

## Become a One-Stop Marketing Platform, Maximizing M&A to Continue Expansion

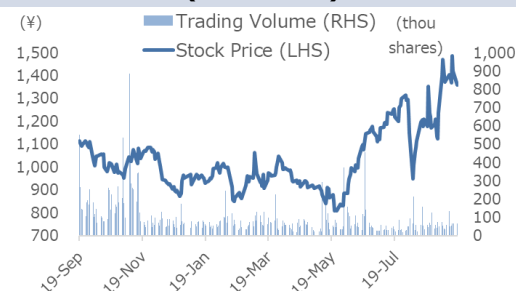
Geniee Inc. is a company that operates an internet advertising distribution platform. Web media companies that want to maximize advertising revenue from their own websites use "GENIEE SSP", while advertising companies that want to maximize advertising effectiveness use "GENIEE DSP" ("Advertising Platform Business"). Geniee's revenue increases as the number of advertising deliveries and advertising unit prices increase. With the number of websites using "GENIEE SSP" at over 20,000, this makes it the third largest among Japanese companies.

The company's CEO Tomoaki Kudo has been able to secure excellent talent by offering a favorable working environment and is expanding revenue by leveraging its advantages in functionality and cost. In addition, the company is promoting tool integration, such as reducing intermediate margins by offering both SSP and DSP. Also, by utilizing information such as user attributes obtained from the advertising platform business, the company has expanded its business into the "Marketing SaaS Business". In July 2024, Geniee acquired Socialwire (3929 TSE Growth) as a subsidiary and entered the digital PR business.

The results for FY24/3 are sales of ¥8bn (+24% YoY), gross profit of ¥6.1bn (+19% YoY), a 3-year growth rate of operating cash flow of 38%, and price-to-cash-flow ratio (PCFR) of 16. The sales composition ratio is 54% from the advertising platform business, 33% from the marketing SaaS business and 13% from their overseas business.

Kudo, who was sickly as a child, has a strong desire to "live every day to the fullest." After studying search engines during graduate school, Kudo founded Geniee in 2010. In 2014, the company entered into a capital and business alliance with SoftBank with a view to accelerating overseas expansion (the capital relationship was dissolved in July, 2024).

### Share Price & Volumes (Past Year)



Source: Strategy Advisors

### Key Indicators

Stock Price (2024/9/17)	1,360
YTD High (9/12)	1,487
YTD Low (5/24)	808
52-Week High (2024/9/12)	1,487
52-Week Low (2024/5/24)	808
Shares Issued (mn)	18
Market Capitalization (¥ bn)	24.1
EV (¥ bn)	30.9
Equity Ratio (Actual, %)	37.7
ROE (24/3%)	16.86
PER (-25/3 Forecast, Times)	12.9
PBR (24/3 Actual, Times)	2.6
Yield (25/3 CoE, %)	-

Source: Strategy Advisors

### Consolidated (Changed from the Japanese GAAP to IFRS in FY23/3)

FY	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
FY21/3	14,062	-2.0	196	315.4	149	204.9	102	157.0	5.7	14.0
FY22/3	14,459	2.8	739	277.0	746	400.7	336	229.4	18.7	9.0
FY23/3	6,455	-	2,457	232.5	2,279	205.5	2,115	529.5	119.5	11.0
FY24/3	8,013	24.1	1,539	-37.4	1,277	-44.0	1,032	-51.2	58.3	13.0
FY25/3 CoE	10,200	27.3	2,300	49.4	2,200	72.3	1,700	64.7	96.1	14.0

Source: Strategy Advisors Based on Company Data

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## Executive Summary

**One of the Few Companies that Comprehensively Connects Internet Advertising Business & Marketing SaaS Businesses**

Geniee was founded as an advertising platform for internet advertising and has expanded its business into marketing automation and customer management systems (marketing SaaS business) in order to increase the scope of use of information such as user attributes and behavioral history obtained from this business. The only other major company that has built a similar structure is Microsoft Corp (MSFT NASDAQ).

**Geniee's SSP is Used by Over 20,000 Websites, #3 Amongst Japanese companies**

The results for the fiscal year ending March 2024 were sales of ¥8bn (+24% YoY), gross profit of ¥6.1bn (+19%), operating profit of ¥1.5bn (-37%), net profit of ¥1bn (-51%); with a three-year average growth rate of operating cash flow of 38% and PCFR of 16.3 times, with gross profit increasing for the 5<sup>th</sup> consecutive year. In the original advertising platform business, the company places emphasis on acquiring high-priced projects. Its high cost-effectiveness has been highly evaluated by customers and the number of websites using the company's web media platform (SSP: Supply Side Platform) is over 20,000, ranking it 3<sup>rd</sup> among Japanese companies.

**Kudo Wants to "Rise to the Top in One Fell Swoop"**

Founder Kudo, who was sickly as a child, has a strong desire to "live every day to the fullest and rise to success." When he helped his grandmother with shipping herbs, he was thanked for his ingenuity, and this led him to want to become a manager who could make many people happy. After researching search engines and starting a business during graduate school and gaining a grasp of the practical aspects of running a large company at Recruit, Kudo founded Geniee in 2010. The following year, the company began offering "GENIEE SSP."

**Aiming to Provide Necessary Information Smoothly and at Low Cost**

As communication methods become increasingly more complex, making it more difficult for consumers to receive the information they need: Geniee's equity story is that by expanding its portfolio of advertising delivery and marketing-related services and completing system integration in-house, Geniee can reduce costs and provide consumers with the information they need smoothly and at low cost.

**By Providing Comprehensive Services In-House, Geniee Can Reduce System Integration Costs**

Specifically, when internet advertisements are delivered through "GENIEE SSP" and "GENIEE DSP", user attribute information and behavioral history are accumulated in "GENIEE DMP". In order to utilize this data for marketing, the company began offering the current "GENIEE MA" service in 2016 and has further expanded its services through M&A, including the current "GENIEE SFA/CRM" and "GENIEE CHAT". Other companies often offer these marketing-related services as stand-alone products and linking different companies' MA and SFA/CRM services requires system adaptation costs. In this regard, Geniee provides comprehensive services in-house, so no extra costs are required; and

## Comparison of Major Companies by Operating CF Growth Rate & Price-to-Operating CF Ratio

this has led to the realization of a service provision system that is more cost-effective than other companies.

In addition to this, competitors in the advertising platform business include CyberAgent (4751 TSE Prime) (operating cash flow 3-year growth rate 17%, PCFR 19.6x), CARTA HOLDINGS (3688 TSE Prime) (-5%, 19.6x) and United (2497 TSE Growth) (-33%, 16.9x); while in the marketing SaaS business there are Salesforce (CRM NYSE) (29%, 26.6x) and Cybozu (4776 TSE Prime) (21%, 22.8x).

## 1. Business Model

### 1) Improved Cost Competitiveness Achieved through In-House Tool Development & M&A Has Led to Business Growth, Resulting in an Increase in Gross Profit for 5 Consecutive Years

#### Expanding Business from an Advertising Platform Business to Marketing SaaS Business

Geniee was founded as an advertising platform business for internet advertising and has since expanded its operations to include marketing automation and customer management systems (marketing SaaS business) in order to broaden the scope of use of information such as user attributes and behavioral history obtained from this business.

#### Gross Profit Increased for the 5<sup>th</sup> Consecutive Year

The results for the fiscal year ending March 2024 were sales of ¥8bn (+24% YoY), gross profit of ¥6.1bn (+19%), operating profit of ¥1.5bn (-37%), net profit of ¥1bnn (-51%), ROE of 17% and PBR of 2.6, with gross profit increasing for the 5<sup>th</sup> consecutive year.

#### The First Service to be Offered was SSP

The first service developed by Geniee was "GENIEE SSP" which was launched in 2011. Taking into consideration the competitive environment and other factors when entering the ad technology industry, Kudo decided that starting with an SSP was the best option.

#### SSP is a Tool for Media to Maximize Advertising Revenue

SSP is a platform for advertising media that provide ad slots to maximize advertising revenue. DSP (short for Demand Side Platform) is a system that works with SSP's to maximize advertising revenue for advertisers.

#### RTB Where DSP Bids on SSP Ad Slots

The system for delivering ads through SSP and DSP is called RTB (short for Real Time Bidding). In RTB, ① when a user visits a webpage, an ad space is displayed on the page, ② the SSP is notified that the ad space has been displayed, ③ the SSP sends a bid request for the ad space to multiple DSPs, ④ each DSP makes a bid based on the advertiser's conditions, it analyzes the user's interests and behavioral data, selects the most suitable ad and sends it to the SSP and then ⑤ the SSP selects the DSP that submitted the highest bid and decides to display the ad sent by that DSP.

#### The Second Company in the World to Achieve In-House SSP to DSP Bidding

Generally speaking, the revenue distribution ratio for internet advertising is said to be 15% for the advertising agency, 30% for the DSP operator, 20% for the SSP operator and 35% for the internet media, assuming the advertiser's advertising fee is 100% (Source: Toyo Keizai Inc.). In order to increase cost competitiveness in this revenue distribution structure, Geniee also began offering "GENIEE DSP" in 2014, becoming the second company in the world after Microsoft to realize a system where DSP's can bid directly to SSP's within their own service. The following year, in 2015, they also began offering "GENIEE DMP," a DMP (short for Data Management Platform) that can accumulate user attribute information and behavioral history obtained in the bidding process from DSP's to SSP's.

## Launched a Marketing SaaS Business to Utilize Data Accumulated in DMP

The following year, in 2016, Geniee began offering "GENIEE MA," an MA (short for Marketing Automation) tool with an automatic email sending function, in order to utilize the data accumulated in the DMP for marketing and so entered the marketing SaaS business. In the marketing industry, it is recognized that a customer goes through multiple stages, from awareness, consideration, purchase and becoming a loyal customer, before reaching the final stage where they become a regular customer. At each stage, different tools are provided by multiple businesses, making marketing activities complicated and inefficient. To solve this problem, Geniee aims to become a "one-stop platform" that provides tools for each stage from a single company and the launch of "GENIEE MA" was the first step towards that goal.

## The Core of the Marketing SaaS Business are MA, SFA, CRM & Chat tools

In the marketing SaaS business, the core products are MA tools used to acquire potential customers, SFA (Sales Force Automation) tools with sales activity management functions to convert potential customers into orders, CRM (Customer Relationship Management) tools with customer information management and analysis functions to retain and upsell existing customers and Chat tools with a function to follow up with website visitors.

## Through M&A, the Company Quickly Acquired Major Tools & Grew Rapidly

Normally, system development costs are required to realize integration between these tools; but Geniee acquired the current "GENIEE SFA/CRM" and "GENIEE CHAT" in one go through M&A in 2018 in order to reduce the cost of integration between tools by providing all of them as in-house services. The company has succeeded in rapidly growing the ARR of both tools, averaging 59% and 118% annually by the fiscal year ending March 2024. In addition, the company has acquired other chat tool businesses in 2021 and 2022 and integrated them into "GENIEE CHAT," thereby enhancing its functionality.

