

Despite strong progress toward FY forecast OP(83.7%), CARTA Holdings leaves forecasts unchanged due to planned upfront investments

TELECY net sales disclosed for first time and showed strong start

Key points to 3Q FY12/21*

- Net sales rose 12% YoY and gross profit increased 14.1% YoY, but operating profit grew only 4% YoY as a result of strategic promotions.
- For the strategic service TELECY, 3Q net sales were ¥910 mn. This indicates a strong start for the business.
- CARTA Holdings will restructure the Group in January 2022 to simplify its structure and further strengthen management by the holding company.

* Unless noted, the various figures are quarterly -based(not 9 months) figures because the company said that results were based on 3Q(3 months) figures. In addition, changes are year-on-year changes.

	Net Sales	YoY	Oper. Profit	YoY	OPM	Profit ATOP	YoY	EPS	DPS	Net Sales
¥ mn, %	(¥mn)	(%)	(¥mn)	(%)	(%)	(¥mn)	(%)	(¥)		(¥mn)
FY9/17	25,895	24.2	1,806	5.0	1,861	49.4	1,161	58.7	96.90	15.00
FY9/18	28,518	10.1	1,420	-21.4	1,431	-23.1	1,117	-3.8	93.58	15.00
FY12/19	26,158	-	3,839	-	3,812	-	2,139	-	94.29	16.00
FY12/20	22,487	-	3,463	-	3,335	-	1,781	-	70.57	48.00
FY12/21 (CE)	25,000	11.2	4,500	29.9	4,800	43.9	3,120	75.2	123.71	50.00
FY12/20 3Q (9M)	16,321	-	2,578	-	2,435	-	1,372	-	54.34	-
FY12/21 3Q (9M)	18,464	13.1	3,554	37.8	4,019	65.0	2,574	87.5	101.92	-

Source: compiled by Sessa Partners from CARTA Holdings material.

1. Actual 3Q FY12/21 Results

1) Net sales rose 12% (¥5.83 bn), and gross profit grew 14.1% (¥5.21 bn) Operating profit increased 4.8% (¥610 mn) because of strategic promotion costs, etc.

For 3Q FY 12/21, the company recorded net sales of ¥5,835 mn (+12.0%), operating profit of ¥613 mn (+4.8%), and net income attributable to parent company shareholders of ¥358 mn (-4.7%).

While the gross profit margin increased 1.6 pt. to 89.3% from 87.7%, operating profit grew only 4.8% because SG&A expenses rose ¥610 mn due to strategic promotions.

On a cumulative basis (1Q-3Q), the company posted net sales of ¥18,464 mn (+13.1%), operating profit of ¥3,554 mn (+37.8%), and net income attributable to parent company shareholders of ¥2,574 mn (+87.5%).

3Q FOLLOW-UP

CARTA

HOLDINGS

Focus Points: VOYAGE Group and Dentsu Group's Cyber Communications (formally know as CCI merged in Jan. 2019). In addition to serving as a media rep., CARTA HD conducts various businesses related to digital advertising, such as ad platforms and internet media. In Jan.2022, the company will further strengthen the holding company's management by reorganization

Key indicators (yy/mm/dd)

Share price (12/2)	2,031
YH (9/27)	2,770
YL (1/5)	1,225
10YH (14/7/7)	4,335
10YL (20/3/23)	662
Shrs. out (mn, shr)	25.380
Mrk cap (¥bn)	51.547
EV (¥bn)	39.842
Shr. equity ratio (9/30)	55.3%
21/12 PER (CE)	16.41x
20/12 PBR (act)	2.09x
20/12 ROE (act)	7.5%
21/12 DY (CE)	2.46%

Share Price Chart (52 weeks)



