Macbee Planet (7095)

Minor setback and on track for growth

4 July 2024

Q4 FY4/24 results update

- **High earnings visibility remains** – Q1-4 FY4/24 sales were in line with revised guidance. Earnings were partly below revised guidance, stemming from a one-time credit event unrelated to the core business that led to a ¥0.75bn bad debt provision for a customer loan; underlying earnings remained strong due to favorable business conditions and beat guidance with adjusted OP growth of 104% YoY. We believe there is no further credit risk and the company can maintain double-digit sales and earnings growth in the medium term on an organic basis as it continues to provide its niche LTV (lifetime value) digital marketing services, while there is upside coming from the proactive stance on M&A.

Revising up earnings estimates

- **Stronger sales growth expectations with stable margins**– we revise our earnings estimates for FY4/25 and beyond, reflecting a stronger sales growth trajectory. We have slightly lowered our OPM assumptions from the previous estimates given the company's stance on business investment in FY4/25 as well as a steadier margin enhancement profile post-acquisition of AllAds (formerly Net Marketing) in FY4/23.
- **Valuations** – On Astris Advisory estimates, the shares are trading on FY4/25 PER multiple of 11.7x (on +62.9% EPS growth YoY from a low hurdle due to the one-time credit costs), and a free cash flow yield of 13.6%. The company has disclosed that it is considering share buybacks, which we view as a positive development for shareholder returns following the introduction of its first dividend in FY4/24.

Year-end	4/23	4/24	4/25E	4/26E	4/27E
Sales (¥bn)	19.59	39.41	49.24	60.53	73.81
OP (¥bn)	2.16	3.67	5.26	6.34	7.72
NI (¥bn)	1.57	2.28	3.72	4.49	5.47
EPS (¥)	120.55	158.77	258.63	312.46	380.70
DPS (¥)	-	14.00	14.00	14.00	14.00
Sales growth YoY (%)	+35.8	+101.2	+25.0	+22.9	+21.9
OP growth YoY (%)	+74.7	+69.7	+43.2	+20.5	+21.9
NP growth YoY (%)	+106.1	+45.7	+62.8	+20.8	+21.8
EPS growth YoY (%)	+104.5	+31.7	+62.9	+20.8	+21.8
PER (x)	25.0	19.0	11.7	9.6	7.9
EV/EBITDA (x)	30.8	12.2	6.1	5.1	4.2
EV/Sales (x)	1.8	0.9	0.7	0.6	0.5
PBR (x)	5.5	4.4	2.7	2.1	1.7
ROE (%)	29.4	25.5	28.2	24.3	23.3
ROCE (%)	21.4	31.4	29.1	28.4	27.5
FCF yield (%)	3.3	10.7	13.6	11.5	16.7
Dividend yield (%)	-	0.5	0.5	0.5	0.5
Total shareholder return (%)	-	0.7	0.5	0.5	0.5

Source: Company, Astris Advisory (estimates)

Share price: ¥3,015 Market cap: ¥44.2bn

Source: Bloomberg

Price Performance

	YTD	1M	3M	12M
Abs (%)	-34.8	-18.1	-8.5	-44.5
Rel (%)	-46.8	-21.2	-13.8	-55.8

Company sector

Advertising Services
Media

Stock data

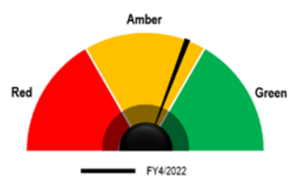
Price (¥)	3,015
Mkt cap (¥bn)	44.2
Mkt cap ($m)	273.8
52-week range (¥)	2,670-5,840
Shares O/S (m)	14.7
Average daily value ($m)	9.6
Free float (%)	44.8
Foreign shareholding (%)	15.6
Ticker	7095
Exchange	Tokyo Growth
Net Debt/Equity (x)	N/A
FFO leverage (x)	0.6
BBG BUY│HOLD│SELL	5│0│0

Source: Bloomberg

Business Overview

Macbee Planet is an independent online performance marketing company, specializing in data-driven marketing analytics. By using proprietary technology, the company increases ROI for advertisers with subscription businesses.