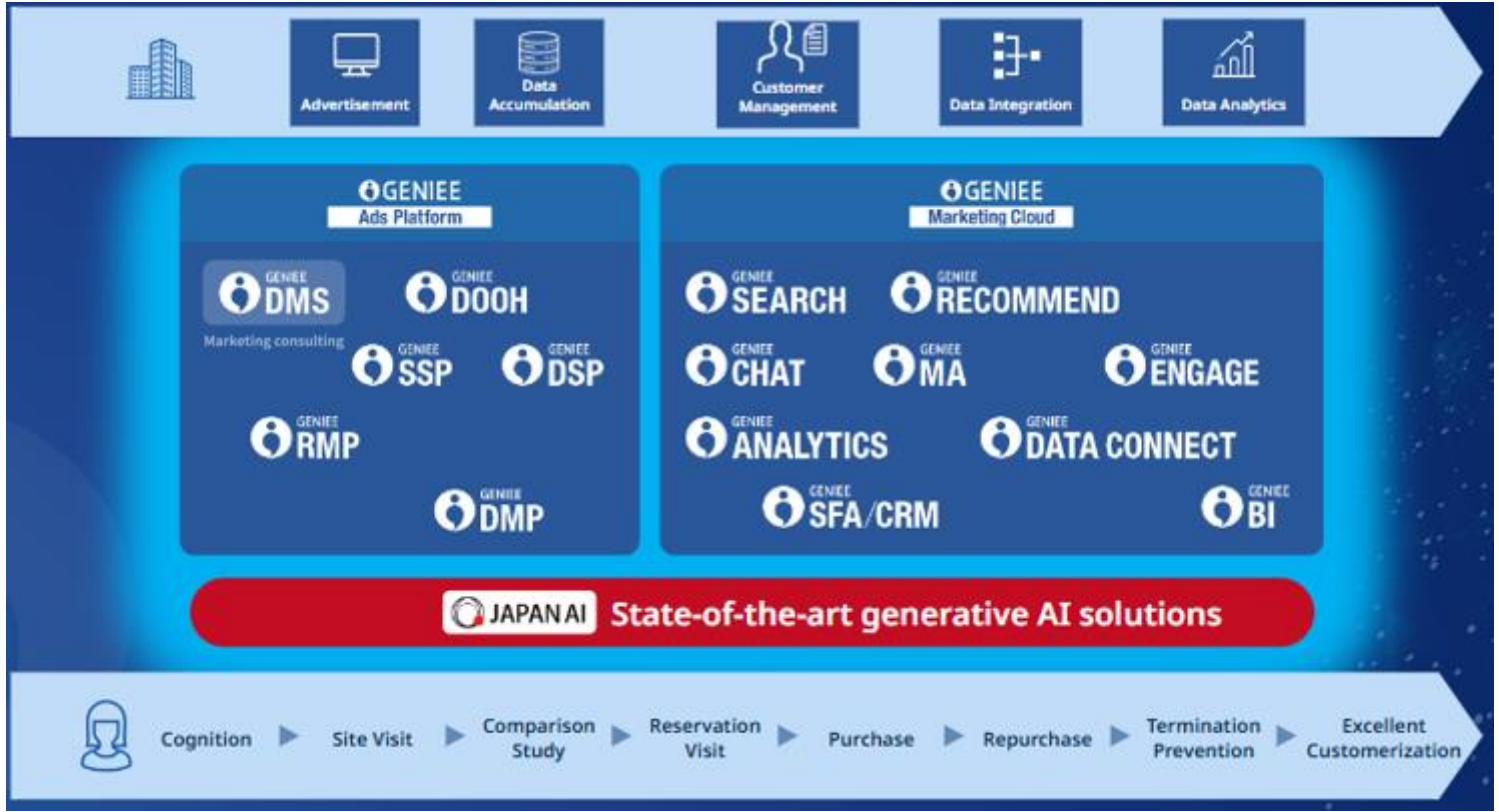
## Acquisition Business Grows Rapidly

**Figure 1 Trends in ARR of Acquired Businesses (¥ million)**

Acquisition Business	20/3	21/3	22/3	23/3	24/3	CAGR Since Acquisition
SFA/CRM	75	159	216	325	474	58.6%
CHAT	39	53	223	690	881	118.0%
ANALYTICS	-	-	-	307	421	37.0%

Source: Company Data. Compiled by Strategy Advisors

Figure 2 Geniee's Business Areas



Source: Company Data

## 2) In-House Tool Development and M&A are Ongoing

### Active Expansion of Business through M&A is Currently Underway

Even after establishing the six tools that are the core of Geniee's business model, Geniee acquired "GENIEE SEARCH," a corporate and EC site search tool, in 2020 and "GENIEE ANALYTICS," an advertising effectiveness measurement tool, through M&A in 2022. In 2023, Geniee acquired Zelto, Inc., which operates an SSP business mainly in North America, India and Europe, aiming for a regional complementary relationship and technological synergy with "GENIEE SSP," whose main business is the Japanese and Southeast Asian markets. (Since Geniee had already acquired 17.5% of Zelto's shares in 2016, this existing stake generated a mark-to-market gain.) In addition, in 2024, Geniee invested 49% in Socialwire, which operates a press release distribution service and influencer PR service, making it a consolidated subsidiary.

### Goodwill Exceeds Equity Capital

As a result of aggressive acquisitions such as Zelto, the amount of goodwill exceeds the company's equity. Geniee applies IFRS, so it does not amortize goodwill periodically, but instead performs impairment tests once a year. Therefore, if a sudden change in the market or competitive environment leads to impairment, there is a possibility that the company's equity will decrease significantly.

## **Continuing In-House Development in Parallel with M&A Promotion**

In parallel with aggressive M&A activity, the company continues to launch new businesses through in-house development. In the advertising platform business, the company launched "GENIEE DOOH" in 2019, which is an outdoor advertising effectiveness verification tool; and "GENIEE RMP," an RMP (short for Retail Media Platform) that controls digital signage installed in retail stores, in 2023. In addition, in the marketing SaaS business, the company launched "GENIEE DATA CONNECT," which fully automates data aggregation from multiple internal systems, in 2021, and "GENIEE BI," a BI (short for Business Intelligence) tool that facilitates graph creation and data analysis, in 2022. In 2023, the company established JAPAN AI, a subsidiary that provides generative AI customized for customers and has already begun providing services.

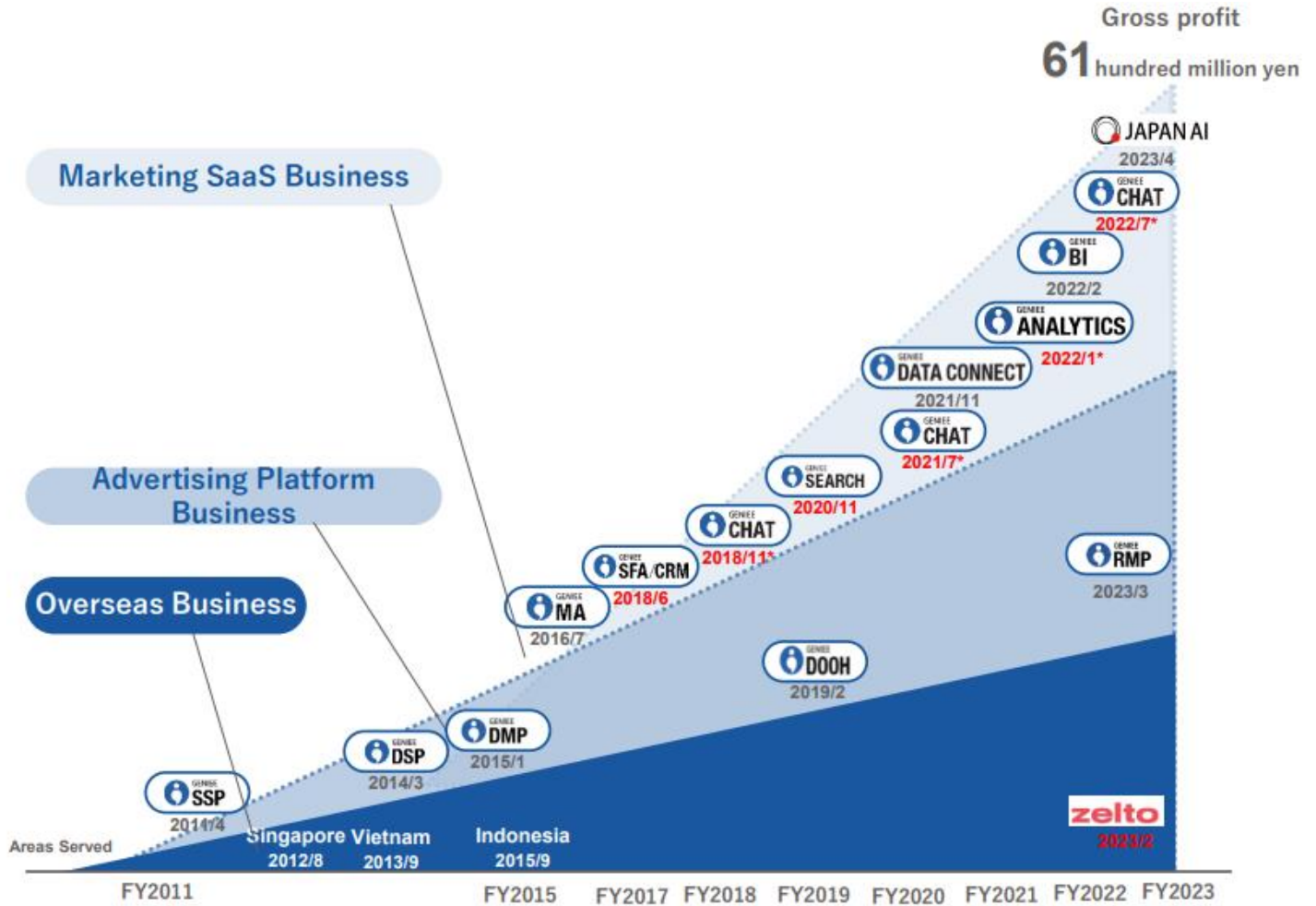
## **The Next-Generation AI-Powered Customer Data Platform "GENIEE CDP" Will be Released in September 2024**

In September 2024, the company released the next-generation customer data platform "GENIEE CDP" equipped with AI. " GENIEE CDP " is a platform that enables real-time communication measures tailored to the interests of each individual customer by integrating, analyzing and centrally managing customer data that is usually managed by marketing channel. It seamlessly integrates with Geniee Marketing Cloud products such as " GENIEE MA", "GENIEE SEARCH", "GENIEE ANALYTICS" , "GENIEE ENGAGE (LINE)" (an email/SMS approach tool for customers who abandon the form while filling it out) and "GENIEE RECOMMEND" (a recommendation display tool on a purchase site) as standard, while also utilizing AI to efficiently improve customer engagement.



