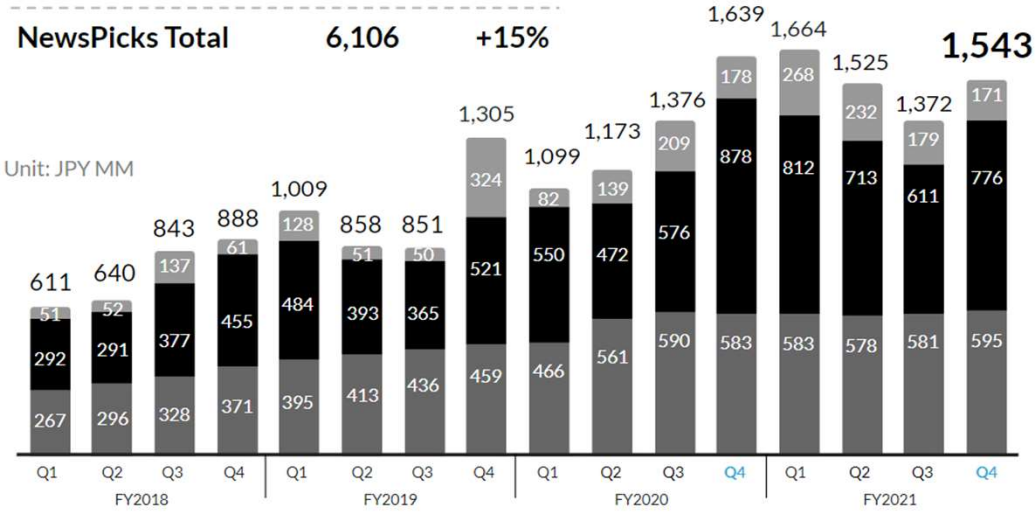
In December 2021, UZABASE announced a capital tie-up with Arches as one part of its efforts to strengthen SaaS business services. Arches possesses a network of about 50,000 experts, primarily in five southeast Asian cities. With the introduction of the Arches network, the company is trying to further expand the SPEEDA EXPERT RESEARCH service.

b) NewsPicks Business: Net sales, ¥6,106 mn (+15.5%); ARR, ¥2,583 mn (2.6%); EBITDA, ¥488 mn (-15.6%); EBITDA margin, 8.0% (-2.9 points)

In the NewsPicks business, growth in the number of users flattened in 2Q FY12/21, when contracts are renewed. This was a fall-off following the dramatic increase in the number of paying users in 2Q FY12/20. Paid subscription business net sales rose 6% to ¥2,339 mn. There was lackluster growth in the business's ARR of 2.6% to ¥2,583 mn.

NewsPicks Business Net Sales

Business	FY12/2021	YoY Change
Other	852	+40%
Advertising	2,914	+18%
Paid Subscriptions	2,339	+6%
NewsPicks Total	6,106	+15%



Source: FY12/21 Q4 results briefing material

On the other hand, there was robust growth in advertising business net sales, which rose 18% to ¥2,914 mn, as a result of an increase in the value of the medium. After falling in 2H 2020, ad placement earnings were firm because the business captured demand as it recovered since 2H. As for expenses, there has been aggressive investments in both video content, a distinguishing aspect of NewsPicks, and development and marketing to reinforce the community of NewsPicks Expert, etc.

2. FY12/22 earnings forecast: Net sales of ¥19.5 bn–¥20.0 bn Maintain investments in growth while keeping in mind profitability

UZABASE forecasts that it will post net sales of ¥19.5 bn–¥20.0 bn in FY12/22. It also forecasts EBITDA of ¥1.0 bn–¥1.5 bn, operating profit of ¥400 mn–¥900 mn, and positive net profit attributable to owners of parent. Year-on-year changes are not given because of changes in accounting standards for revenue explained below.

For the SaaS business, the company forecasts stable growth of at least 30%. Within this business, UZABASE plans to make aggressive investments in SPEEDA EXPERT RESEARCH, FORCAS, FORCAS Sales, and AD/NP and continue to generate strong growth. In 2021, a large number of engineers were hired, and in 2022, the company will increase its recruiting of sales staff. While increasing the number of engineers is important to strengthen the company's core competitiveness, it will take some time for the increase to have an impact on earnings. On the other hand, expanding the sales system can probably be expected to result in a quicker contribution to earnings.