Source: SPEEDA

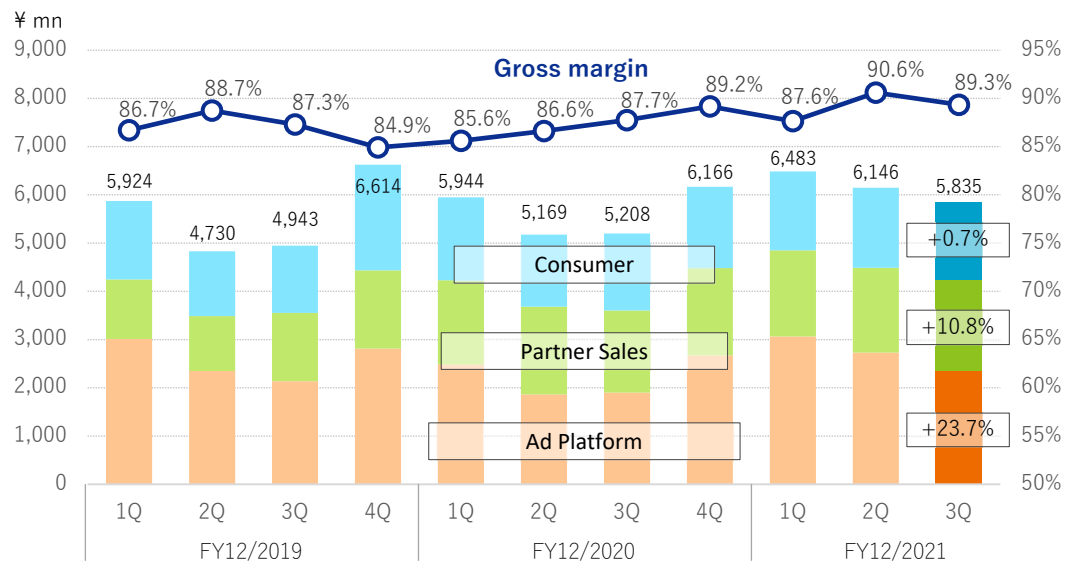
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This report was prepared by Sessa Partners on behalf of CARTA Holdings. Please refer to the legal disclaimer at the end for details.

Quarterly Consolidated Net Sales & Gross Profit Margin



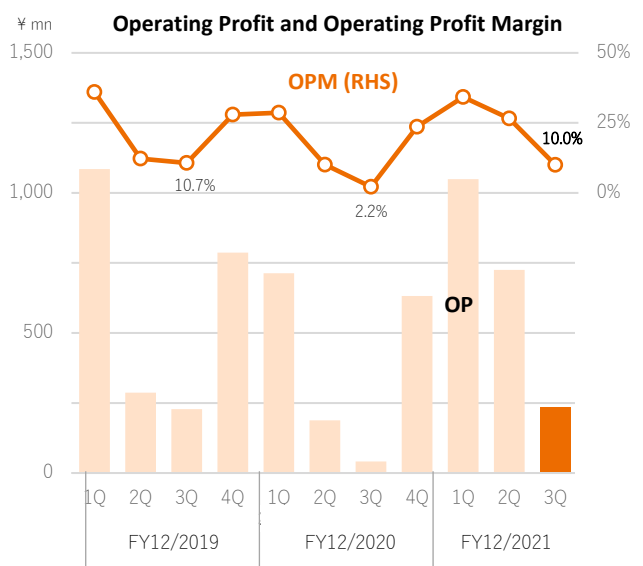
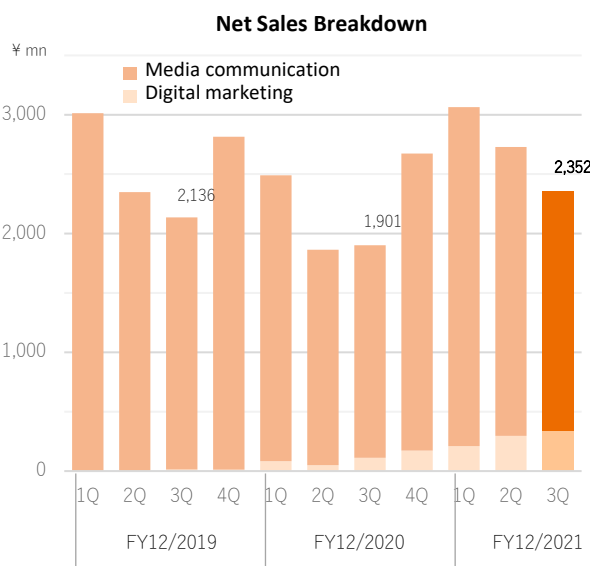
Source: compiled by Sessa Partners from CARTA Holdings material.

2. Segment Trends (see pg. 7 table)

a) Partner Sales business (net sales, ¥2,352 mn (+23.7%); segment operating profit ¥235 mn (+473.2%)).