# Geniee | 6562 (TSE Growth)

Figure 3. Geniee's Business Portfolio Growth



\* The deficit was acquired through M&A. Currently, GENIEE CHAT has integrated the brands of the former Chamo, the former Engagebot, and the former HyperSonic. also, the products of CATS are integrated into geniee analytics brand.

Source: Company Data

**Figure 4**Geniee's M&A History

Announcement	Company Name	Country	Business Contents	Form	Acquisition Price (¥ mn)
July 2015	Adskom Indonesia, PT	Indonesia	SSP, trading desk, DMP	Minority Interest Acquisition	-
August 2016	AdPushup Software India Pvt Ltd	India	Optimization of ad space size, layout, etc.	Minority Interest Acquisition	-
April 2018	Chikyu Co., Ltd. (SFA/CRM system)	Japan	Currently GENIEE SFA/CRM	Business Transfer	-
July 2019	Chamo Co., Ltd.	Japan	Current GENIEE CHAT	Acquisition	-
October 2020	Business Search Technology Co., Ltd.	Japan	Currently GENIEE SEARCH	Acquisition	¥1,113
August 2021	REACT Inc.	Japan	Current GENIEE CHAT	Acquisition	-
January 2022	CATS Corporation	Japan	Currently GENIEE ANALYTICS	Acquisition	-
July 2022	Hypersonic Inc.	Japan	Speed up web page display	Acquisition	-
February 2023	Zelto, Inc.	US	SSP	Acquisition	¥8,566
June 2023	Scigineer Inc. (DSP business)	Japan	DSP	Business Transfer	-
April 2024	Socialwire Inc.	Japan	Digital PR	Capital Increase	¥1,325

Source: Company Data. Compiled by Strategy Advisors

### 3) A System that Allows DSP's to Bid on SSP's with Japan's Top Class Ad Delivery Inventory Within Their Own Services

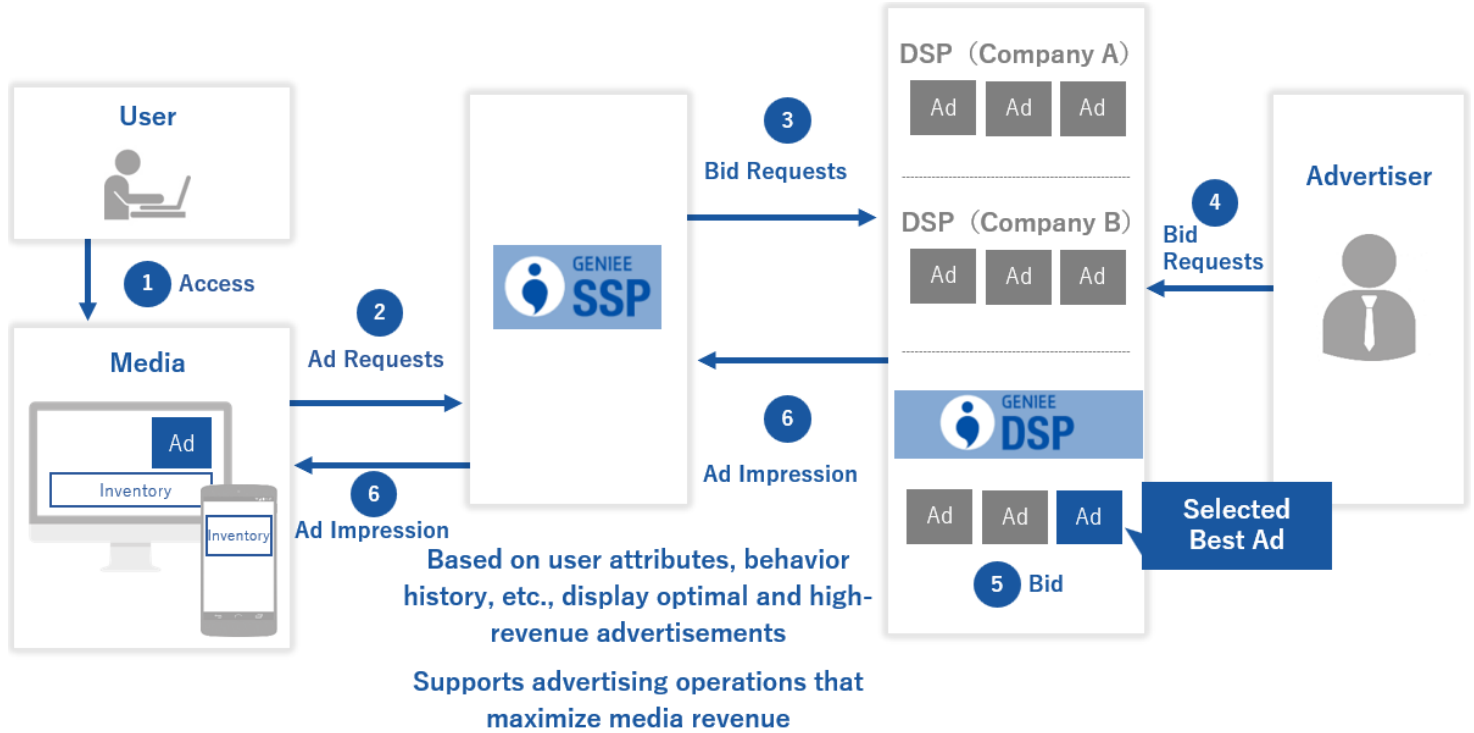
#### "GENIEE SSP" has One of THE Largest Ad Delivery Inventories in Japan

GENIEE SSP is one of the top SSP's in Japan, with over 80bn ad delivery inventory views per month. According to SimilarTech, GENIEE SSP is used by over 20,000 internet media websites, with 11% in the arts & entertainment, 8% in food & beverage and 8% in games. The top three websites in terms of monthly visitors are "Let's Become a Novelist" (407mn), "GameWith" (150mn), and Indonesian news site "TribunNews" (117mn).

#### Compression of Intermediate Margins Through Bidding Between "GENIEE SSP" & "GENIEE DSP"

DSP operators who bid for "GENIEE SSP" as Geniee's partner companies include major ad technology companies such as FreakOut (6094 TSE Growth), MicroAd (9553 TSE Growth) and United (2497 TSE Growth). Since "GENIEE DSP" has established a system to bid for "GENIEE SSP" together with these other DSP's; "GENIEE DSP" can bid at a price that is competitive, with the middle margin reduced by bidding directly between the two services owned by Geniee.

Figure 5. Ad Delivery (RTB) Flow



Source: Company Data

Amongst "GENIEE SSP" Websites Users, "Let's Become a Novelist" has the Highest# of Monthly Visitors

Figure 6 Major Websites Using GENIEE SSP

Customer Site	Type	Country	No. of Monthly Visitors (millions)
Become a Novelist	Novel Posting	Japan	407
GameWiz	Game Strategy	Japan	150
TribunNews	News	Indonesia	117
5 Channels	Bulletin Board	Japan	73
togetter	Summary of Posts	Japan	63
Pixiv Encyclopedia	Trivia	Japan	54
netkeiba.com	Horse Racing	Japan	53
Kurashiru	Recipes	Japan	50

Source: Strategy Advisors. Based on SimilarTech Data

Figure 7 GENIEE SSP's Main Partners



Source: Company Data

## 4) Zelto's SSP has a Complementary Relationship in Terms of Geography & Technology

### Websites Using "Zelto SSP" are Mainly from Emerging Countries

Zelto's SSP, acquired in 2023, is an SSP with billions of ad delivery inventory per month. According to SimilarTech, "Zelto SSP" is used by approximately 800 Internet media websites, with 16% in news & media, 12% in computer & technology, 7% in arts & entertainment and 6% in science & education. The top three websites by monthly visitors are the Indian television broadcasting site "NDTV" (163mn people), the Turkish bulletin board site "eksisozluk" (134mn people) and the Vietnamese lottery site "xosodaiphat" (110mn people).

### "GENIEE SSP" & "Zelto SSP": Regional & Technologically Complementarity

GENIEE SSP and Zelto SSP do not overlap in terms of industry or region, and the acquisition enabled them to build a purely complementary relationship. In addition, by sharing the technologies that each company excels at, synergies are expected in terms of technology as well.

### Indian TV Stations & News Sites Use Zelto SSP

Figure 8 Major Websites Using Zelto SSP

Customer Site	Type	Country	No. of Monthly Visitors (millions)
NDTV	TV Broadcasting	India	163
eksisozluk	Bulletin Board	Türkiye	134
xosodaiphat	Lottery	Vietnam	110
Ultrasurf	Software	US	101
Sakari Results	Jobs	India	90
Amar Ujala	News	India	69
INDEX HR	News	Croatia	68
Eenadu	News	India	44
asianet news	News	India	36
Gagets 360	Home Appliance News	India	31

Source: Strategy Advisors. Based on SimilarTech Data

**Figure 9** Number of Websites Using SSP (By Country)

Company Name	Japan	US	Taiwan	India	Indonesia	South Korea	Others	Total
GENIEE SSP	21,273	300	108	20	135	93	744	22,673
ZELTO SSP	7	228	89	156	23	1	304	808
<b>Total</b>	<b>21,280</b>	<b>528</b>	<b>197</b>	<b>176</b>	<b>158</b>	<b>94</b>	<b>1,048</b>	<b>23,481</b>

Source: Strategy Advisors. Based on SimilarTech Data

## 5) Generative AI Functionality Introduced Into SFA/CRM Tools by 2023

### "GENIEE SFA/CRM" Has a Retention Rate of 99%

"GENIEE SFA/CRM" is a tool with many functions to support sales activities, such as customer management, negotiation management, data analysis, report creation and business card management. It's simple and intuitive screen design makes it easy for anyone to operate, resulting in an extremely high retention rate of 99%. In addition, it can be used from ¥3,480 per user/per month, which is about one-third the cost of other major SFA tools.

### Using AI, the Industry's First Fully Automated Series of Tasks, Starting from Transcribing Sales Calls

In May 2023, Chat GPT was used on the "GENIEE SFA/CRM" screen to add a function summarizing minutes and an individual information extraction function for customer needs, budgets, etc. Furthermore, in February 2024, the AI function was updated, making it possible to transcribe audio from sales negotiations and automatically enter it into SFA/CRM and even automate the creation of tasks for each customer after sales negotiations and the request work to superiors and each department, all with just the settings on SFA/CRM, which is the first time in the industry.

