

**In the first quarter of FY 12/20, sales grew 11% and operating loss shrank. Amid COVID-19 pandemic, the major domestic business based on the subscription business model is healthy. The media business in the U.S. saw a significant drop in advertisement revenue, and the number of employees was decreased earlier than scheduled, to cope with it.**

▷ For the first quarter of FY 12/20, net sales were ¥3,171 mn (+ 11.4% YoY), operating loss was ¥263 mn (in the same period of the previous year, operating loss was ¥380 mn), ordinary loss was ¥317 mn (in the same period of the previous year, ordinary loss was ¥395 mn), and loss attributable to owners of parent was ¥473 mn (in the same period of the previous year, loss attributable to owners of parent was ¥296 mn).

▷ The domestic business (SPEEDA, NewsPicks, FORCAS, and INITIAL) grew steadily, but the sales of the Quartz business in the U.S. (advertisement revenue) declined considerably (by ¥340 mn YoY), due to the spread of COVID-19. Excluding the results of the Quartz business, sales grew 30% YoY.

▷ MRR was ¥725 mn as of the end of March 2020. In the first quarter of FY 12/20, the ratio of sales from recurring-revenue business reached 63.2%.

▷ Amid COVID-19 pandemic, fee-charging trial subscriptions to NewsPicks and Quartz increased steeply. They are expected to contribute to the sales from the second quarter. On the other hand, significant cancellations or the like were not made for SPEEDA.

▷ The restructuring of the Quartz business was carried out. 40% of employees were dismissed mainly in the editing section for advertisement. This led to the acceleration of the change of revenue models from advertisement revenue to fee-charging, which has been conducted after the acquisition of Quartz.

▷ Due to COVID-19, the company's share price nosedived, following the overall market trend, but it has been recovering at a higher pace than TSE Mothers Index since mid-March.

JPY mn, %	Net Sales	YoY %	Oper. Profit	YoY %	Ord. Profit	YoY %	Profit ATOP	YoY %	EPS (¥)
FY2016/12	3,081	60.9	250	-	225	-	267	-	10.03
FY2017/12	4,565	48.2	545	117.5	518	130.0	438	63.8	15.13
FY2018/12	9,340	104.6	830	52.1	533	2.9	610	39.5	20.42
FY2019/12	12,521	34.1	(1,236)	-	(1,429)	-	(1,620)	-	(51.35)
FY2019/12Q1	2,847	91.3	(380)	-	(395)	-	(296)	-	(9.54)
FY2020/12Q1	3,171	11.4	(263)	-	(317)	-	(473)	-	(14.35)

## FOLLOW-UP

# UZABASE

Business Information Platform Company  
Creating a new business media in the age of SNS with the mission of 'changing the world through business information'

### Key Indicators

Share price (5/25)	2,425
YH (20/1/24)	2,598
YL (20/3/13)	1,152
10YH (18/7/9)	4,170
10YL (16/11/4)	637.5
Shrs out. (mn shrs)	33.697
Mkt cap (¥ bn)	81.717
EV (¥ bn)	85.498
Shr eqty ratio (3/ 31)	28.4%
FY3/20 P/E (CE)	-
FY3/19 P/B (act)	14.98x
FY3/19 ROE (act)	-29.1%
FY3/20 DY (CE)	0.00%

### Share price/vol 52 weeks



Source SPEEDA

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This report was prepared by Sessa Partners on behalf of Uzabase, Inc. Please refer to the legal disclaimer at the end for details.

▷ The full-year forecast for FY 12/20 (estimating that sales will grow 19.8-27.8% and EBITDA will turn positive) is unchanged. As indicated by the progress of MRR, the company established a stable revenue base while focusing on the continuous charging revenue model, and plans to make up for the decline in advertisement revenue with the increase of revenue from charges. On the other hand, there is a possibility that the effects of economic slowdown in Japan caused by the spread of COVID-19 will become evident, so we need to pay attention to it.