Astris-Sustainability ESG rating



Reference Ratings	
MSCI	N/A
Sustainalytics	N/A
Refinitiv	N/A
S&P Global	N/A
Bloomberg	N/A

Next events

Q1 FY4/25 results September 2024

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This report has been commissioned and paid for by the company

Recent results

Q1-4 FY4/24 results

Key financials

(¥bn)	Q1-4 FY4/23	Q1-4 FY4/24	YoY (%)	FY4/24 guidance
Sales	**19.59**	**39.41**	**+101.2**	**39.00**
Gross profit/(loss)	4.07	7.95	+95.5	-
Gross margins (%)	***20.8***	***20.1***		-
Operating profit/(loss)	2.16	3.67	+69.7	4.10
Operating margins (%)	***11.0***	***9.3***		***10.5***
Recurring profit	2.11	3.67	+74.0	4.05
Net income attributable to the parent	1.57	2.28	+45.7	2.68

Source: Company

Key highlights

Reported Q1-4 FY4/24 sales were in line with revised company guidance for earnings (issued March 2024). Earnings were partly below the revised guidance due to booking a one-off ¥0.75bn provision for a loan issued to a customer, but looking at the underlying earnings trend, adjusted FY operating profit would have reached ¥4.41bn due to favorable business conditions, beating guidance by 8% with an implied 104% growth YoY.

Topline growth of 101.2% YoY was robustly driven by synergies with the acquired AllAds business – **underlying organic growth was over 20% YoY**. In terms of sector exposure, Finance remains the largest and the company has made inroads into new customer acquisitions in life insurance. Impactful sales growth YoY has also been generated from existing customers in Medical (online treatment) within the Wellness sector.

The company booked a gross margin of 21.4% for Q4 FY4/24 which was irregularly high with the one-off positive impact from specific initiatives and circumstances of certain customers.

Our view on the customer loan provision

Macbee Planet provided a ¥0.75bn loan to a customer during FY4/24, with the view that it will be paid back by the end of March 2024. We view this to be a one-time event as the company does not provide loans to other companies. We believe this loan has some secured assets, as well as having a guarantor.

Overall, we do not see the company as having further credit risk. The loan is currently classed as a long-term asset with the corresponding provision on the balance sheet.

Outlook for FY4/25

Company guidance and Astris Advisory estimates

We have revised our earnings estimates for FY4/25 and beyond, based on the following key changes:

- We have raised our sales estimates for FY4/25 and FY4/26, based on a stronger growth trajectory from FY4/24 as well as the impact of acquiring 100% of performance-based strategic PR business PR Cloud Tec in May 2024 (FY6/23 sales ¥1.07bn, 17.7% OPM).
- OPM assumptions have been lowered for FY4/25, with the company disclosing plans to invest up to ¥0.5bn in PR-related investments to raise brand awareness and strengthen recruitment.

FY4/25 company guidance and Astris Advisory earnings estimates

Year-end	FY4/25 CE	FY4/25E (old)	FY4/25E (new)	FY4/26E (old)	FY4/26E (new)	FY4/27E (new)
Sales (¥bn)	**48.00**	**45.21**	**49.2**	**50.60**	**60.53**	**73.81**
Growth YoY (%)	*+21.8*	*+18.9*	*+25.0*	*+11.9*	*+22.9*	*+21.9*
OP (¥bn)	**4.50-5.00**	**5.30**	**5.26**	**6.48**	**6.34**	**7.72**
OPM (%)	9.4-10.4	11.7	10.7	12.8	10.5	10.5
Growth YoY (%)	*+22.6-+36.2*	*+30.1*	*+43.2*	*+22.3*	*+20.5*	*+21.9*
EBITDA (¥bn)	**-**	**5.70**	**5.81**	**6.93**	**7.02**	**8.55**
EBITDA margins (%)	-	12.6	11.8	13.7	11.6	11.6
Recurring profit (¥bn)	4.47-4.97	5.25	5.23	6.44	6.32	7.70
Growth YoY (%)	+21.9-+35.5	+30.0	+42.5	+22.6	+20.9	+21.8
Net income (¥bn)	2.72-3.07	3.74	3.72	4.59	4.49	5.47
Growth YoY (%)	+19.1-+34.5	+30.0	+62.8	+22.5	+20.8	+21.8
FCF (¥bn)	**N/A**	**6.24**	**6.00**	**6.30**	**5.08**	**7.36**
FCF margin (%)	-	13.8	12.2	12.4	8.4	10.0
FCF conversion (%)	-	118.7	114.8	97.8	80.4	95.6
FCF yield (%)	**-**	**14.0**	**13.6**	**14.3**	**11.5**	**16.7**

Source: Astris Advisory
Note: FCF conversion is FCF/Pre-tax Profit

The core assumptions of these estimates are as follows:

- **Sales growth** – the company is aiming for organic growth of 20%-30% for the medium term covering FY4/24 to FY4/27. We are estimating growth at the lower end of this range.
- **Profitability** – we have lowered our OPM assumptions, as the company has disclosed plans for investment costs as well as the sales mix post-acquisition of AllAds taking longer than initially expected to drive margins.
- **Sustainable free cash flow generation** with free cash flow conversion rates steady at around 100% given the capex-light business model.