Partner Sales business net sales have trended upward since 1Q despite the impact of the Covid-19 pandemic that stretched from 2Q to the 4Q of the previous fiscal year. Demand for brand ads remained firm in 3Q. Media Communications net sales rose 12.5%, while Digital Marketing net sales increased 3-fold, resulting in segment net sales of 2,352 mn (+23%). On account of net sales growth, segment operating profit rose 5.7-fold to ¥2.35 mn.

Partner Sales Business Segment Earnings

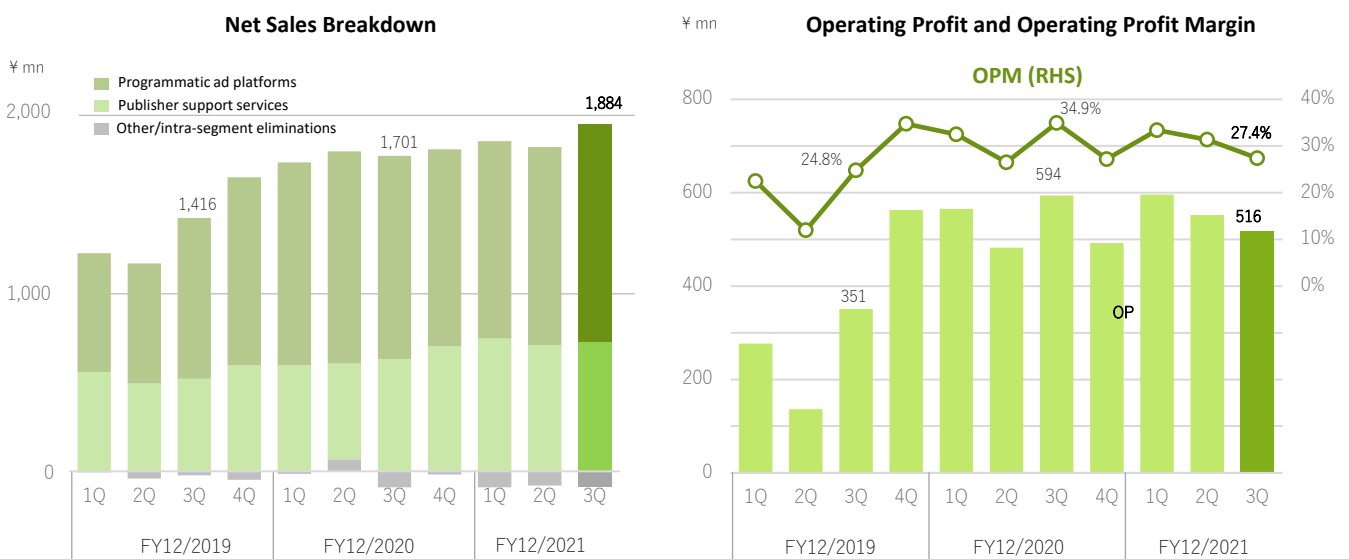


Source: compiled by Sessa Partners from CARTA Holdings material.

b) AD Platform business (net sales, ¥1,884 mn (+10.8%); segment operating profit, ¥516 mn (-13.1%)).

Programmatic ad platform net sales rose 7.0% to ¥1,235 mn because of strong TELECY growth. Publisher support sales grew 15.5% to ¥737 mn. Overall segment net sales, which includes other sales and intersegment eliminations, rose 10.8% to ¥1,884 mn. Segment operating profit fell 13.1% to ¥516 mn due to strategic promotions for TELECY.

Ad Platform Business Segment Earnings



Source: compiled by Sessa Partners from CARTA Holdings material.

One of Ad Platform business’s products is TELECY, a programmatic TV CM service, which the company has recently been focusing on. Possessing the merits of TV CMs, which can reach large numbers of consumers, and programmatic ads, for which it is easy to verify the cost benefit, programmatic TV CMs make it possible to more efficiently place ads than traditional TV CMs. CARTA Holdings plans to aggressively expand TELECY by leveraging the TV CM buying power of the Dentsu Group and its knowledge as a company skilled at developing ad platforms. The company announced TELECY gross sales. It is clear that TELECY sales have grown quickly—¥13 mn, 3Q FY12/20 → ¥11 mn, 4Q FY12/20 → ¥250 mn, 1Q FY12/21 → ¥168 mn, 2Q FY12/21 → ¥910 mn, 3Q FY12/21. Although there may be a falloff in 4Q because large deals were included in 3Q, the company’s TELECY growth strategy is based on expanding earnings through not only TV CM sales but also analytics sales in the future.