**1. Financial results for the 1<sup>st</sup> quarter of FY 12/20**

**1) Net sales grew 11% to ¥3.17 bn, and operating loss shrank YoY to ¥260 mn.**

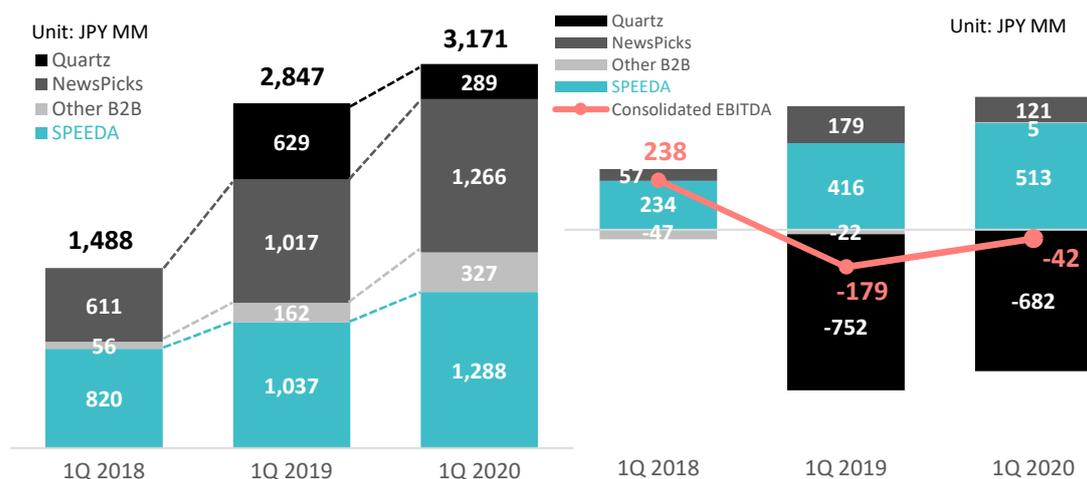
For the first quarter of FY 12/20, net sales were ¥3,171 mn (+ 11.4% YoY), operating loss was ¥263 mn (in the same period of the previous year, operating loss was ¥380 mn), ordinary loss was ¥317 mn (in the same period of the previous year, ordinary loss was ¥395 mn), and loss attributable to owners of parent was ¥473 mn (in the same period of the previous year, loss attributable to owners of parent was ¥296 mn).

The spread of COVID-19 affected the business of the company, but the existing business in Japan grew steadily for both BtoB and BtoC segments. MRR, which is a major KPI that has been introduced since the previous term, rose to ¥725 mn (¥689 mn as of the end of December 2019). In the first quarter of the current term, the ratio of sales from recurring-revenue business reached 63.2%.

On the other hand, advertisements decreased considerably in the U.S., where economic and social activities are significantly restricted due to COVID-19. The Quartz business, which is shifting from the advertisement revenue model to the fee-charging model, saw a significant drop in sales (down 54.1% YoY).

EBITDA increased ¥137 mn YoY from -¥179 mn to -¥42 mn. Excluding the results of the Quartz business, EBITDA rose 11.5% YoY from ¥573 mn to ¥689 mn, staying in the black.

**Sales & EBITDA trend in 1Q for latest 3 years**



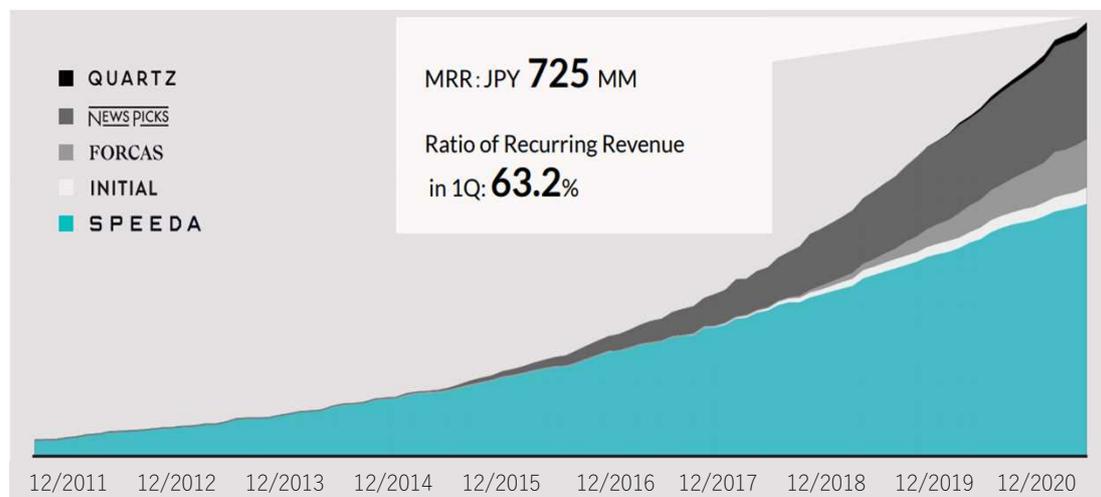
Source: compiled by Sessa Partners from company IR materials