UZABASE is aiming to generate a quick recovery in growth for NewsPicks. One of the major factors behind the slower growth in FY12/21 was weak name recognition, and the company plans to invest in marketing (TV ads, etc.) in order to increase awareness of NewsPicks. There are also plans to flexibly invest in marketing while ascertaining LTV.

UZABASE has rebuilt the business by shifting the focus to domestic operations after withdrawing from the Quartz business in November 2020. At the beginning of 2021, the company stated that it will invest in both existing and new businesses and has launched related efforts. The company continues to make investments in 2022 and is aiming for a V-shaped recovery in earnings after they bottom out in 2022.

Because of changes in how items are recorded based on revenue recognition accounting standards, the method for recording expenses for the SaaS business was changed from recording the lump-sum amount to recording a prorated amount over the life of the contract. As for the NewsPicks business, the company has revised how it lists ad net sales from total price to net price. The impact of this on revenue was to lower net sales about ¥330 mn.

3. Long-term Strategic Plan Briefing: Net sales target of ¥45.0 bn in 2025 with a CAGR of 30%

UZABASE held a long-term strategic plan briefing on December 16, 2021. At the briefing the company clarified its future orientation both qualitatively and quantitatively. First, the company revised its mission and formulated a purpose. The company has adopted the new purpose of "Awakening a world of play in business, with our insights." Its goal is to find harmony among societal, business, and individual purposes by melding business information with the power of people and technology. UZABASE offers companies various SaaS products that make it possible to implement agile management that can quickly respond to changes with the customer as the starting point. For individuals, the company offers NewsPicks, the goal of which is to increase the number of people who enjoy business and act. SaaS was integrated with NewsPicks to realize this purpose. The company aims to further grow SaaS users in the future by increasing the number NewsPicks users.

The company is aware that there is an actual SOM* of ¥112.5 bn for the SaaS business. Compared to current actual SaaS business nets sales of about ¥10.0 bn, there is a lot of potential. To generate further growth for the SaaS business, the company aims to expand not only SPEED but also multiple other products, including FORCAS and INITIAL.

On the other hand, the NewsPicks business continues to grow and is positioned as media that still has substantial room for growth. The company aims to capture a greater share through various efforts including expanding contents, such as video.

Based on this, UZABASE set the following financial targets for 2025, net sales of ¥45.0 bn through consolidated net sales CAGR of 30% and an EBITDA margin of 15%. The company thinks it will see a recovery in profitability after bottoming out in 2022.

A group executive officer system has been introduced as a system to realize that target. Furthermore, a stock compensation program was introduced for management to create long-term corporate value through shared perspective with shareholders.

* SOM: "Serviceable obtainable market" is the possible market for the current product value.

4. Share price trend

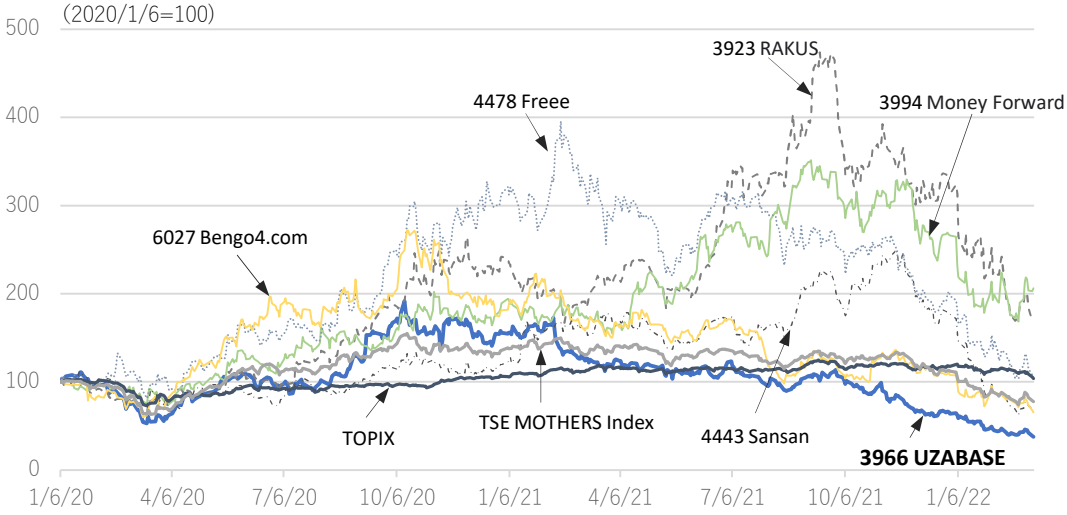
The company's share price continues to undergo a correction in response to the decline in growth stocks throughout the world. Its share price has been weighed down by not only lackluster profit due to investments for growth but also a projected decline in FY12/22 profit. The company's share price has dramatically underperformed when compared to the trend in other SaaS companies.