Shareholder returns

The company paid dividends for the first time in FY4/24 of ¥14 per share (equivalent to a 9% payout ratio). While there is no formal dividend payout policy, the company has announced that it is considering share buybacks with management taking into account the current share price versus the high ROE of 25.3% for FY4/24. Using the DuPont formula to calculate the expected ROE for the company, the derived value is 23.0% (net profit margin 5.8% × asset turnover 1.95 times × equity multiplier 2.03 times) – as the actual value is at a premium, this would typically indicate a potential undervaluation, especially as the underlying ROE is higher without the one-time credit event.

Summary

Data-driven marketing analytics boost ROI

Macbee Planet is an **independent online performance marketing company, specializing in data-driven marketing analytics**. Targeting consumer businesses with subscription models, the company aims **to predict the LTV (lifetime value) of a new user, allowing advertisers to yield high ROI (return on investment) on marketing spend with high user conversion rates and conversion quality.** The company's pricing model is **pay-per-performance**, highlighting the company's ability to definitively tie their differentiated service to a positive and measurable outcome for the customer.

Demonstrating a **consistently high ROIC**, we believe Macbee Planet's **competitive proprietary technology and service generate significant value for its customers**. Value generation is also seen in the **high and sustained level of free cash flow generation**.

M&A is a core strategy to accelerate growth, in terms of access to technology, staffing resource, new customer acquisitions, and new market sector penetration.

The key differentiating factors that allow Macbee Planet to be competitive in a crowded market are as follows:

LTV prediction is the secret sauce

- **Accurate and effective LTV predictions** culminate in a growing track record of successful use cases and sticky customers.
- **Pay-for-performance to build a mutually beneficial relationship** between the customer and Macbee Planet.
- **A well-capitalized balance sheet allows M&A activity to accelerate growth**.

Astris Advisory estimates Macbee Planet will drive medium-term growth via the following factors:

- Organic sales growth at around 20% CAGR for FY4/25-FY4/27.
- Operating margins will remain relatively stable at around the 10% level, with the company focused on sustainable growth and continued business investment.

The shares are trading on an estimated PER FY4/25 of 11.7x (on +62.9% EPS growth YoY), and a free cash flow yield of 13.6%.

Company description

Overview

Independent online marketing company, specializing in Lifetime Value (LTV)

Established in 2015 by Yusuke Kojima and Masakazu Matsumoto, Macbee Planet is an **independent online marketing company**. Previously working in offline marketing, Kojima saw the opportunity to deliver high ROI (return on investment) on ad spend utilizing technology and data. The company's **data-driven marketing analytics service aims to predict the LTV** (lifetime value, the average customer's revenue generated over a relationship with a business) of a potential online consumer, **allowing the advertising customer to spend appropriately and efficiently on user acquisition with high-quality conversion**. Macbee Planet **supports its customers for the longer term for mutual benefit**, with a pay-per-performance revenue model as opposed to the industry norm of running fixed pricing campaigns (paying for ad space or clicks).

A core market driver has been the growth of online subscription services, ranging from financial to wellness products such as cosmetics. The company's largest customer is domestic diversified finance group SBI Holdings (8473), making up around 40% of FY4/22 sales. Macbee Planet's marketing service is aligned with DTC (direct-to-consumer) services and products. However, it is less applicable for marketing one-off online purchases such as online shopping for high-end products or durable goods.

The company operates LTV marketing business:

- The company acquires new high-LTV users on behalf of the advertising customer. This uses the 'Honeycomb' system, which collects and analyzes data such as **customer demographics, psychographics, and behavioral data** to implement the most effective ads using the LTV predictions (e.g. best media, creative, and timing).
- The company improves LTV by converting users and preventing user churn. This service uses the 'Robee' system to convert attracted users to a customer's website using personalized information via chatbot and pop-up ads, and the 'Smash' chatbot system which aims to prevent user churn at the cancellation page and collect and analyze VOC (voice of the customer).

The company **strategically focuses on growing both Marketing Technology and Analytic Consulting businesses in tandem**. With gross margins of the Marketing Technology business at 100% (versus 15% for Analytics Consulting), growth in the Marketing Technology business will improve the sales mix.

The company conducts bolt-on M&A to expand into new market verticals and acquire new technologies. To date, there have been 2 major acquisitions in the last two years; Alpha (electronic entertainment sector exposure and AI technology), AllAds (formerly Net Marketing; analytics consulting and a diverse customer portfolio), and PR Cloud Tech (perfomance-based service line-up).