**2) Trends by Business**

**a) SPEEDA business (net sales: ¥1,289 mn, +23.8% YoY; profit: ¥580 mn, +26.3% YoY)**

The overseas business was affected by the spread of COVID-19, but the number of subscription IDs in Japan increased steadily. Mimir, Inc. was transformed from an equity-method affiliate into a 100% subsidiary.

## Trend of MRR



Source: Company's results brief material

Then, its unique services were improved further, to meet more demanding needs from customers. The price increase implemented in January 2020 by about 20% is penetrating into the customers, and then the MRR of SPEEDA rose 21.4% YoY to ¥420 mn. In addition, the EBITDA of this segment (based on the new standards; hereinafter the same) increased steadily from ¥234 mn in Q1 of 2018 to ¥416 mn in Q1 of 2019 to ¥513 mn in Q1 of 2020. EBITDA rate changed from 28.6% to 40.0% to 39.8%, remaining high.

**b) Other BtoB business (net sales: ¥330 mn, up 101.8% YoY; profit: ¥18 mn [in the same period of the previous year, loss: ¥19 mn])**

For both INITIAL and FORCAS, customers increased steadily. The MRR of FORCAS doubled YoY to ¥80 mn. The total sales of the two services, too, doubled. As for profit, the investment in FORCAS was continued, but INITIAL remained in the black. For this quarter, this business segment earned profit. The EBITDA of this segment changed from -¥47 mn in Q1 of 2018 to -¥22 mn in Q1 of 2019 to ¥5 mn in Q1 of 2020.

**c) NewsPicks business (net sales: ¥1,267 mn, up 24.3% YoY; profit: ¥168 mn, down 23.1% YoY)**

The company kept concentrating on the enhancement of reliability as media and differentiation from other media, while enriching content, especially videos and information on COVID-19. As for net sales, new trial subscribers increased rapidly, as the needs for reliable information grew while teleworking, etc. became common due to the spread of COVID-19. The number of fee-paying subscribers is increasing at a pace 3 times higher than usual. In the second half of last year, the pace of increase of fee-paying subscribers was temporarily sluggish, but it is expected that net sales will grow from Q2 of this term. Profit declined, as fixed costs augmented because the company employed number of editorial staff earlier than scheduled in the last fiscal year. The EBITDA of this segment changed from ¥57 mn in Q1 of 2018 to ¥179 mn in Q1 of 2019 to ¥121 mn in Q1 of 2020.

**d) Quartz business (net sales: ¥289 mn, down 54.1% YoY; loss: ¥833 mn [in the same period of the previous year, loss: ¥892 mn])**

Since the spread of COVID-19 struck the U.S. economy, the advertisements posted in Quartz decreased significantly. In addition to the ads for B2C, travels, and luxury goods, the ads in the automobile field apparently have been decreased. On the other hand, the subscriptions to charged services increased steadily, so MRR rose about 3 times YoY to ¥12 mn. As a result, net sales dropped ¥340 mn YoY to ¥289 mn. The EBITDA of this segment changed from -¥517 mn in Q1 of 2018 to -¥752 mn in Q1 of 2019 to -¥682 mn in Q1 of 2020, decreasing the deficit, thanks to the cost reduction that has been conducted since last year. The company is switching the revenue model for the Quartz business from the ad revenue model to the fee charging model. In response to the pandemic, they accelerated corporate restructuring. On the day of announcement of financial results, they dismissed 40% of employees mainly in the editing section related to advertisement article in the Quartz business, with the aim of earning profit from the Quartz business as soon as possible. The cost for the restructuring, which amounts to ¥250 to ¥300 mn, is to be posted in the second quarter.