### "GENIEE MA " Allows Intuitive Operation

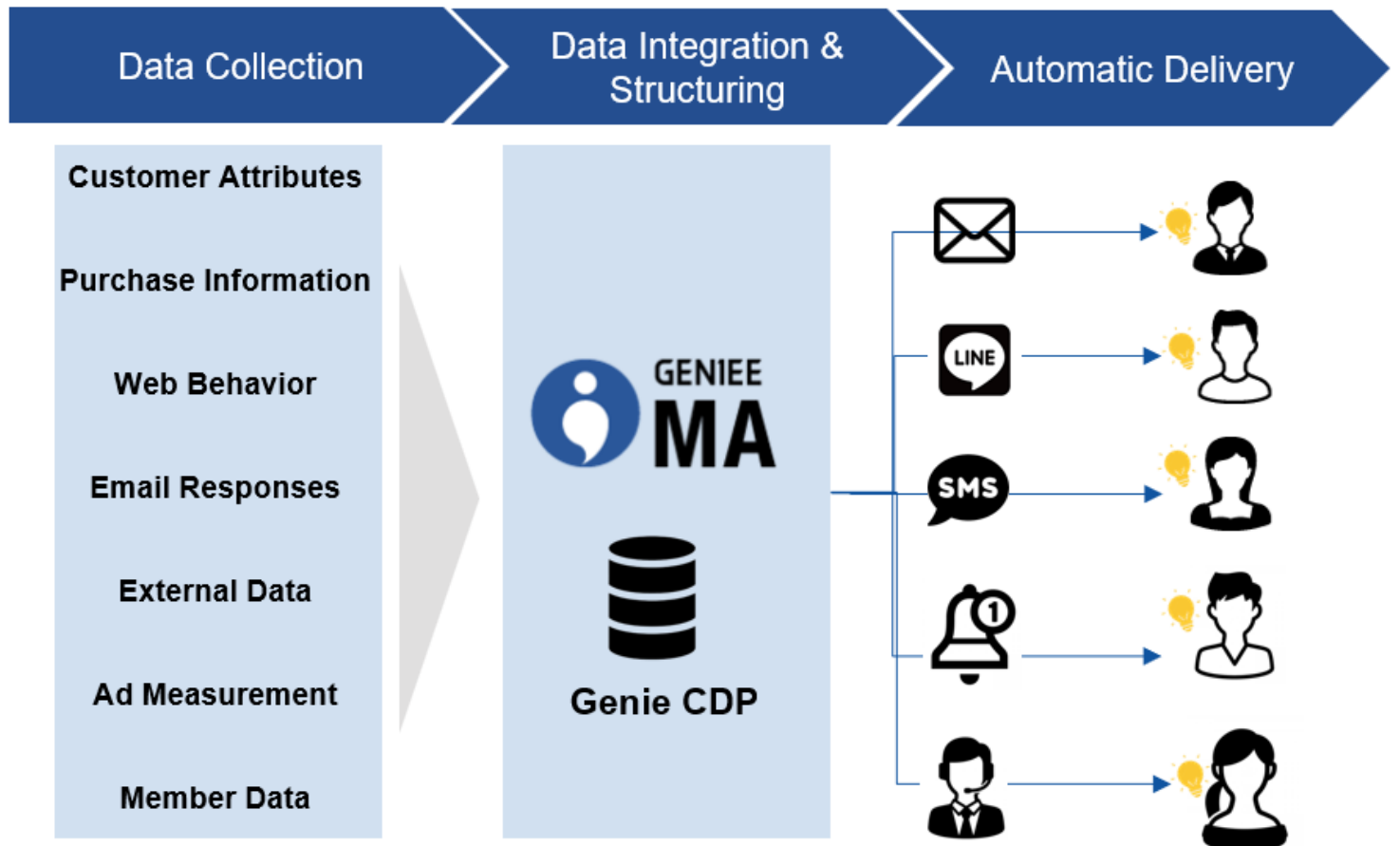
"GENIEE MA" is a tool that can identify potential customers by scoring them based on their website visits and email opening status and deliver information according to the customer's circumstances. There are many information delivery channels, including email, web push notification, LINE, pop-ups, SMS, and app push. Generally, many companies give up on introducing MA tools because the functions are too complicated and support is not available in Japanese, but "GENIEE MA" has a simple "Scenario Canvas" function that allows intuitive operation and has a comprehensive support system in Japanese.

Figure 10. GENIEE SFA/CRM



Source: Company Data

Figure 11. GENIEE MA



Source: Company Data

## 6) Strong Cost Competitiveness & System for Attracting Talented Personnel

### Achieving Strong Cost Competitiveness by Taking Advantage of Having Multiple Businesses

Geniee has three businesses and has made good use of them to achieve three things: 1) Budget control with optimal and flexible budget allocation and adjustment for the entire company and efficient management of selling and general administrative expenses, 2) Flexible and flexible transfer of personnel between departments to promote knowledge sharing between departments while reducing unnecessary recruitment costs and 3) Cost benefits such as volume discounts on usage fees by standardizing systems such as servers. This has enabled them to provide products with high price competitiveness.

### 3 Synergies: Budget Control, Personnel Transfers & Cost Benefits

Figure 12 Inter-Business Synergies



Source: Company Data

### Attracting Talented People by Offering Attractive Business Opportunities, High Compensation & Growth Opportunities

In terms of recruiting, the company has set the highest level of compensation in the industry and designed incentives to increase corporate value, creating a system that attracts and retains talented personnel. In addition, the fact that the company is in a business where there are many opportunities to come into contact with cutting-edge technologies such as AI is also an advantage in terms of recruiting. Furthermore, the company currently employs many executive personnel at the CXO level of listed companies, creating a system that leads to a virtuous cycle in which talented and experienced personnel lead the management while helping young, talented personnel grow.

In addition, the company takes advantage of the frequent acquisition opportunities and actively conducts on-the-job training by assigning young employees to work on the acquisition business. Employees who empathize with the company culture, which is focused on achieving business results through Commitment and Ownership, are making the most of these well-established systems and favorable circumstances.



## 7) A System to Improve Product Value & Achieve a Stable and Low Cancellation Rate

### Hiring and Training "Product Managers" Who are Responsible for Increasing the Value of the Product

Geniee is recruiting and training product managers (PdM's) who are responsible for improving the value of products. A product manager is a position that plays a wide range of roles in all directions between business, engineers and customers, while continuing to focus on improving the cost-effectiveness of the product. It is natural for global tech companies to have such an important role, but there are few cases of this position being established in Japanese companies and there is also a low supply in the domestic human resources market. In this situation, Geniee is recruiting as many product managers as possible and assigns them to each product, while at the same time-sharing knowledge throughout the company and training new product managers through internal meetings specializing in PdM study sessions and product improvement.

### Product Managers Strive to Maximize the Cost-Effectiveness of Their Products Whilst Balancing these 3 Factors

Figure 13 Product Manager Position



Source: Company Data

### "GENIEE SFA/CRM" is Also Used In-House

The company has also implemented "GENIEE SFA/CRM" into its entire sales management system, creating a scientific sales management system that is based on data and highly reproducible.

**A Thorough In-House Support System that Provides Support from Product Introduction to Utilization**

Furthermore, unlike other companies, Geniee manages the implementation and use support in-house when it comes to the actual product implementation, eliminating communication costs and unnecessary expenses. At the same time, Geniee is able to directly receive customer requests and immediately reflect them in its products, allowing it to quickly improve features. This thorough follow-up system has led to an extremely low cancellation rate.

## 2. Founder Resume, Major Shareholders Profile & Company History

### 1) Tomoaki Kudo's "My Resume"

**During his Childhood, He was Physically Weak and was Repeatedly Admitted to & Discharged from Hospital**

Kudo was born in Kanagawa Prefecture (September 9, 1981). During his elementary school years, Kudo was in poor health and was hospitalized 12 times a year, including one time when he was hospitalized for two weeks due to pneumonia. During his hospital stays, he would often daydream because he had nothing better to do. He would decide that "I may not live long, so I'll live to the fullest," and he came to the point where he felt uncomfortable if he did not live to the fullest every day.

**By Helping His Grandmother, Who Runs a Farm, Ship Her Rice Porridge, He Learned the Joy of Making Many People Happy**

Kudo's grandmother was a farmer in the neighborhood and he often helped out until he was in high school. During the New Year holidays, they hired many part-time students to pack the seven winter herbs used in nanakusa-gayu, and shipped them in packs of tens of thousands. In terms of shipping volume, they were about fourth in Kanagawa Prefecture. At this time, Kudo's small-scale ingenuity improved productivity and the part-time students and his grandmother were incredibly happy when they received a raise in wages. Kudo found this experience genuinely enjoyable and it made him want to become a manager who could make many people happy.

**Despite his Play-Centered Lifestyle, He Went on to Study at a Prestigious High School in Kanagawa Prefecture & then to Waseda University**

Although he joined the soccer club in junior high school, he could not find anything to express his passion, so he repeatedly skipped but pretended to go to school. While playing around, he also got into trouble and was scolded by his parents, who urged him to go to a high-level high school. After that, Kudo studied hard and was able to enter Koryo High School, a public high school in Hodogaya Ward, Kanagawa Prefecture, which is the highest-level preparatory school in the area. However, even after entering high school, the same pattern of behaviour in junior high school continued and he was sometimes in the after-school club, so he was always playing with his friends. However, in his 4<sup>th</sup> year he began studying extremely hard and his grades in science subjects such as mathematics improved and as a result he was able to enter the science department of Waseda University to study IT.

**Research on Search Engines in Graduate School**

At Waseda University, he entered the computer-related department, learning about programming languages and how computers work. He then went on to graduate school at Waseda University, where he created a search engine. During his research, he read a paper by Google, and learned that "what we research can be directly applied to business and change the world." At the time, Google was not the only company doing cutting-edge research and there were many Japanese people doing it; but he was concerned that it was not leading to business, and he began to think, "I want to start a technology company". In fact, while he was a student, he started a company with a friend that provided a service to help websites appear at the top of search engine results.

## **Although He Gained Experience Working for a Company Whilst in School, He Joined Recruit to Learn the 'Know-How' of Running a Large Company**

After graduating from graduate school, it was common to become a researcher, but while students who could think about research day and night, including on weekends, Kudo would however think about business day and night, so he did not choose to become a researcher. Although he had already established personal connections with managers of other small and medium-sized enterprises by starting a business while he was still a student, he did not have any connections with large companies, so he decided to work for Recruit Holdings (6098 TSE Prime) in order to get an idea of what it would be like to start a large company.

## **Working Hard at Recruit & Learning a Lot from the Management Team**

After joining Recruit, he worked hard, driven by a desire to climb the ranks and was given the responsibility of managing new businesses. He also had the opportunity to work directly under about three executives and especially under current Chairman and CEO Masumi Minegishi, where he was able to learn how to set KPI's and KGI's to control and succeed in multiple businesses. After that, he left Recruit and founded Geniee in April 2010. At first, he was given work through connections from his time at Recruit and with the support of those around him, he achieved profitability within six months.