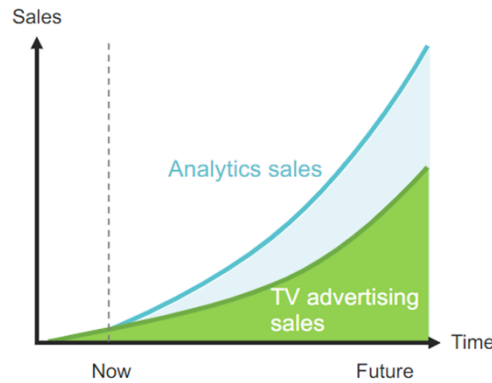
There is expected to be rapid growth in programmatic TV CMs, which are forecast to grow to ¥92.0 bn by 2025 and account for about 6%*1 of the TV ad market. While Novasell, a service offered by RAKUSL(4384)., boasts larger net sales now, it has a diffusion rate of only 0.3%*2, which probably means market growth will accelerate because of healthy competition.

1. Japanese Programmatic TV CM Market Report (TELECY Inc./Digital InFact, Inc.) *2 2020 Advertising Expenditures in Japan (Dentsu)

2. “Japanese advertisement market for 2020” by Dentsu

TELECY Growth Strategies

Achieve rapid growth in TV advertising sales (transaction value) in line with growth of the programmatic TV advertising market and seek to bolster earnings with analytics sales (flat-rate monthly charge) in the future



● **Analytics sales**

Plan to provide analytics service for a flat-rate monthly charge under Saas agreements. Provide to existing customers first and seek expansion in the number of clients by also rolling out to Dentsu Group clients in the future.

● **TV advertising sales**

Improve transaction value by increasing the number of clients, spend per client and the repeat rate. Strengthen marketing and business structure to this end and seek to increase leads acquired and improve brand recognition.

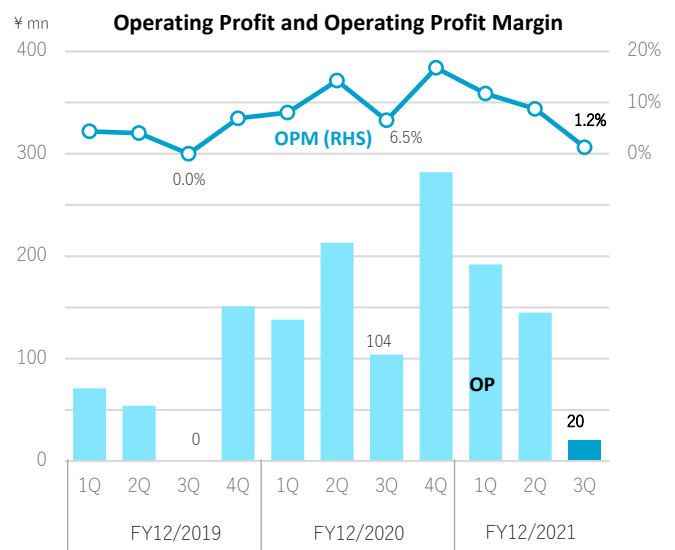
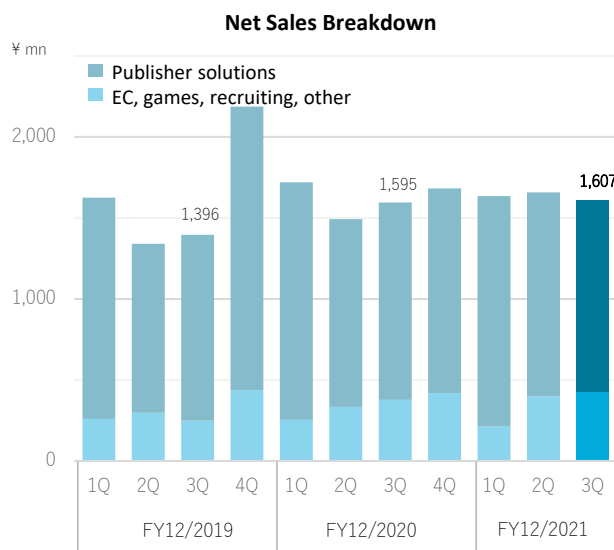
Source: CARTA Holdings material.

c) Consumer Business (net sales, ¥1,607 mn (+10.8%); segment operating profit ¥20 mn (-80.8%)).