(This time, the net sales of the Quartz business plummeted, but the fee charging business grew. Accordingly, the audit corporation mentioned that it is not necessary to post impairment loss.)

**2. Impact of the spread of COVID-19 and countermeasures**

The company's services are basically provided via the Internet, and the corporate culture they have established so far is suitable, so they smoothly shifted to remote working. While the shift from offline marketing to online marketing progressed, the BtoC business (NewsPicks and Quartz) is expected to see the growth of MRR from the second quarter, thanks to the expansion of the needs for online information media from people staying home.

As for the BtoB business (SPEEDA, FORCAS, and INITIAL), some venture firms cancelled the subscription, but annual contracts were basically signed and its cost competitiveness is higher than that of competing services, so the impact is not significant.

However, the outlook for the third quarter and the following quarters is unclear, because it depends on the progress of the lifting of the state of emergency and the recovery of economic activities.

**3. Full-year forecast for FY 12/20**

**The goal for achieving net sales of ¥15 bn to ¥16 bn (up 19.8-27.8% YoY) and positive EBITDA is unchanged.**

It is difficult to estimate the impact of the spread of COVID-19 on business performance, but the full-year forecast has been unchanged from the announcement of results for the first quarter of the current term. As mentioned above, the company secures two thirds of total sales from recurring-revenue business, so it can be said that the company is resistant to the pandemic. Thanks to the popularization of remote working, some IT enterprises witnessed rapidly growing demand, and the company's services may have some benefits in the same way (e.g. the increase of customer IDs due to the popularization of teleworking).

The number of fee-paying subscribers of NewsPicks is estimated to reach the full-year estimate by the end of May. This will become a major factor in boosting the top line in the second half.

There are uncertainties over the demand for advertisement in Japan and the Quartz business, which depends on the situation of economic recovery in the U.S., but it can be said that the company's highly resilient revenue structure reassures investors.