## **The Company Uses its Price Competitiveness as a Weapon to Beat Rival SSP's**

After the company was established, in order to secure talented personnel, the company focused on not only salary but also on freedom of working style and worked to create an environment where employees could feel happy working. Thanks to the talented engineers it secured, GENIEE SSP, which was launched in April 2011, achieved the world's lowest server costs per ad delivery. It used its price competitiveness as a weapon to beat rival SSP's and the foundations of its current business was laid.

## **2) Status of Major Shareholders**

### **SoftBank Reduces Stake to Zero**

As a major shareholder, Kudo holds 36.4% of the shares. As of the end of March 2024, SoftBank held 31.3%, but Geniee acquired their shares and as of the end of July, SoftBank's shareholding was zero. SoftBank's holdings were based on a capital and business alliance in 2014, but after about 10 years the company came to the realization that it could still maintain a good relationship, including a business relationship and expect business results even without the capital relationship, and this resulted in the acquisition of its own shares. The funds required for this acquisition were raised by allocating preferred shares to Mizuho Bank. These preferred shares are subject to conditions to prevent dilution of common shares, such as not being exchangeable for common shares until three years after issuance and being repurchasable two years after the transfer date.

Transactions with SoftBank Group Remain Generally Stable

**Figure 14 Transactions with SoftBank Group (¥ million)**

	18/3	19/3	20/3	21/3	22/3	23/3	24 /3
Sales to SoftBank Group	1,964	1,370	567	1,485	1,518	1,544	1,985
Purchase from SoftBank Group	366	480	250	1,263	1,477	798	174

Source: Company Data. Compiled by Strategy Advisors

Approximately 60% Owned by Individuals & Others

Looking at the share ownership status as of the end of March 2024, 61.3% were individuals and others, 1.5% were financial institutions, 32.5% were other corporations, 4.0% were foreign corporations etc., and 0.6% were financial instruments traders.

Founder Kudo Owns Approximately 36% of the Company

**Figure 15 List of Major Shareholders (End of March 2024)**

Rank	Major Shareholders	# of	Ownership
		Shares Held ('000 Shares)	Ratio (%)
1	Tomoaki Kudo	6,544	36.4
2	SoftBank Corp.*	5,625	31.3
3	Daisuke Gomi	519	2.9
4	NICE SATISFY LIMITED	402	2.2
5	Takuya Yoshimura	385	2.1
6	Custody Bank of Japan Ltd. (Trust Account)	269	1.5
7	Hiroshi Hirose	227	1.3
8	Kanazawa Seibun	100	0.6
9	Ueda Yagi Tanshi Co., Ltd. BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT	96	0.5
10	ACCTS M ILM FE (Standing Proxy: Mitsubishi UFJ Bank, Ltd.)	86	0.5
	Total	14,252	79.3

\*As of the end of July 2024, SoftBank's Share Holding was Zero

Source: Company Data. Compiled by Strategy Advisors

Foreign Ownership is Just 4%

**Figure 16 Geniee Ownership Status (End of March 2024)**

	Percentage of Shares Held(%)
Individuals & Others	61.3
Financial Institutions	1.5
Other Corporations	32.5
Foreign Corporations & Others	4.0
Financial Instruments Business Operator	0.6

Source: Company Data. Compiled by Strategy Advisors

**Launched "GENIEE SSP" the Year After the Company Was Established**

Geniee was established in Nishi-Shinbashi, Minato-ku, Tokyo in April 2010 and in February 2011, it joined the reseller program to propose and sell Google's ad distribution service "Google AdSense" in Japan. In April 2011, it began offering "GENIEE SSP," a platform for web media in the ad distribution platform business.

**In 2014, the Company Began Providing DSP Services & Entered into a Capital and Business Alliance with SoftBank**

In August 2012, the company opened a subsidiary in Singapore and in September 2013, a subsidiary in Vietnam, marking its entry into Southeast Asian countries. In March 2014, the company began offering the advertiser platform "GENIEE DSP," providing both SSP and DSP and establishing an advertising supply system with reduced middle margins. In October of the same year, the company made a third-party allocation of new shares to the current SoftBank Group Corp. (9984 TSE Prime) in an attempt to accelerate its globalization and concluded a capital and business alliance. In September 2015, the company also established a subsidiary in Indonesia.

**Establishing the Foundations of the Marketing SaaS Business Between 2016 & 2018**

In July 2016, the company launched its current marketing SaaS business by offering the current "GENIEE MA". In June 2018, the company took over the current "GENIEE SFA/CRM " business, and in November of the same year, the company acquired the development and sales company of the current "GENIEE CHAT" as a subsidiary, building the foundation for the marketing SaaS business through M&A and other means.

**In 2023, the Geniee Acquired Zelto, Which Operates SSP Businesses in North America, Europe & India**

After that, the company successively acquired the current "GENIEE SEARCH" provider in November 2020, which was another chat service provider to enhance the functionality of the current "GENIEE CHAT " in August 2021, an advertising effectiveness measurement company in February 2022 and a landing page acceleration company in July 2022. In February 2023, the company acquired Zelto, which operates an SSP business in North America, Europe and India, as a subsidiary.

**In 2024, Geniee Entered the Digital PR Business by Acquiring Socialwire as a Subsidiary**

In July 2024, the company acquired Socialwire (3929 TSE Growth), a digital PR business, as a subsidiary, and in July of the same year, the company dissolved its capital relationship with SoftBank as its business partnership with the company had been solidified.

## 3. Management Philosophy

### **The Company Name Geniee Embodies 2 Ideas: "a Geniee Who Grants Wishes" & "a Creative Person"**

The company name GENIEE contains two ideas: "Geniee" (a magic spirit/demon that grants wishes) and "genius" (a creative person). Arthur C. Clarke, a leading 20th century science fiction writer, said, "Any sufficiently advanced technology is indistinguishable from magic." Genius also means "talent that shows originality in science, art, etc." Kudo named the company GENIEE because he wanted to be a company that "uses cutting-edge technology to create new value and change the world." And Geniee aims for each employee to show their talent and change the world as a professional like a Geniee.

### **"Create a World Where Everyone Can Succeed in Marketing"**

Geniee's management philosophy consists of two purposes: Business Purpose and Corporate Purpose. The Business Purpose, which shows the worldview that Geniee's products and services realize, is "Create a world where everyone can succeed in marketing". The Corporate Purpose, which shows the organization's long-term goal and raison d'être, is to "Become a global technology company originating from Japan and contribute to Japan and Asia". In order to change the world based on this management philosophy, each individual must always elevate their individual talents and minds with the spirit of a Geniee in their hearts and Geniee believes that if the ever-changing power of strong individuals comes together, they can overcome any difficulty and realize the magic that can take the world by storm.

### **The Round Symbol Represents the Soul of "Earth" & "Majin"**

In the Geniee logo, the round symbol in the traditional Japanese color "lapis lazuli" represents the "Earth (World)" and the "Majin" (Spirit), while the strong, upward-sloping simple font represents "growth" and "strength." Furthermore, the "I" in GENIEE stands for the number "1." It represents Geniee's strong will to become the world's No. 1 company originating from Japan.

## 4. Equity Story

### **A Strategy is a Story that You Can't Wait to Tell Someone**

An equity story is a long-term scenario that grows a company's stock price and profits. From the perspective of long-term stock price growth, an equity story is considered to be mainly composed of 1) a feasible and detailed business strategy and 2) an exciting dream. Ken Kusunoki, a professor at the Hitotsubashi University Graduate School of Business and Commerce and a leading Japanese management scholar, writes in his book "Competitive Strategy as a Story: The Conditions for a Good Strategy", that "Companies that have achieved great success and have continued to achieve that success have in common that their strategy is constructed as a 'story' with flow and movement. A strategy is not something that is forced upon you out of necessity and you have no choice but to make a difficult face; but rather it is about creating an interesting 'story' that you can't help but want to tell someone." Equity stories are a similar concept.

### **Focus on Cost Containment in Order to Gain Competitive Advantage**

Geniee's "realizable and precise business strategy" is based on the idea of "providing cost-effective services". When the company was founded, it determined that SSP's were the least competitive in the advertising platform industry, with plenty of room for new entrants. With "GENIEE SSP," the company succeeded in reducing server costs per ad delivery to about one-tenth of those of competing services, which led to an expansion of market share. Furthermore, by developing "GENIEE DSP," the company was able to reduce the intermediate margin between SSP's and DSP's, improving its cost competitiveness.

### **By Providing Comprehensive Services In-House, Geniee Can Reduce System Integration Costs**

By delivering internet advertisements through "GENIEE SSP" and "GENIEE DSP", user attribute information and behavioral history are accumulated in "GENIEE DMP". In order to utilize this data for marketing, Geniee started providing the current "GENIEE MA" service in 2016 and further increased its services to the current "GENIEE SFA/CRM" and "GENIEE CHAT" through M&A. Other companies often provide these marketing-related services as individual products and it costs money to make system adjustments to link MA and SFA/CRM services of different companies. In this respect, Geniee provides comprehensive services in-house, so no extra costs are required; and in this respect it is in a better position than other companies in terms of cost-effectiveness. There are very few major companies, such as Microsoft, that have built a similar service portfolio structure.

### **Aiming to be a One-Stop Platform for the Information Society**

The reason why Geniee has been able to steadily realize "feasible and precise business strategies" because it has an "exciting dream" of "creating a society in which everyone can succeed in marketing" by becoming a "one-stop platform" for an information society. Geniee can solve this problem at low cost, at a time when it is becoming increasingly difficult to source information about the goods and services that consumers really need, as communication media such as the Internet, SNS and mobile apps become more diverse and complex.



**The Virtuous Cycle of Attracting Talented People Who Share Our "Exciting Dreams" is Difficult for Other Companies to Replicate**

This "exciting dream" has inspired talented engineers and product managers (those who oversee the entire relationship between business, engineers and customers to improve the cost-effectiveness of the product, a rare talent in Japan) to join Geniee, creating a virtuous cycle. Geniee is able to attract and retain these talented people by offering them the highest salaries in the industry. This is a situation that other companies find difficult to replicate.

## 5. Competitors in the Same Industry and Market Trends

### 1) Comparing Geniee's Global Business Portfolio with its Domestic & International Competitors

#### Major US IT Companies Have an Overwhelming Presence

Many companies around the world, both public and private, are engaged in advertising platform and marketing SaaS businesses, but the ones with the overwhelming presence are major American IT companies such as Alphabet (GOOGL NASDAQ), Microsoft and Salesforce (CRM NYSE), which offer a wide range of services. Microsoft in particular offers a comprehensive range of major services.

#### Alphabet's Share of the Japanese SSP Market is 50-60%

The market share of each company varies depending on the information source and is somewhat unclear; for example, according to documents from the Japan Fair Trade Commission, Alphabet's SSP market share (including ad exchanges) in the Japanese market is estimated to be between 50 and 60%.

