



## 2Q FY12/21 Financial Results

### Upwardly revised full-year forecasts

#### Summary

In 2Q FY12/21, the company reported sales of ¥6,146 million (+18.9% YoY) and operating profit of ¥1,265 million (+73.5% YoY), a substantial YoY rise for both. In addition, the company upwardly revised its full-year forecast for sales to ¥25.0 billion (+2.0% versus previous forecast) and operating profit to ¥4.5 billion (+18.4%; see table below for details). The company had set an EBITDA target of ¥6.0 billion in its medium-term management plan ending in FY12/22, but revised its forecasts to achieve this target one year ahead of plan in FY12/21 as it had booked EBITDA of ¥3.46 billion in 1H FY12/21.

¥ mn, %	Net Sales	YoY	OP	YoY	RP	YoY	NP	YoY	EPS(¥)
2019/12*	26,158	-	3,839	-	3,812	-	2,139	-	94.3
2020/12	22,487	-	3,467	-	3,335	-	1,781	-	70.6
2021/12 Old CE	24,500	8.6	3,800	9.6	3,700	10.9	2,400	34.8	95.3
2021/12 New CE	25,000	2.0	4,500	18.4	4,800	29.7	3,120	30.0	123.7
2020/12 1H	11,113	-	1,992	-	1,872	-	996	-	39.17
2021/12 1H	12,629	13.6	2,940	47.6	3,301	78.2	2,215	122.3	87.43

#### Ad Platform

In the Ad Platform segment, sales fell 3.2% YoY to ¥1.7 billion, but operating profit rose 14.7% YoY to ¥552 million. The company noted that the drop in sales was primarily attributed to its efforts to enhance screening of ad creatives. It had voluntarily raised the screening criteria for advertisers out of consideration for the social impact of the ads. Additionally, the company had concerns over Apple's release of iOS 14.5 in April, but there was no noticeable decrease in sales. On the other hand, operating profit rose substantially as sales mix improved owing to growth in high-margin Publisher Support services. Although TELECY is a programmatic performance TV commercial service that has been garnering attention, sales figures are unavailable as the company does not disclose sales by service. However, the company noted that the service is steadily growing.

#### Partner Sales

The Partner Sales segment reported sales of ¥2,720 million (+46.4% YoY) and segment profit of ¥720 million (+285.8% YoY), making it the largest contributing segment to the overall growth in 2Q profits. YoY comparisons are not available as the company changed segment classifications for some businesses starting in FY12/21. However, the segment posted substantial growth on the back of strong brand ad placements, as well as favorable comparisons owing to the impact of COVID-19 being most pronounced in 2Q FY12/20. As some have pointed out that the details of the segment are complex and difficult to understand, the company began disclosing information under the two subsegments of Media Communication and Digital Marketing in 2Q. The Digital Marketing subsegment reported 2Q sales of ¥297 million, a small amount in absolute terms but a six-fold increase

## 2Q FOLLOW-UP

# CARTA

HOLDINGS

#### Focus Points:

CARTA HOLDINGS is a specialist digital advertising company, which will drive the digital transformation of media solutions together with the Dentsu group

#### Key Indicators

Share price (8/20)	1,735
YH (8/10)	2,173
YL (11/10)	1,451
10YH (14/7/7)	4,335
10YL (20/3/23)	662
Shrs out. (mn, shrs)	25.306
Mkt cap (¥bn)	35.645
EV (¥bn)	32.424
Shr eqty ratio (3/31)	55%
21/12 P/E (CE)	14.02x
21/06 P/B (act)	1.67x
20/12 ROE (act)	7.45%
21/12 DY (CE)	2.88%



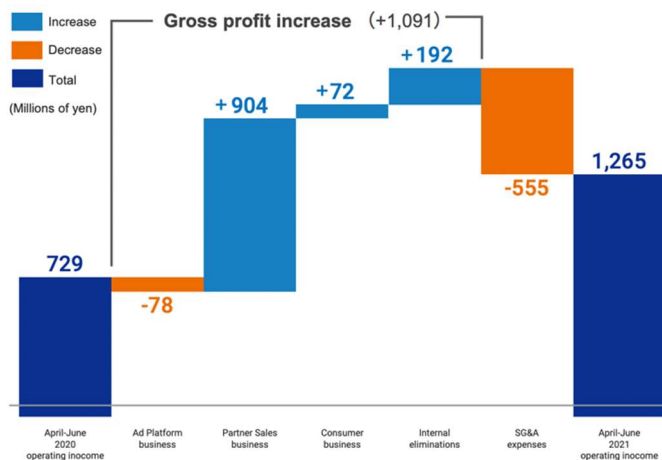
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This report was prepared by SESSA Partners on behalf of CARTA Holdings. Please refer to the legal disclaimer at the end for details.