## Quarterly results

	12/2018				12/2019				12/2020
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
<b>Net Sales</b>	<b>1,488</b>	<b>1,580</b>	<b>2,363</b>	<b>3,908</b>	<b>2,847</b>	<b>2,818</b>	<b>2,808</b>	<b>4,048</b>	<b>3,171</b>
YoY	52.9%	49.9%	106.1%	180.6%	91.3%	78.4%	18.8%	3.6%	11.4%
<b>SPEEDA</b>	<b>820</b>	<b>869</b>	<b>940</b>	<b>987</b>	<b>1,037</b>	<b>1,105</b>	<b>1,162</b>	<b>1,226</b>	<b>1,289</b>
YoY	—	—	—	—	26.5%	27.2%	23.6%	24.2%	24.3%
% of SLS	55.1%	55.0%	39.8%	25.3%	36.4%	39.2%	41.4%	30.3%	40.6%
MRR	273	295	313	332	346	373	389	407	420
<b>NewsPicks</b>	<b>611</b>	<b>638</b>	<b>825</b>	<b>888</b>	<b>1,017</b>	<b>868</b>	<b>873</b>	<b>1,419</b>	<b>1,267</b>
YoY	—	—	—	—	66.4%	36.1%	5.8%	59.8%	24.6%
% of SLS	41.1%	40.4%	34.9%	22.7%	35.7%	30.8%	31.1%	35.1%	40.0%
MRR	98	100	119	131	141	143	148	170	184
<b>Quartz</b>	<b>—</b>	<b>—</b>	<b>505</b>	<b>1,909</b>	<b>629</b>	<b>647</b>	<b>538</b>	<b>1,128</b>	<b>289</b>
YoY	—	—	—	—	—	—	6.5%	-40.9%	-54.1%
% of SLS	—	—	21.4%	48.8%	22.1%	23.0%	19.2%	27.9%	9.1%
MRR	—	—	—	0	3	5	8	11	12
<b>Other BtoB</b>	<b>56</b>	<b>68</b>	<b>98</b>	<b>126</b>	<b>162</b>	<b>198</b>	<b>236</b>	<b>274</b>	<b>330</b>
YoY	—	—	—	—	188.3%	190.5%	141.8%	117.2%	103.7%
% of SLS	3.8%	4.3%	4.1%	3.2%	5.7%	7.0%	8.4%	6.8%	10.4%
MRR (only FORCAS)	7	12	17	30	40	50	60	75	80
<b>MRR Total</b>	<b>382</b>	<b>420</b>	<b>465</b>	<b>511</b>	<b>550</b>	<b>594</b>	<b>629</b>	<b>689</b>	<b>725</b>
<b>Excluding Quartz</b>	<b>1,488</b>	<b>1,580</b>	<b>1,858</b>	<b>1,999</b>	<b>2,218</b>	<b>2,171</b>	<b>2,270</b>	<b>2,920</b>	<b>2,882</b>
YoY	52.9%	49.9%	62.1%	43.5%	49.1%	37.4%	22.2%	46.1%	29.9%
<b>EBITDA</b>									
<b>Total</b>	<b>244</b>	<b>92</b>	<b>(69)</b>	<b>920</b>	<b>(179)</b>	<b>(348)</b>	<b>(299)</b>	<b>401</b>	<b>(43)</b>
SPEEDA	234	234	214	379	416	410	398	373	513
NewsPicks	57	(67)	87	94	179	(46)	(47)	196	121
Quartz	—	—	(327)	492	(752)	(681)	(611)	(116)	(682)
Other BtoB	(47)	(75)	(43)	(45)	(22)	(31)	(39)	(52)	5
<b>Excluding Quartz</b>	<b>244</b>	<b>92</b>	<b>258</b>	<b>428</b>	<b>573</b>	<b>333</b>	<b>312</b>	<b>517</b>	<b>639</b>
EBITDA/SLS	16.4%	5.8%	-2.9%	23.5%	-6.3%	-12.3%	-10.6%	9.9%	-1.4%
EBITDA(-QZ)/SLS(-QZ)	16.4%	5.8%	13.9%	21.4%	25.8%	15.3%	13.7%	17.7%	22.2%
<b>Operating Profit</b>	<b>226</b>	<b>66</b>	<b>(186)</b>	<b>724</b>	<b>(380)</b>	<b>(551)</b>	<b>(505)</b>	<b>200</b>	<b>(263)</b>
YoY	61.1%	-59.0%	—	717.2%	—	—	—	-72.4%	—
OP margin	15.2%	4.2%	-7.9%	18.5%	-13.3%	-19.6%	-18.0%	4.9%	-8.3%
<b>Ordinary Profit</b>	<b>167</b>	<b>37</b>	<b>(345)</b>	<b>674</b>	<b>(395)</b>	<b>(612)</b>	<b>(551)</b>	<b>129</b>	<b>(317)</b>
YoY	24.3%	-78.3%	—	828.5%	—	—	—	-80.9%	—
RP margin	15.2%	4.2%	-7.9%	18.5%	-13.3%	-19.6%	-18.0%	4.9%	-8.3%
<b>Profit ATOP</b>	<b>117</b>	<b>(49)</b>	<b>(661)</b>	<b>1,205</b>	<b>(296)</b>	<b>(669)</b>	<b>(606)</b>	<b>(49)</b>	<b>(473)</b>
YoY	-3.4%	—	—	24X	—	—	—	—	—
NP margin	7.9%	-3.1%	-28.0%	30.8%	-10.4%	-23.7%	-21.6%	-1.2%	-14.9%

Source: compiled by Sessa Partners from company IR materials.

Note: No YoY changes before 2017 because of deferent segmentation. Part of MRR includes company's estimation. EBITDA for this FY uses new formula.

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