#### Relatively Large Companies are from the US & Israel

Among listed companies, there are many American and Japanese companies, with a few Israeli companies also visible. In addition to the major IT companies mentioned above, there are American companies such as PubMatic (PUBM NASDAQ), Magnite (MGNI NASDAQ) and HubSpot (HUBS NYSE), which specialize in providing a single or small number of services. Compared to American and Israeli companies, Japanese companies are relatively small in size.

#### AnyMind is a Japanese Company that Operates an Advertising Platform Business and Marketing SaaS Business Similar to Geniee

Among Japanese companies, CyberAgent, FreakOut Holdings, CARTA HOLDINGS, etc. are in the advertising platform business, while Cybozu, BBD Initiative, etc. are in the marketing SaaS business. Geniee and AnyMind Group (5027 TSE Growth) are the only two that provide comprehensive services across both businesses.

**Figure 17 Business Portfolios of Major Peer Companies**

Company Name	Ticker	Country	Operating Cash Flow (¥ mn)	Ad Platform			Marketing SaaS			
				SSP	DSP	DMP	MA	SFA/CRM	Chat	AI
Microsoft	MSFT	US	17,782,200	○	○	○	○	○	○	○
Alphabet	GOOGL	US	15,261,900	○	○	○	-	-	○	○
Meta Platforms	META	US	10,666,950	○	○	-	-	-	-	-
Oracle	ORCL	US	2,800,950	-	-	○	○	○	○	○
Adobe	ADBE	US	1,095,300	-	○	○	○	-	-	○
Salesforce	CRM	US	1,535,091	-	-	○	○	○	○	○
Baidu	09888	China	732,300	○	○	○	-	-	○	○
LINE Yahoo!	4689	Japan	316,477	○	○	○	○	-	○	○
AppLovin	APP	US	159,227	○	○	-	○	-	-	○
Trade Desk	TTD	US	89,749	-	○	○	-	-	-	-
HubSpot	HUBS	US	52,645	-	-	-	○	○	-	○
Criteo	CRTO	France	33,637	○	○	-	-	-	-	-
Magnite	MGNI	US	32,155	○	-	-	-	-	-	-
Perion Network	PERI	Israel	23,319	○	○	○	-	-	-	-
CyberAgent	4751	Japan	20,822	○	○	-	-	-	-	-
Mobvista	01860	HK	16,201	○	○	○	-	-	-	-
Freshworks	FRSH	US	12,926	-	-	-	○	○	○	○
PubMatic	PUBM	US	12,168	○	-	-	-	-	-	-
Nexxen International	NEXN	Israel	9,111	○	○	○	-	-	-	-
Cybozu	4776	Japan	4,548	-	-	-	-	○	-	○
Startia Holdings	3393	Japan	2,523	-	-	-	○	-	-	○
FreakOut Holdings	6094	Japan	2,461	○	○	○	-	-	-	-
United	2497	Japan	2,085	○	○	-	-	-	-	-
CARTA HOLDINGS	3688	Japan	1,739	○	○	-	-	-	-	-
Brain Pad	3655	Japan	1,538	-	-	○	○	-	-	○
<b>Geniee</b>	<b>6562</b>	<b>Japan</b>	<b>1,140</b>	<b>○</b>	<b>○</b>	<b>○</b>	<b>○</b>	<b>○</b>	<b>○</b>	<b>○</b>
AnyMind Group	5027	Japan	1,028	○	○	○	○	○	○	○
BBD Initiative	5259	Japan	530	-	-	-	○	○	○	○
SMN	6185	Japan	522	-	○	-	-	-	-	-
MicroAd	9553	Japan	266	○	○	-	-	-	-	-
GMO Ad Partners	4784	Japan	-912	○	○	-	-	-	-	-

\*Exchange rates calculated at ¥150 to the USD and ¥20 to the Yuan

Source: Compiled by Strategy Advisors. Based on Data from Each Company

## 2) Comparison of Major Financial Indicators and Stock Price Indicators

### FreakOut and Geniee are in the Top Group for Operating Cash Flow Growth Rates Amongst Japanese Companies

Comparing the 3-year average growth rate of operating cash flow, excluding Magnite and Startia Holdings, which have turned profitable, AnyMind Group and Freshworks (FRSH NASDAQ), which saw a rapid increase when they transitioned to a stable profit structure: Perion Network Ltd (PERI NASDAQ) and MobVista (01860 Hong Kong) have the highest growth rate at about 90%. Next are two American companies, HubSpot and PubMatic, with growth rates of around 50%, followed by two Japanese companies, FreakOut Holdings and Geniee, with growth rates of about 40%. On the other hand, there are four Japanese companies with negative growth, including SMN (6185 TSE Standard) and MicroAd.

### Companies with the Highest PCFR are Around 80x

Comparing price-to-cash flow ratios (PCFR), HubSpot and Freshworks, which have high operating cash flow growth rates and MicroAd, which recently saw a sharp decline in operating cash flow, are in the highest group at around 80. The average for the 30 companies excluding companies with negative operating cash flow is 24, with the US at 32, Japan at 22 and Israel at 8.

### There are Several Companies that are in the Red at the Operating Profit Level Due to the Recording of Stock-Based Compensation Expenses.

What is noteworthy about net income is that relatively new companies, mainly American companies such as HubSpot and Magnite, are in the red as a result of recording large amounts of stock-based compensation expenses. Because these expenses do not involve cash outflows, the ranking of operating cash flow and the ranking of net income are quite different.

### FreakOut and Geniee are in the Top Group for 3-Year Average ROE Amongst Japanese Companies

Comparing the 3-year average ROE taking these differences into account, the highest is Oracle (ORCL NYSE) at 759%. This is due to the company's aggressive shareholder return (125% in the past three years and over 300% in some years), which led to it being insolvent at one point. Microsoft at 44%, is at the next level after Oracle, and companies in the group around 30% include Alphabet, Meta Platforms (META NASDAQ), Adobe (ADBE NASDAQ), FreakOut, and Geniee.

### There are Several Western Companies with PBR's of over 10x

The company with the highest PBR is Oracle at 37x, followed by HubSpot at 22x. Microsoft, Adobe, AppLovin (APP NASDAQ) and Trade Desk (TTD NASDAQ), all with PBRs in the teens, are in the third group, while Alphabet, Meta Platforms, Freshworks, Cybozu and MicroAd are in the 5-10x range.

**Figure 18** Key Indicators of Major Peer Companies

Company Name	Accounting Period	OCF (¥ mn)	3-Year CAGR	PCFR (Times)	Net Income (¥ mn)	ROE	3-Year ROE	PBR (Times)
Microsoft	24/06	17,782,200	16%	28.0	13,220,400	37%	40%	12.4
Alphabet	23/12	15,261,900	16%	6.3	11,069,250	27%	28%	6.2
Meta Platforms	23/12	10,666,950	22%	12.8	5,864,700	28%	26%	5.9
Oracle	24/05	2,800,950	6%	17.3	1,570,050	194%	759%	37.0
Adobe	23/11	1,095,300	8%	38.1	814,200	36%	34%	16.8
Salesforce	24/01	1,535,091	29%	26.6	620,400	7%	3%	4.6
Baidu	23/12	732,300	15%	8.1	391,960	8%	5%	1.2
LINE Yahoo!	24/03	316,477	15%	9.2	113,199	3%	4%	1.0
AppLovin	23/12	159,227	68%	12.6	53,241	%	4%	10.7
Trade Desk	23/12	89,749	14%	59.0	26,841	8%	7%	16.3
HubSpot	23/12	52,645	58%	83.3	-26,444	-15%	-13%	22.1
Criteo	23/12	33,637	7%	6.4	7,989	5%	6%	1.3
Magnite	23/12	32,155	Turning a profit	6.0	-23,878	-21%	-13%	1.8
Perion Network	23/12	23,319	91%	9.5	17,612	18%	17%	2.1
CyberAgent	23/09	20,822	-17%	19.6	5,332	2%	12%	2.8
Mobvista	23/12	16,201	91%	5.1	3,271	9%	1%	2.4
Freshworks	23/12	12,926	96%	80.5	-20,615	-13%	-217%	6.5
PubMatic	23/12	12,168	49%	10.2	1,332	3%	12%	2.8
Nexxen International	23/12	9,111	20%	6.2	-3,223	-4%	5%	0.7
Cybozu	23/12	4,548	21%	22.8	2,488	31%	16%	9.2
Startia Holdings	24/03	2,523	Turning a profit	5.8	1,546	25%	24%	2.2
FreakOut Holdings	23/09	2,461	43%	6.9	7,870	54%	32%	1.0
United	24/03	2,085	-33%	16.9	2,366	9%	12%	1.5
CARTA HOLDINGS	23/12	1,739	-5%	19.3	-2,360	-9%	5%	1.4
Brain Pad	24/06	1,538	25%	14.8	909	17%	15%	4.1
<b>Geniee</b>	<b>24/03</b>	<b>1,140</b>	<b>38%</b>	<b>16.3</b>	<b>1,032</b>	<b>17%</b>	<b>27%</b>	<b>2.6</b>
AnyMind Group	23/12	1,028	455%	51.6	559	4%	0%	3.9
BBD Initiative	23/09	530	66%	6.3	31	3%	6%	3.1
SMN	24/03	522	-7%	11.1	-1,029	-24%	-10%	1.6
MicroAd	23/09	266	-25%	79.4	565	17%	15%	6.8
GMO Ad Partners	23/12	-912	-190%	-	40	1%	5%	1.1

\*Exchange rates calculated at ¥150n to the USD and ¥20 to the Yuan. Source: Compiled by Strategy Advisors based on data from each company.

## 3) Comparison of Sales Growth Rates of Advertising Platform Businesses & the Number of Websites using SSP

### Magnite and Geniee are in the Top Group for Sales Growth

Comparing the 3-year average sales growth rate of 10 companies that disclose sales figures for their advertising platform business by segment and companies that operate only the advertising platform business, Magnite is at the top with 41%, followed by Geniee in second place with 39%. Trade Desk, AppLovin, and Perion Network follow in the low 30% range, but there are also many companies with negative growth rates after that, showing a polarized situation.

### Among Japanese Companies, LINE, Yahoo! & United are in the Top Group for the Number of Websites Using SSP

Comparing the number of websites using each company's SSP (including ad servers with SSP functionality) for 13 major listed companies for which data is available, Alphabet ranks first worldwide with approximately 6mn, Meta Platforms second with approximately 2mn and PubMatic third with approximately 1mn. Among Japanese companies, LINE Yahoo! (4689 TSE Prime) and United rank first with approximately 30,000 and Geniee third with approximately 20,000.