Including both publisher solutions and e-commerce/games-related businesses, the Consumer business is positioned as a critical business for promoting the vertical integration of the CARTA Holdings' services.

For publisher solutions, 3Q net sales fell 3.0% to ¥1,181 mn, but e-commerce/game sales rose 12.7% to ¥426 mn. Overall Consumer business net sales grew 0.7% to ¥1,607 mn. However, segment operating profit fell 80.6% to ¥20 mn as a result of an increase in advertising expenses, an upfront investment for D2C. The company plans to continue to aggressively spend money on advertising.

Consumer Business Segment Earnings



Source: compiled by Sessa Partners from CARTA Holdings material.

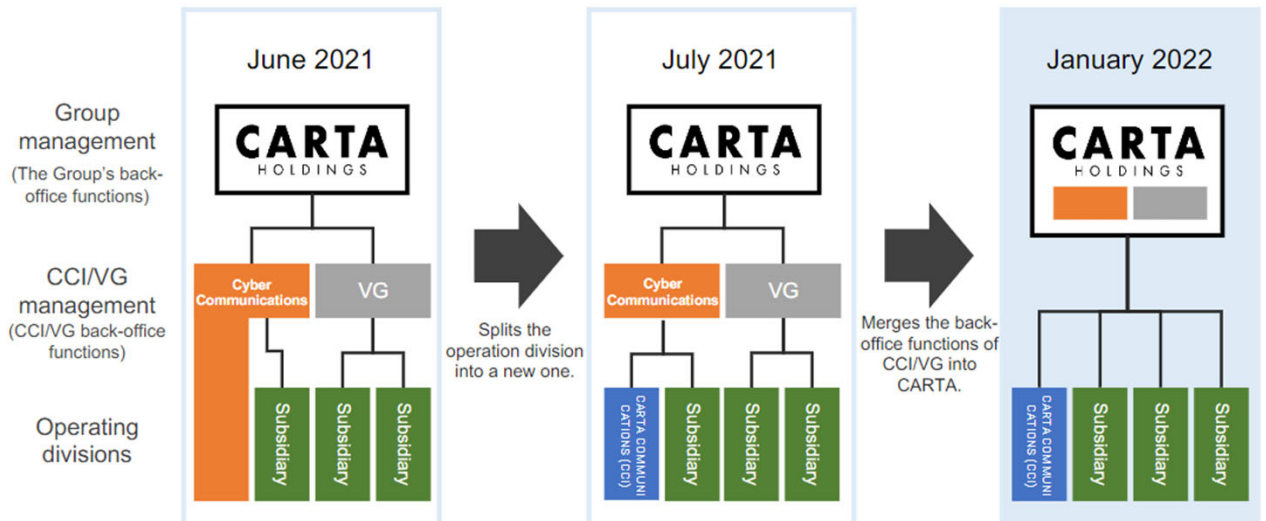
3. Full FY12/21 Outlook: Steady Progress Following Revisions to Earnings Forecasts

As of the end of 3Q, CARTA Holdings had made steady progress toward reaching its forecasts for the full fiscal year (revised August 2021)—73.9% for net sales, 79.0% for operating profit, and 82.5% for net profit. Despite planning to continue to make upfront investments related to expanding personnel and spending for advertising, the company will probably achieve its forecasts for the full fiscal year, at least considering recent conditions. It expects to reach the EBITDA target of ¥6.0 bn appearing in the medium-term management plan one year earlier than initially projected.

4. Moving Toward January 2022 Group Reorganization: Simplifying Group Structure and Building a Sense of Unity

After VOYAGE GROUP and former CCI merged in January 2019, CARTA Holdings moved forward with a group restructuring to generate synergies between the two companies and create a sense of unity. In July 2021, business divisions were split off into new ones. The company will transition to a new system that centralizes VOYAGE GROUP and former CCI’s existing back office functions to the holding company, CARTA Holdings, in January 2022. The goal is to not only accelerate speed of decision making but also to further boost business growth and productivity by creating a simple group structure with various business subsidiaries directly under CARTA Holdings and increasing a sense of involvement of employees.