The market is expected to be harsh in the near future for geopolitical reasons. Even so, if the result of investments for growth begin to bear fruit in FY12/22, the company's share price is expected to positively respond. We will continue to focus on earnings trend in the coming fiscal year.

UZABASE Share Price Trend

Source: compiled by SESSA Partners from SPEEDA

UZABASE, Various SaaS Companies, TOPIX, TSE MOTHERS Index



Source: compiled by SESSA Partners from SPEEDA

Quarterly Consolidated Financial Results

	12/2018				12/2019				12/2020				12/2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	**1,488**	**1,580**	**2,363**	**3,908**	**2,847**	**2,818**	**2,808**	**4,048**	**3,171**	**3,183**	**3,583**	**3,871**	**3,965**	**3,898**	**3,875**	**4,324**
YoY	*52.9%*	*49.9%*	*106.1%*	*180.6%*	*91.3%*	*78.4%*	*18.8%*	*3.6%*	*11.4%*	*13.0%*	*27.6%*	*15.0%*	*25.0%*	*22.5%*	*8.1%*	*11.7%*
SaaS	**876**	**941**	**1,033**	**1,112**	**1,211**	**1,319**	**1,416**	**1,685**	**1,784**	**1,760**	**1,923**	**2,117**	**2,309**	**2,384**	**2,507**	**2,810**
YoY	*–*	*–*	*–*	*–*	*38.2%*	*40.2%*	*37.1%*	*51.5%*	*47.3%*	*33.4%*	*35.8%*	*25.6%*	*29.4%*	*35.5%*	*30.4%*	*32.7%*
Ratio to sales	58.9%	59.5%	43.7%	28.4%	42.5%	46.8%	50.4%	41.6%	56.3%	55.3%	53.7%	54.7%	58.2%	61.2%	64.7%	65.0%
ARR	**3,486**	**3,846**	**4,152**	**4,598**	**4,833**	**5,313**	**5,667**	**6,234**	**6,480**	**6,724**	**7,119**	**7,591**	**8,063**	**8,647**	**9,133**	**9,828**
SPEEDA	820	873	935	985	1,041	1,107	1,165	1,228	1,289	1,355	1,391	1,473	1,596	1,659	1,707	1,882
FORCAS	18	28	46	82	109	140	167	203	236	245	263	296	322	361	385	418
AD/NP	0	0	0	0	10	16	19	185	168	77	181	250	282	241	282	356
INITIAL	40	41	52	51	57	60	70	74	96	92	95	109	121	131	141	157
Others	0	0	0	0	0	0	0	0	0	0	0	0	0	2	5	7
NewsPicks	**611**	**640**	**843**	**888**	**1,009**	**858**	**851**	**1,305**	**1,099**	**1,173**	**1,376**	**1,639**	**1,664**	**1,525**	**1,372**	**1,543**
YoY	*–*	*–*	*–*	*–*	*65.1%*	*34.1%*	*0.9%*	*47.0%*	*8.9%*	*36.7%*	*61.7%*	*25.6%*	*51.4%*	*30.0%*	*-0.3%*	*-5.9%*
Ratio to sales	41.1%	40.5%	35.7%	22.7%	35.4%	30.4%	30.3%	32.2%	34.7%	36.9%	38.4%	42.3%	42.0%	39.1%	35.4%	35.7%
ARR	1,179	1,319	1,446	1,646	1,785	1,802	1,920	2,002	2,079	2,609	2,534	2,518	2,564	2,483	2,568	2,583
Subscription fee	267	296	328	371	395	413	436	459	466	561	590	583	583	578	581	595
Advertisement	292	291	377	455	484	393	365	521	550	472	576	878	812	713	611	776
Others	51	52	137	61	128	51	50	324	82	139	209	178	268	232	179	171
EBITDA																