Factors affecting OP

YoY. While Google has decided to stop cookie-based advertising, the company’s subsidiaries DataDigi and Data Current provide services geared for cookieless advertising.



\* Retroactively adjusted after segment classification changes in January 2021.

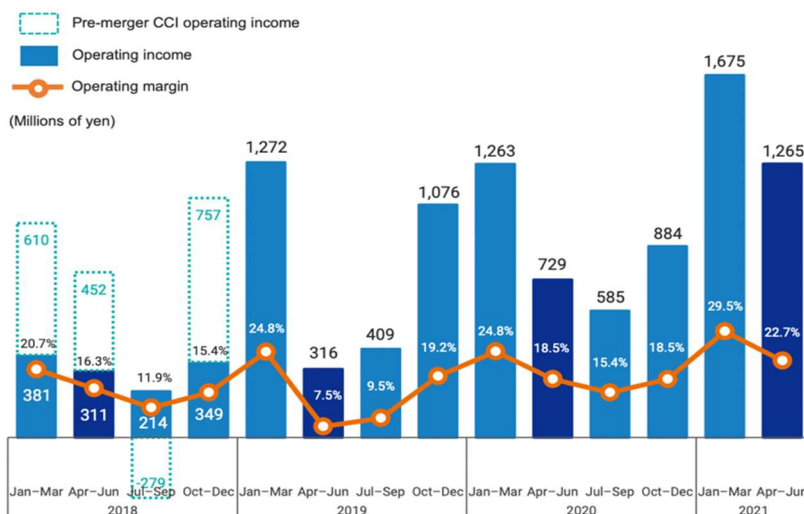
Source: Company’s material 2Q FY12/21

Consumer

The Consumer segment reported sales of ¥1,658 million (+11.0% YoY) and segment profit of ¥140 million yen (-31.8% YoY). The drop in profit was mainly attributable to higher advertising expenses in line with the growth of its e-commerce related business. The management team considers the e-commerce business to be in a medium- to long-term growth phase and intends to continue investing proactively. In 2H, the company plans to increase its advertising expenditures by approximately ¥500 to ¥700 million YoY.

Financial Highlights

In 2Q, SG&A expenses rose 14.8% YoY to ¥4.3 billion. Since personnel expenses account for over half of SG&A expenses, it is difficult to reverse an increase. However, the company intends to continue investing in personnel with a medium- to long-term view, since personnel shortages persist as the business expands. Meanwhile, the operating profit margin was 22.7%, the highest 2Q level in recent years, and the rise in personnel expenses has not dragged down margins. The management team has done an exceptional job of growing earnings by scaling up the business while making long-term investments in personnel.



\* Figures through 2018 reflect Voyage Group and CCI results (unaudited) with early adoption of the new revenue recognition standard (net basis) retroactively applied for the purpose of comparison.  
 \* Operation margin = operating income/gross profit  
 \* Figures through 2019 exclude CMerTV