The company has concluded a capital partnership with Digital Plus and Project Company.

In April 2024, the company announced a partnership with Hakuhodo DY ONE, involved in digital marketing at Hakuhodo DY Holdings (2433 JP).

Timeline summary

Key dates	Details
August 2015	Company established
	Release of data analytics platform "Honeycomb"
November 2017	Released web customer service tool "Robee"
March 2020	**Listed in the Mothers section of the Tokyo Stock Exchange.**
March 2021	Established Smash Co., Ltd.
December 2021	Investor group acquired an undisclosed minority stake in Smash Co., Ltd.
August 2021	Acquired 100% of Alpha, Inc.
February 2023	Acquires 100% (via Alpha Inc.) of Perfomatix Inc.
March 2023	Acquires 100% of Net Marketing
April 2023	Announces ¥5.4 billion equity offering (9.5% dilution at the time of announcement)
May 2024	Acquires 100% of PR Cloud Tech

Source: Company

IPO in March 2020

The company listed in March 2020 at ¥1,830 per share (before stock split), raising ¥0.76bn. The proceeds were used for marketing and sales, general corporate purposes, product development, R&D, and working capital.

JGAAP Financial Summary

Income statement (¥bn)	FY 4/23	FY 4/24	FY 4/25E	FY 4/26E	FY 4/27E
Sales	19.59	39.41	49.24	60.53	73.81
COGS	15.52	31.45	39.39	48.42	59.05
Gross profit	4.07	7.95	9.85	12.11	14.76
Gross profit margin (%)	20.8	20.2	20.0	20.0	20.0
Operating profit	2.16	3.67	5.26	6.34	7.72
OP margin (%)	11.0	9.3	10.7	10.5	10.5
Non-operating income	0.01	0.05	0.03	0.04	0.04
Non-operating expenses	(0.06)	(0.05)	(0.06)	(0.06)	(0.06)
Recurring profit	2.11	3.67	5.23	6.32	7.70
Pre-tax profit	2.17	3.63	5.23	6.32	7.70
Tax	(0.61)	(1.06)	(1.51)	(1.83)	(2.23)
Effective tax rate (%)	28.9	28.9	28.9	28.9	28.9
Net income	1.56	2.28	3.72	4.49	5.47
Non-controlling NI	(0.01)	0.00	(0.00)	(0.00)	(0.00)
Parent attributable NI	1.57	2.28	3.72	4.49	5.47
Sales growth YoY (%)	+35.8	+101.2	+25.0	+22.9	+21.9
OP growth YoY (%)	+74.7	+69.7	+43.2	+20.5	+21.9
RP growth YoY (%)	+70.9	+74.0	+42.5	+20.9	+21.8
Pre-tax profit YoY (%)	+79.3	+67.4	+44.0	+20.9	+21.8
NI growth YoY (%)	+106.1	+45.7	+62.8	+20.8	+21.8

Cash flow statement (¥bn)	FY 4/23	FY 4/24	FY 4/25E	FY 4/26E	FY 4/27E
Profit before tax	2.17	3.63	5.23	6.32	7.70
Depreciation/amortization	0.20	0.44	0.55	0.68	0.83
Changes in working capital	(0.09)	0.99	1.62	(0.17)	0.97
Other non-cash items	0.19	0.06	0.12	0.09	0.11
Tax paid	(0.98)	(0.40)	(1.51)	(1.83)	(2.23)
Cash from Operating Activities	1.48	4.72	6.01	5.10	7.38
Capex	(0.03)	(0.01)	(0.01)	(0.02)	(0.02)
Acquisition of business	(3.25)	(0.12)	-	-	-
Other investing cash flow	2.50	(1.58)	0.46	(0.56)	(0.05)
Cash from Investing Activities	(0.77)	(1.70)	0.45	(0.57)	(0.07)
Total cash dividends paid	-	(0.20)	(0.20)	(0.20)	(0.20)
Debt issuance/(retirement)	3.03	(1.05)	-	-	-
Equity financing	3.82	(0.11)	-	-	-
Other	-	0.00	0.00	0.00	0.00
Cash from Financing Activities	6.85	(1.35)	(0.20)	(0.20)	(0.20)
FX impact	-	-	-	-	-
Net cash flow	7.56	1.65	6.26	4.32	7.11
Free cash flow	1.46	4.71	6.00	5.08	7.36
EBITDA	1.15	2.90	5.81	7.02	8.55
EBITDA margins (%)	5.9	7.4	11.8	11.6	11.6
Free cash flow margin (%)	7.4	12.0	12.2	8.4	10.0
Free cash flow conversion (%)	67.2	129.7	114.8	80.4	95.6
Capex/sales (%)	0.1	0.0	0.0	0.0	0.0
Capex/depreciation (%)	12.9	2.5	2.5	2.5	2.5
CFO margin (%)	7.6	12.0	12.2	8.4	10.0