Total	**238**	**85**	**(56)**	**919**	**(179)**	**(349)**	**(304)**	**421**	**(42)**	**(61)**	**499**	**522**	**837**	**597**	**332**	**136**
YoY	*58.7%*	*-50.3%*	*–*	*792.2%*	*–*	*–*	*–*	*-54.1%*	*–*	*–*	*–*	*23.9%*	*–*	*–*	*-33.3%*	*-74.0%*
EBITDA margin	16.0%	5.4%	-2.4%	23.5%	-6.3%	-12.4%	-10.8%	10.4%	-1.3%	-1.9%	13.9%	13.5%	21.1%	15.3%	8.6%	3.1%
SaaS	**187**	**158**	**171**	**331**	**394**	**361**	**335**	**329**	**539**	**462**	**503**	**360**	**524**	**471**	**354**	**230**
YoY	*–*	*–*	*–*	*–*	*38.2%*	*40.2%*	*37.1%*	*51.5%*	*47.3%*	*33.4%*	*35.8%*	*25.6%*	*29.4%*	*35.5%*	*30.4%*	*32.7%*
EBITDA margin	21.3%	16.8%	16.6%	29.8%	32.5%	27.4%	23.7%	19.5%	30.2%	26.3%	26.2%	17.0%	22.7%	19.8%	14.1%	8.2%
NewsPicks	**57**	**(67)**	**88**	**124**	**182**	**(25)**	**(20)**	**190**	**90**	**21**	**291**	**175**	**321**	**138**	**42**	**(14)**
YoY	*–*	*–*	*–*	*–*	*219.3%*	*–*	*–*	*53.2%*	*-50.5%*	*–*	*–*	*-7.9%*	*256.7%*	*557.1%*	*-85.6%*	*–*
EBITDA margin	9.3%	-10.5%	10.4%	14.0%	18.0%	-2.9%	-2.4%	14.6%	8.2%	1.8%	21.1%	10.7%	19.3%	9.0%	3.1%	-0.9%
Operating profit	**226**	**66**	**(186)**	**724**	**(380)**	**(551)**	**(505)**	**200**	**(263)**	**(288)**	**242**	**413**	**739**	**492**	**216**	**13**
YoY	*61.1%*	*-59.0%*	*–*	*717.2%*	*–*	*–*	*–*	*-72.4%*	*–*	*–*	*–*	*106.5%*	*–*	*–*	*6.5%*	*-96.9%*
OPM	15.2%	4.2%	-7.9%	18.5%	-13.3%	-19.6%	-18.0%	4.9%	-8.3%	-9.0%	6.8%	10.7%	18.6%	12.6%	5.6%	0.3%
Recurrent profit	**167**	**37**	**(345)**	**674**	**(395)**	**(612)**	**(551)**	**129**	**(317)**	**(348)**	**177**	**207**	**677**	**464**	**180**	**255**
YoY	*24.3%*	*-78.3%*	*–*	*828.5%*	*–*	*–*	*–*	*-80.9%*	*–*	*–*	*–*	*60.5%*	*–*	*–*	*1.7%*	*23.2%*
RP margin	11.2%	2.3%	-14.6%	17.2%	-13.9%	-21.7%	-19.6%	3.2%	-10.0%	-10.9%	4.9%	5.3%	17.1%	11.9%	4.6%	5.9%
Net profit attributable to owner of parent company	**117**	**(49)**	**(661)**	**1,205**	**(296)**	**(669)**	**(606)**	**(49)**	**(473)**	**(637)**	**(4,953)**	**(409)**	**482**	**261**	**(248)**	**94**
YoY	*-3.4%*	*–*	*–*	*24.7倍*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
NP margin	7.9%	-3.1%	-28.0%	30.8%	-10.4%	-23.7%	-21.6%	-1.2%	-14.9%	-20.0%	-138.2%	-10.6%	12.2%	6.7%	-6.4%	2.2%

Source: compiled by Sessa Partners from company materials.
Note: New reporting segment classifications was applied for 2021. Net sales includes Quartz. Figures shown here may differ slightly from company's reported figures due to rounding (J-GAAP convention is to cut off at million yen). In addition, the YoY value is a reference number if the original value is small.

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