Source: CARTA Holdings, 2Q FY12/21 Presentation materials

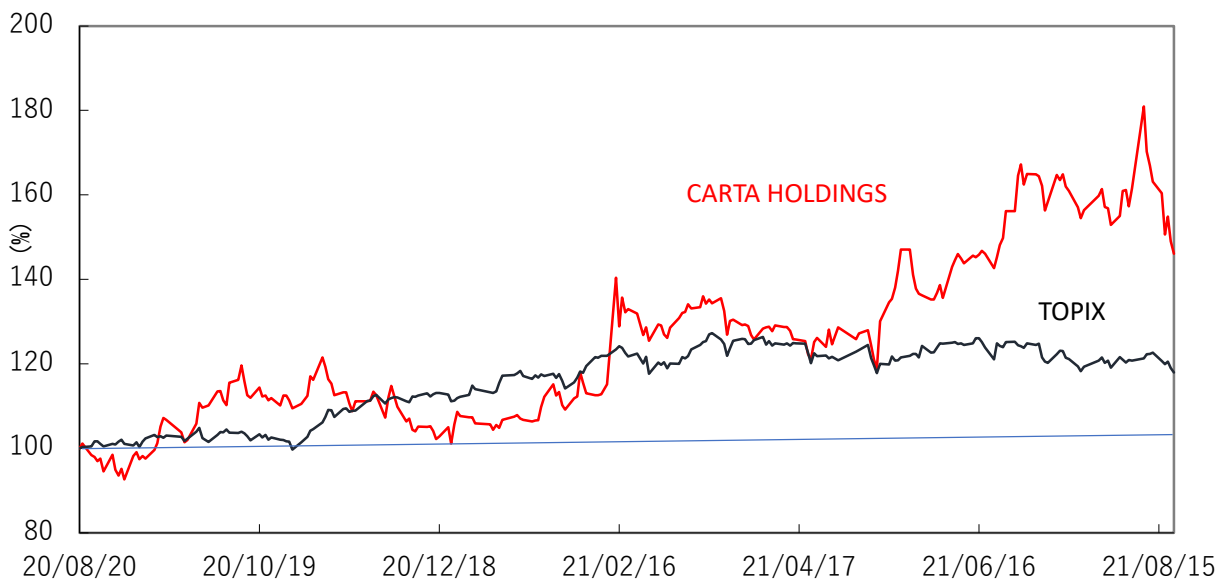
**Share Price Trend**

Although the company’s share price soared on August 10 after reporting strong 2Q results, it has since been correction 20% on negative factors such as the recent state of international affairs. Meanwhile, the business environment is healthy and the company will start seeing synergies from the merger of CCI and VOYAGE. Taking this into consideration, the current valuation of 1.7x P/B and 4.8x EV/EBITDA is a bargain.

Name	Market Cap (¥bn)	EV/EBITDA LTM*, X	OPM LTM, %	ROE LTM. %	PBR LTM, X	PER LTM, X	1Yr Pct Chg %
4384 RAKSUL	150.0	161.6	2.6	6.6	18.9	313.0	72.6
2491 VALUECOMMERCE	138.7	14.5	22.5	20.0	9.1	47.8	18.6
4751 CYBERAGENT	974.0	9.8	13.6	32.7	8.0	28.8	31.0
4293 SEPTENI	52.0	6.0	20.1	17.7	2.6	16.1	44.4
3688 CARTA	43.9	4.8	18.4	11.9	1.7	14.6	46.0
2461 FAN COMM	30.7	3.6	8.6	8.7	1.5	16.9	-14.2

Source: Sessa Partners from SPEEDA \*LTM: Last Twelve Months

**Share Price Performance vs. TOPIX**



Source: Sessa Partners from SPEEDA

**INCOME STATEMENT (QUARTERLY)**

FY	FY2020/12				FY2021/12	
	Q1	Q2	Q3	Q4	Q1	Q2
Total Revenue	5,944	11,113	16,321	22,487	6,483	12,629
Total Cost of Sales	856	1,547	2,185	2,852	801	1,378
Cost of Sales	855	1,547	2,185	2,852	800	1,377
Gross Profit	5,088	9,566	14,136	19,635	5,682	11,251
<i>Gross Margin</i>	86	86	87	87	88	89
Selling, General and Administrative Expenses	3,825	7,573	11,558	16,172	4,007	8,310
Operating Profit	1,263	1,992	2,578	3,463	1,675	2,940
<i>Operating Profit Margin</i>	21	18	16	15	26	23
Non-Operating Income	51	69	94	149	327	386
Interest and Dividends Income	36	38	51	66	23	38
Non-Operating Expenses	128	188	237	277	14	25
Interest Expenses	0				0	1
Income from Equity Method - Non-Operating	-55	-83	-114	-44	5	19
Ordinary Profit	1,186	1,874	2,435	3,335	1,988	3,301
<i>Ordinary Profit Margin</i>	20	17	15	15	31	26
Extraordinary Gains/Losses	104	50	35	-280	117	96
Extraordinary Gain	227	227	227	231	248	258
Extraordinary Loss	123	177	192	511	131	162
Pretax Profit	1,290	1,924	2,471	3,055	2,104	3,398
<i>Pretax Profit Margin</i>	22	17	15	14	32	27
Income Taxes	578	903	1,042	1,190	760	1,206
Income Taxes - Current				1,321		
Income Taxes - Deferred				-131		
Net Profit Attribute to parent company shareholders	693	996	1,372	1,781	1,344	2,215
<i>Net Profit</i>	711	1,021	1,428	1,865	1,344	2,192
Net Profit Attribute to non-controlling shareholders	18	25	55	83	0	-23
Net Profit Margin (Attribute to parent company shareholders)	12	9	8	8	21	18
Other Comprehensive Income	-543	6	-212	-237	334	535
Net Gain on Revaluation of Available-for-sale Financial Assets(CI)	-550	-1	-211	-327	341	558
Foreign Currency Translation Adjustments (CI)	0	0	0	0	2	2
Share of Other Comprehensive Income of Associates	7	7	0	89	-9	-24
Comprehensive Income	168	1,027	1,216	1,627	1,678	2,727
Comprehensive Income Attributable to Owners of the Parent	149	1,002	1,160	1,543	1,678	2,751