### LINE Yahoo's Presence in the Japanese Market is 10x that of Alphabet in the Global Market

In the Japanese market, Alphabet ranks first with approximately 500,000, PubMatic in second with approximately 90,000 and Meta Platforms in third with approximately 80,000. Among Japanese companies, LINE Yahoo and United are in the top group with approximately 30,000 and Geniee in third with approximately 20,000. While LINE Yahoo's share versus Alphabet in the global market is only 0.6%, its share in the Japanese market is 6.4%, giving it 10 times the presence.

### United and Geniee surpass LINE and Yahoo in Overseas Expansion

The number of websites of Japanese companies is concentrated in the Japanese market, but when comparing their overseas expansion, United and Geniee have around 2,000 websites each, putting them in the top group, surpassing LINE and Yahoo, which have around 1,000 websites. Comparing the number of overseas websites of United and Geniee by country, Geniee has more websites than United in the US and India, partly due to the impact of its acquisition of Zelto.

3-Year CAGR is Polarized

**Figure 19 Comparison of Sales Growth Rates in the Advertising Platform Business**

Company Name	Ticker	Accounting Period	Sales (¥ mn)	3-Year CAGR
AppLovin	APP	23/12	492,463	31%
Trade Desk	TTD	23/12	291,918	33%
Criteo	CRTO	23/12	242,700	-8%
Magnite	MGNI	23/12	92,957	4 1%
Perion Network	PERI	23/12	111,473	31%
Nexxen International	NEXN	23/12	49,799	16%
FreakOut Holdings	6094	23/09	29,042	6%
<b>Geniee</b>	<b>6562</b>	<b>24/03</b>	<b>5,556</b>	<b>3 9%</b>
SMN	6185	24/03	6,650	-2%
GMO Ad Partners	4784	23/12	4,986	- 20%

\*Exchange rate is ¥150 to the USD.

Source: Compiled by Strategy Advisors. Based on Company Data

**Figure 20 Number of Websites Using Each Company's SSP – By Country  
(incl. Ad Servers with SSP Functionality)**

Company Name	Japan	America	Taiwan	India	Indonesia	South Korea	Others	Total
Alphabet	491,417	1,303,858	87,337	195,866	62,996	142,064	3,434,425	5,717,963
Microsoft	49,888	191,984	24,110	19,247	8,628	7,373	401,948	703,178
Meta Platforms	84,413	640,297	46,076	73,100	16,155	40,635	1,577,786	2,478,462
Baidu	5,523	16,343	6,283	982	484	1,808	270,643	302,066
LINE Yahoo!	31,271	368	85	24	17	83	828	32,676
Criteo	4,950	32,013	1,483	5,079	4,192	1,271	97,577	146,565
Magnite	56,717	170,075	24,112	18,815	9,141	7,944	387,942	674,746
PubMatic	88,382	238,736	30,631	31,602	14,280	30,391	728,553	1,162,575
United	30,119	472	411	32	49	139	1,473	32,695
CARTA HOLDINGS	5,599	72	26	2	3	34	218	5,954
<b>Geniee</b>	<b>21,280</b>	<b>528</b>	<b>197</b>	<b>176</b>	<b>158</b>	<b>94</b>	<b>1,048</b>	<b>23,481</b>
MicroAd	7,897	133	46	11	16	41	359	8,503
GMO Ad Partners	5,673	89	19	10	4	16	218	6,029

Source: Strategy Advisors. Based on SimilarTech Data

#### 4) Comparison of Sales Growth Rates in the Marketing SaaS Business

##### Geniee's Sales Growth Rate is Second Only to the Top 3 Companies

Comparing the 3-year average sales growth rate of companies that disclose their marketing SaaS sales by segment and seven companies that operate only the marketing SaaS business; BBD Initiative is the top with 39%, while HubSpot and Freshworks also boast growth rates in the 30% range. Geniee has a growth rate of 27%, second only to the top three companies.



All Recorded Double-Digit Growth Rates

**Figure 21 Comparison of Sales Growth Rates in the Marketing SaaS Business**

Company Name	Ticker	Accounting Period	Sales (¥ mn)	3-Year CAGR
Salesforce Inc	CRM	24/01	5,228,550	18%
HubSpot Inc	HUBS	23/12	325,535	35%
Freshworks Inc	FRSH	23/12	89,465	34%
Cybozu	4776	23/12	13,012	-
Startia Holdings	3393	24/03	3,511	11%
<b>Geniee</b>	<b>6562</b>	<b>24/03</b>	<b>2,680</b>	<b>27%</b>
BBD Initiative	5259	23/09	1,758	39%

\*Calculated at an exchange rate of ¥150 to the USD

Source: Compiled by Strategy Advisor. Based on Data from Each Company

Potential to Increase Sales by 400x

## 5) Target Markets

Geniee estimates that the target market for its services is ¥720bn, which means that it has the potential to expand to 90 times its sales in the fiscal year ending March 2024. It also aims to capture ¥17bn of this market (twice its sales in the fiscal year ending March 2024) by the fiscal year ending March 2027. These figures do not include the digital PR business that it acquired by making Socialwire a subsidiary.

# Geniee | 6562 (TSE Growth)

Figure 22 Market Size



Source: Company Data

# Geniee | 6562 (TSE Growth)

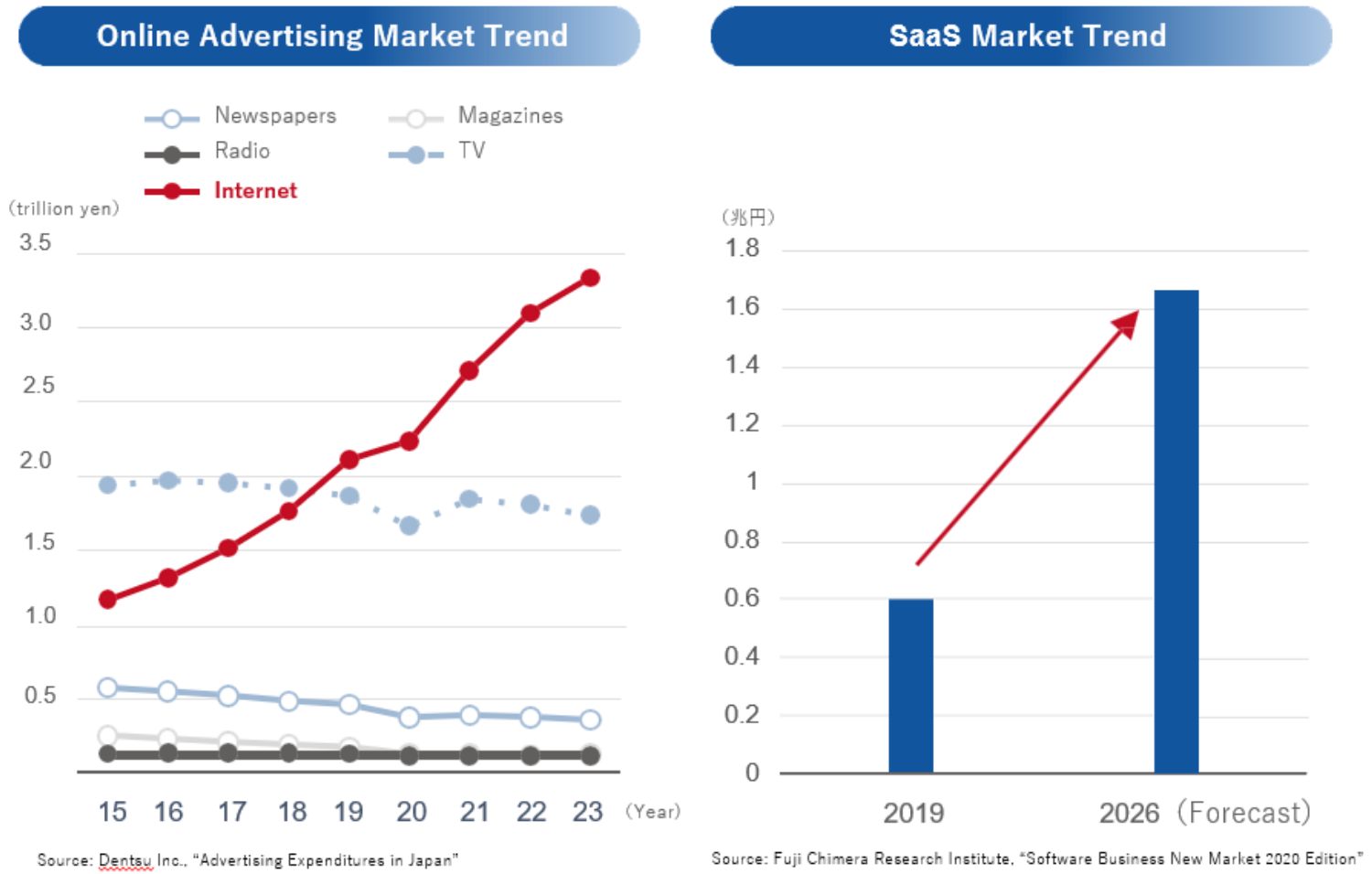
## The Internet Advertising Market has Tripled in 8-Years

In Japan's advertising market, the Internet advertising market has tripled in size in eight years to reach the ¥3 trillion level, while the advertising market for traditional media such as television, newspapers, magazines and radio continue to decline gradually.

## The Marketing SaaS Market is Expected to Expand by Nearly 2.8x in the 7-Years Leading up to 2026

The marketing SaaS market is also expanding rapidly, and according to the Fuji Chimera Research Institute, it is expected to grow approximately 2.8 times to nearly ¥1.7 trillion over the seven years from 2019 to 2026.

Figure 23 Internet Advertising Market and Marketing SaaS Market



Source: Company Data

## The Americas and Digital Media Set to Lead Growth in the Global Advertising Market

According to the Dentsu Group, the global advertising market is expected to grow at an annual rate of around 4-5% going forward, with the Americas expected to see a relatively high growth rate by region. Also, by medium, digital, including internet advertising, is expected to grow at around 6-8%, followed by outdoor and transportation at around 4-5%.