Overall Group Reorganization Schedule



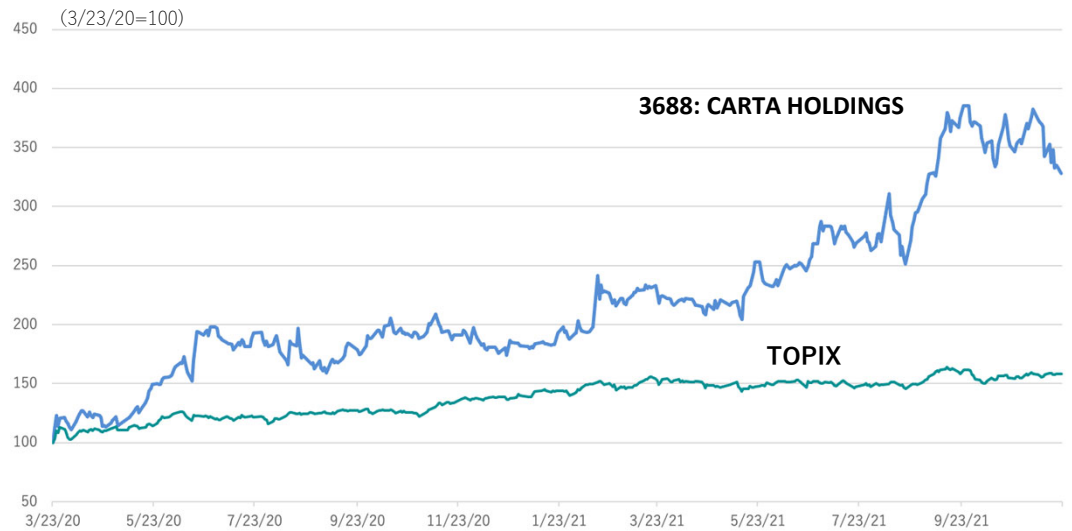
Source: CARTA HOLDINGS materials

3688 CART Holdings Share Price Trend (most recent 3 years)



Source: Compiled by SESSA Partners from SPEEDA data

Relative Chart (3688, TOPIX)