**BALANCE SHEET (QUARTERLY)**

FY	FY2020/12				FY2021/12	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Total Assets</b>	<b>47,462</b>	<b>42,517</b>	<b>43,711</b>	<b>49,259</b>	<b>50,567</b>	<b>47,651</b>
Current Assets	35,084	29,343	30,924	37,004	37,979	34,754
Cash Cash Equivalents And Short-term Investments	13,957	15,576	15,163	15,695	15,244	18,064
Cash & Cash Equivalents	13,897	15,511	15,098	15,600	15,169	17,949
Short-Term Investment in Securities	60	65	65	95	75	115
Accounts Receivables	18,449	11,580	12,834	17,697	19,832	14,234
Inventories	791	526	445	564	694	660
Finished Goods and Merchandise	9	21	36	29	48	31
Other Inventories	782	505	409	535	646	629
Allowance for Doubtful Accounts - Assets	-33	-52	-51	-51	-51	-51
Non-Current Assets	12,378	13,174	12,787	12,255	12,587	12,896
Property, Plant & Equipment (PPE)	1,647	1,618	1,621	1,276	1,446	1,553
Intangible Assets	5,853	5,867	5,663	5,462	5,219	5,079
Goodwill	2,347	2,481	2,399	2,317	2,180	2,103
Investments and Other Assets	4,877	5,688	5,502	5,516	5,920	6,263
Investment Securities (inc. Subsidiaries and Affiliates)	3,274	4,108	3,918	3,959	4,501	4,883
Investment Securities	3,274	4,108	3,918	3,959	4,501	4,883
Deferred Tax Assets - Non-Current	166	143	155	155	171	185
Allowance for Doubtful Accounts - Fixed	0	0	0	0	0	-2
<b>Total Liabilities</b>	<b>24,087</b>	<b>18,384</b>	<b>19,585</b>	<b>24,705</b>	<b>25,324</b>	<b>21,282</b>
Current Liabilities	22,551	16,520	17,879	23,287	23,815	19,740
Trade Payables	16,175	10,931	12,415	16,655	17,487	12,429
Short-Term Debt	158	122	137	161	137	118
Short-Term Borrowings	19	19	19	19	19	
Current Portion of Long-term Debt	139	103	118	142	118	118
Current Portion of Long-Term Borrowings	139	103	118	142	118	118
Asset Retirement Obligations - Current				70	29	
Non-Current Liabilities	1,535	1,864	1,706	1,417	1,508	1,542
Long-Term Debt	183	257	209	207	149	120
Long-Term Borrowings	183	257	209	207	149	120
Deferred Tax Liabilities - Non-Current	574	838	725	596	725	777
Asset Retirement Obligations - Non-Current	536	536	536	468	397	397
<b>Total Net Assets</b>	<b>23,375</b>	<b>24,133</b>	<b>24,126</b>	<b>24,553</b>	<b>25,242</b>	<b>26,369</b>
Total Shareholders' Equity	23,278	24,027	23,989	24,383	25,073	26,223
Shareholders' Equity	23,127	23,327	23,503	23,924	24,278	25,227
Capital Stock	1,096	1,104	1,105	1,111	1,120	1,150
Capital Surplus	12,016	12,024	12,025	12,031	12,040	12,077
Retained Earnings	10,159	10,462	10,637	11,046	11,382	11,999
Treasury Stock	-145	-264	-264	-264	-264	0
Accumulated Other Comprehensive Income	142	691	477	452	786	988
Valuation Difference On Available-for-sale Securities	154	703	493	463	780	981
Foreign Currency Translation Adjustments	-12	-11	-15	-10	5	6
Share Warrants	7	7	7	7	7	7
Non-controlling interest	97	106	137	170	169	146

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