Balance sheet (¥bn)	FY 4/23	FY 4/24	FY 4/25E	FY 4/26E	FY 4/27E
Cash & equivalents	9.66	11.33	17.59	21.91	29.02
Marketable securities	-	-	-	-	-
Accounts receivables	3.79	4.15	5.19	6.38	7.78
Other	0.42	0.34	0.43	0.53	0.64
Current assets	13.88	15.82	23.21	28.82	37.45
Tangible assets	0.10	0.08	0.07	0.06	0.05
Goodwill	2.86	2.20	1.94	1.68	1.42
Intangible assets	0.05	0.55	0.52	0.49	0.45
Long term investments	0.26	0.95	0.95	0.95	0.95
Other	0.37	0.62	0.62	0.62	0.62
Fixed assets	3.64	4.40	4.11	3.80	3.49
Total assets	17.52	20.23	27.32	32.62	40.93
Short term borrowing	2.13	1.09	1.09	1.09	1.09
Trade payables	3.90	4.49	5.76	7.08	8.64
Other	1.38	0.91	2.38	2.18	3.11
Current liabilities	7.41	8.55	9.23	10.35	12.83
Long term borrowing	1.94	1.51	1.51	1.51	1.51
Other LT liabilities	0.14	0.13	0.13	0.13	0.13
Long term liabilities	2.08	1.64	1.64	1.64	1.64
Shareholder's equity	7.96	9.96	16.37	20.56	26.38
Share acquisition rights	0.00	-	-	-	-
Non-controlling interests	0.07	0.07	0.07	0.07	0.07
Total net assets	8.03	10.03	16.45	20.63	26.46
Total liabilities & net assets	17.52	20.23	27.32	32.62	40.93

Source: Company, Astris Advisory estimates

Key metrics	FY 4/23	FY 4/24	FY 4/25E	FY 4/26E	FY 4/27E
Profitability					
Gross margin (%)	20.8	20.2	20.0	20.0	20.0
Operating margin (%)	11.0	9.3	10.7	10.5	10.5
Net margin (%)	8.0	5.8	7.6	7.4	7.4
ROA (%)	13.4	12.1	15.6	15.0	14.9
ROE (%)	29.4	25.5	28.2	24.3	23.3
ROCE (%)	21.4	31.4	29.1	28.4	27.5
ROIC (%)	19.5	21.2	23.7	21.4	21.0
Liquidity					
Current ratio (x)	1.9	1.8	2.5	2.8	2.9
Leverage					
Debt/Equity ratio (x)	0.5	0.3	0.2	0.1	0.1
Net Debt/Equity ratio (x)	net cash	net cash	net cash	net cash	net cash
Equity ratio (x)	0.5	0.5	0.6	0.6	0.6
Interest cover (x)	503.8	69.2	99.2	119.5	145.7
Net Debt/EBITDA (x)	N/A	N/A	N/A	N/A	N/A
Valuation					
EPS reported (¥)	120.55	158.77	258.63	312.46	380.70
PER (x)	**25.0**	**19.0**	**11.7**	**9.6**	**7.9**
Diluted PER (x)	**25.3**	**19.2**	**11.8**	**9.7**	**8.0**
DPS (¥)	-	14.0	14.0	14.0	14.0
Dividend payout ratio (%)	-	8.8	5.4	4.5	3.7
Dividend yield (%)	**-**	**0.5**	**0.5**	**0.5**	**0.5**
Total shareholder return (%)	**-**	**0.7**	**0.5**	**0.5**	**0.5**
Free cash flow yield (%)	**3.3**	**10.7**	**13.6**	**11.5**	**16.7**
Diluted FCF yield (%)	**3.3**	**10.6**	**13.4**	**11.4**	**16.5**
PBR (x)	5.5	4.4	2.7	2.1	1.7
EV/sales (x)	1.8	0.9	0.7	0.6	0.5
EV/EBITDA (x)	30.8	12.2	6.1	5.1	4.2
EV/EBIT (x)	16.4	9.7	6.8	5.6	4.6
EV/FCF (x)	24.4	7.5	5.9	7.0	4.8

*Our earnings model for this company is available to download on our corporate research portal.

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