Source: Compiled by SESSA Partners from SPEEDA data

Quarterly Consolidated Results by Segment

	FY12/19				FY12/20				FY12/21			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Net Sales	5,924	4,730	4,943	6,614	5,944	5,169	5,208	6,166	6,483	6,146	5,835	
YoY	17.3%	-1.4%	20.6%	10.7%	0.3%	9.3%	5.4%	-6.8%	9.1%	18.9%	12.0%	
Partner Sales business	3,013	2,349	2,136	2,815	2,490	1,864	1,901	2,673	3,064	2,729	2,352	
YoY	21.9%	2.8%	23.8%	-6.2%	-17.4%	-20.6%	-11.0%	-5.0%	23.1%	46.4%	23.7%	
% of Sales	50.9%	49.7%	43.2%	42.6%	41.9%	36.1%	36.5%	43.4%	47.3%	44.4%	40.3%	
Media communication	3,013	2,349	2,122	2,804	2,406	1,814	1,789	2,500	2,854	2,431	2,013	
YoY	-	-	-	-	-20.1%	-22.8%	-15.7%	-10.8%	18.6%	34.0%	12.5%	
% of Sales	50.9%	49.7%	42.9%	42.4%	40.5%	35.1%	34.4%	40.5%	44.0%	39.6%	34.5%	
Digital marketing	0	0	13	11	84	49	112	173	210	297	338	
YoY	-	-	-	-	-	-	761.5%	1472.7%	150.0%	506.1%	201.8%	
% of Sales	0.0%	0.0%	0.3%	0.2%	1.4%	0.9%	2.2%	2.8%	3.2%	4.8%	5.8%	
Ad Platform business	1,232	1,139	1,416	1,621	1,739	1,819	1,701	1,810	1,785	1,761	1,884	
YoY	5.7%	-3.1%	28.7%	37.3%	41.2%	59.7%	20.1%	11.7%	2.6%	-3.2%	10.8%	
% of Sales	20.8%	24.1%	28.6%	24.5%	29.3%	35.2%	32.7%	29.4%	27.5%	28.7%	32.3%	
Publisher support services	564	499	526	602	603	544	638	710	754	717	737	
YoY	0.9%	0.4%	0.4%	15.5%	6.9%	9.0%	21.3%	17.9%	25.0%	31.8%	15.5%	
% of Sales	9.5%	10.5%	10.6%	9.1%	10.1%	10.5%	12.3%	11.5%	11.6%	11.7%	12.6%	
Programmatic ad platforms	675	682	913	1,068	1,151	1,205	1,154	1,119	1,121	1,125	1,235	
YoY	8.0%	-3.0%	36.5%	39.2%	70.5%	76.7%	26.4%	4.8%	-2.6%	-6.6%	7.0%	
% of Sales	11.4%	14.4%	18.5%	16.1%	19.4%	23.3%	22.2%	18.1%	17.3%	18.3%	21.2%	
Other/intra-segment eliminations	-7	-41	-23	-49	-15	68	-91	-19	-91	-81	-88	
Consumer business	1,626	1,342	1,396	2,188	1,720	1,494	1,595	1,683	1,636	1,658	1,607	
YoY	10.9%	-3.2%	5.6%	20.4%	5.8%	11.3%	14.3%	-23.1%	-4.9%	11.0%	0.8%	
% of Sales	27.4%	28.4%	28.2%	33.1%	28.9%	28.9%	30.6%	27.3%	25.2%	27.0%	27.5%	
Publisher solutions	1,365	1,043	1,147	1,750	1,466	1,158	1,217	1,262	1,423	1,258	1,181	
YoY	19.0%	4.6%	9.8%	33.5%	7.4%	11.0%	6.1%	-27.9%	-2.9%	8.6%	-3.0%	
% of Sales	23.0%	22.1%	23.2%	26.5%	24.7%	22.4%	23.4%	20.5%	21.9%	20.5%	20.2%	
E-commerce, games, recruiting, other	260	298	249	437	254	335	378	420	212	400	426	
YoY	-18.2%	-23.6%	-10.1%	-13.6%	-2.3%	12.4%	51.8%	-3.9%	-16.5%	19.4%	12.7%	
% of Sales	4.4%	6.3%	5.0%	6.6%	4.3%	6.5%	7.3%	6.8%	3.3%	6.5%	7.3%	
Operating Profit	1,272	316	409	1,076	1,263	729	585	884	1,675	1,265	613	
YoY	28.4%	-58.6%	-	-2.7%	-0.7%	130.7%	43.0%	-17.8%	32.6%	73.5%	4.8%	
Operating margin	21.50%	6.70%	8.30%	16.30%	21.20%	14.10%	11.20%	14.30%	25.80%	20.60%	10.50%	
Partners Sales business	1,085	287	228	787	713	188	41	632	1,049	725	235	
YoY	54.6%	-43.1%	-227.4%	-6.5%	-34.3%	-34.5%	-82.0%	-19.7%	47.1%	285.6%	473.2%	
Operating margin	36.0%	12.2%	10.7%	28.0%	28.6%	10.1%	2.2%	23.6%	34.2%	26.6%	10.0%	
Ad Platform business	277	136	351	563	565	482	594	492	596	552	516	
YoY	-12.6%	-54.7%	101.7%	317.0%	104.0%	254.4%	69.2%	-12.6%	5.5%	14.5%	-13.1%	
Operating margin	22.5%	11.9%	24.8%	34.7%	32.5%	26.5%	34.9%	27.2%	33.4%	31.3%	27.4%	
Consumer business	71	54	0	151	138	213	104	282	192	145	20	
YoY	184.0%	390.9%	-	-16.1%	94.4%	294.4%	-	86.8%	39.1%	-31.9%	-80.8%	
Operating margin	4.4%	4.0%	-	6.9%	8.0%	14.3%	6.5%	16.8%	11.7%	8.7%	1.2%	

Note: There may be slight inconsistencies in figures because of rounding, etc. All-company expenses not attributed to a particular segment are included as adjustments. Therefore, total segment operating profit does not equal company-wide operating profit.

Source: compiled by Sessa Partners from CARTA Holdings material.

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