## Americas Leads Growth

**Figure 24 Global Advertising Market - By Region (U\$ bn)**

Region	2022 (Actual)	2023 (Actual)	2024 (Forecast)	2025 (Forecast)	2026 (Forecast)
The Americas	325.5	333.5	353.3	369.7	388.4
Growth Rate	12.7%	2.5%	5.9%	4.6%	5.1%
Europe, Middle East & Africa	151.9	158.7	165.1	170.3	174.9
Growth Rate	5.2%	4.5%	4.0%	3.1%	2.7%
Asia Pacific	218.2	226.3	235.9	245.9	255.8
Growth Rate	4.1%	3.7%	4.2%	4.2%	4.0%
<b>World</b>	<b>695.6</b>	<b>718.6</b>	<b>754.4</b>	<b>785.9</b>	<b>819.1</b>
<b>Growth Rate</b>	<b>8.2%</b>	<b>3.3%</b>	<b>5.0%</b>	<b>4.2%</b>	<b>4.2%</b>

Created by Strategy Advisors. Based on Dentsu Data

## Digital Drives Growth

**Figure 25 Global Advertising Market - By Medium (U\$ bn)**

Medium	2022 (Actual)	2023 (Actual)	2024 (Forecast)	2025 (Forecast)	2026 (Forecast)
Digital	388.8	418.3	449.3	478.6	508
Growth Rate	15.0%	7.6%	7.4%	6.5%	6.1%
TV Set	173.4	165.7	170	171.7	174
Growth Rate	-0.4%	-4.4%	2.6%	1.0%	1.3%
Newspapers/Magazines	50.1	47.4	46.2	45	44.1
Growth Rate	-5.0%	-5.4%	-2.5%	-2.6%	-2.0%
Outdoors/Transportation	37.4	41	42.7	44.5	46.6
Growth Rate	11.4%	9.6%	4.1%	4.2%	4.7%
Audio	35.2	35.5	35.6	36	36.4
Growth Rate	4.2%	0.9%	0.3%	1.1%	1.1%
Movies	2.5	2.4	2.5	2.6	2.6
Growth Rate	27.5%	-4.0%	4.2%	4.0%	0.0%
<b>World</b>	<b>695.6</b>	<b>718.6</b>	<b>754.4</b>	<b>785.9</b>	<b>819.1</b>
<b>Growth Rate</b>	<b>8.2%</b>	<b>3.3%</b>	<b>5.0%</b>	<b>4.2%</b>	<b>4.2%</b>

Created by Strategy Advisors. Based on Dentsu Data



## 6. Competitive Strategy Analysis

### Porter Categorizes Competitive Strategies into "Differentiation", "Cost Leadership" and "Focus"

Michael Porter's "Competitive Strategy" is classified as positioning theory, which emphasizes "how to position one's company to gain an advantage within the industry". Porter classifies competitive strategies into "differentiation", "cost leadership" and "focus." He calls companies that are unable to implement any of these three strategies "companies in distress" and points out that they will suffer from low profits. He also states that it is difficult for companies with limited management resources to achieve both a differentiation strategy and a cost leadership strategy and that this should be avoided.

### Geniee Adopted a Focus Strategy and Cost Leadership Strategy in the Early Stages After its Establishment

When Geniee was first founded, it analyzed the advertising platform industry and decided that the SSP market was less competitive than the DSP market, leaving more room for new entrants, so it decided to start with the SSP business. It then achieved the world's lowest server costs per ad delivery, taking market share from leading SSP's while also acquiring new customers. Therefore, it can be said that Geniee adopted a focus strategy and cost leadership strategy in the early days of its founding.

### Since Launching DSP, Geniee Has Focused More on Cost Leadership Strategy

Geniee then began offering DSP services and by implementing direct bidding between SSP and DSP, it was able to reduce the middleman's margin. Furthermore, with a view to utilizing the data accumulated in the DMP; it entered the marketing SaaS business and through in-house development and M&A, it added various major tools such as MA, SFA/CRM and Chat to its in-house menu of services. This enabled it to provide customers with a solution that reduced the costs of linking various tools operated by different operators, which had been taken for granted until now. Therefore, since starting to offer DSP, Geniee has been conducting its business with a greater focus on a cost leadership strategy.

### Geniee Secures Rare Talent by Offering the Highest Wages in the Industry, Making it Difficult for Other Companies to Imitate

Unlike other companies, Geniee provides in-house support for the actual product implementation, eliminating communication costs and unnecessary expenses. At the same time, Geniee is able to directly receive customer requests and immediately reflect them in its products, allowing for rapid feature improvements. Of course, excellent engineers are needed to improve features, but Geniee also employs and trains many "product managers" who oversee the entire relationship between business, engineers and customers and improve the cost-effectiveness of the product. Product manager positions are not common in Japanese companies, so there are few such people on the market. Geniee has managed to secure these valuable product managers and excellent engineer talent by offering the highest salaries in the industry, making it difficult for other companies to imitate.

## 7. Current Business Performance Trends

### 1) Q1 FY3/2025 Results

#### Recorded a One-Off Gain Related to the Reversal of an Earn-Out

Geniee's consolidated results for the first quarter of fiscal year 2025/3 showed sales of ¥2.266bn (+26% YoY), gross profit of ¥1.741bn (+27% YoY) and operating profit of ¥816mn (+634% YoY), which showed increases in both sales and profits. The reason for the large increase in operating profit was the recognition of a one-off profit related to the reversal of an earn-out (an obligation to pay additional money according to conditions after the M&A is completed). Specifically, the obligation to pay an additional U\$5mn if the former shareholders continued to be engaged in the acquisition of Zelto was recorded as a liability, but as the conditions were not met, the liability was reversed and profits were recorded.

#### Increased Revenue and Profits Even Without One-Off Profits

The one-time profit related to the reversal of earn-out is recorded as "other income" included in operating profit, but in order to ignore this impact, "normal profit" obtained by subtracting the one-time profit and loss from operating profit was ¥111mn in the first quarter of the fiscal year ending March 2024 and ¥170mn in the first quarter of the fiscal year ending March 2025, an increase of ¥59mn or 53.2% compared to the same period last year.

#### Consolidated Sales Increased by ¥470mn

Consolidated sales increased ¥470mn compared to the same period last year, broken down by segment as follows: the advertising platform business increased ¥231mn, the marketing SaaS business increased ¥256mn and the overseas business increased ¥28mn.

#### The Main Reason for the Largest Increase in Sales was the Marketing SaaS Business, which Developed the Enterprise Demographic through SFA/CRM

The largest increase was in the Marketing SaaS business, where sales were ¥859mn (+42% YoY), due mainly to a 45% increase in the number of paid accounts compared to the same period last year. This increase in the number of accounts was achieved as a result of the company's efforts to cultivate the enterprise demographic with SFA/CRM, taking advantage of its cost-effectiveness. Geniee's lower cancellation rate compared to other companies in the industry (2-7% for other companies, while Geniee's is less than 1%) also contributed to the increase in the number of accounts. On the other hand, segment profits decreased ¥19mn to ¥25mn yen (-43% YoY).

#### The Advertising Platform Business Saw Increased Revenue and Profits Due to Development of the Enterprise Demographic

The next largest increase was in the advertising platform business, with sales of ¥1.179bn (+24% YoY), mainly due to the progress in developing the video domain in SSP and the progress in developing the enterprise demographic, which led to an increase in average customer spending. Segment profit increased ¥121mn to ¥581mn (+26% YoY).

#### Overseas Business Gross Profit Increased, But Segment Profit Decreased

Sales from the overseas business increased to ¥335mn (+9% YoY). On the other hand, segment profit decreased by ¥32mn to ¥24mn (-60% YoY). Gross profit increased as a result of improving profitability by implementing cost reduction measures such as cross-selling of products within the Geniee Group and replacing servers, but segment profit decreased due to PMI costs for Zelto.

**Figure 26** Quarterly Performance Trends (¥ million)

Accounting Period	23/3				24/3				25/3
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>Sales</b>	<b>1,468</b>	<b>1,571</b>	<b>1,679</b>	<b>1,737</b>	<b>1,796</b>	<b>1,963</b>	<b>2,134</b>	<b>2,120</b>	<b>2,266</b>
(YoY Comparison)	-	-	-	-	22.3%	25.0%	27.1%	22.1%	26.2%
Advertising Platform Business	957	948	1,002	991	948	1,032	1,155	1,172	1,179
(YoY Comparison)	-	-	-	-	-0.9%	8.9%	15.3%	18.3%	24.4%
Marketing SaaS Business	389	477	508	587	604	673	697	730	859
(YoY Comparison)	70.6%	65.7%	82.6%	53.4%	55.2%	41.0%	37.3%	24.3%	42.4%
Overseas Business	165	200	170	61	306	305	338	299	335
(YoY Comparison)	-	-	-	-	85.5%	52.5%	99.6%	389.4%	9.2%
Adjustment Amount	-43	-54	0	98	-63	-47	-57	-81	-108
Cost of Sales	297	317	338	361	423	462	487	501	525
<b>Gross Profit</b>	<b>1,172</b>	<b>1,254</b>	<b>1,341</b>	<b>1,376</b>	<b>1,373</b>	<b>1,501</b>	<b>1,646</b>	<b>1,619</b>	<b>1,741</b>
(Gross Profit Margin)	79.8%	79.8%	79.9%	79.2%	76.4%	76.5%	77.2%	76.4%	76.8%
Selling, General and Administrative Expenses	906	1,004	1,008	1,089	1,266	1,282	1,289	1,416	1,577
Other Revenues	0	0	30	1,653	3	555	1	116	652
Other Expenses	75	0	1	286	2	1	2	18	0
<b>Operating Profit</b>	<b>191</b>	<b>250</b>	<b>362</b>	<b>1,654</b>	<b>107</b>	<b>773</b>	<b>356</b>	<b>302</b>	<b>816</b>
(Operating Profit Margin)	13.0%	15.9%	21.6%	95.2%	6.0%	39.4%	16.7%	14.2%	36.0%
Advertising Platform Business	520	498	577	569	460	509	639	637	581
(Profit Margin)	54.3%	52.6%	57.6%	57.4%	48.5%	49.3%	55.3%	54.4%	49.3%
Marketing SaaS Business	-7	7	-3	89	44	66	67	39	25
(Profit Margin)	-1.8%	1.5%	-0.6%	15.1%	7.3%	9.8%	9.6%	5.3%	2.9%
Overseas business	78	107	123	31	56	60	65	20	24
(Profit Margin)	47.2%	53.5%	72.5%	50.7%	18.3%	19.7%	19.2%	6.7%	7.2%
Adjustment amount	-400	-363	-335	966	-454	140	-415	-394	185
Financial Revenue	38	16	26	-60	18	2	4	6	3
Finance Charges	10	17	14	157	121	90	-28	110	70
<b>Profit Before Tax</b>	<b>219</b>	<b>249</b>	<b>374</b>	<b>1,437</b>	<b>5</b>	<b>685</b>	<b>388</b>	<b>198</b>	<b>748</b>
<b>Net Income</b>	<b>178</b>	<b>150</b>	<b>308</b>	<b>1,479</b>	<b>1</b>	<b>631</b>	<b>229</b>	<b>170</b>	<b>672</b>
Net Profit Margin	12.1%	9.5%	18.3%	85.1%	0.1%	32.2%	10.7%	8.0%	29.7%

Source: Company Data. Compiled by Strategy Advisors



## 2) FY3/2025 Full-Year Earnings Forecast

### Revenues & Profits Expected to Increase for the Full Fiscal Year Ending March 2025

The full-year business performance forecast for the fiscal year ending March 2025 is sales of ¥10.200bn (+27% YoY), cost of sales of ¥2.200bn (+17%), gross profit of ¥8.000bn (+30%), selling and administrative expenses of ¥5.700bn (+24%), operating profit of ¥2.300bn (+49%), profit before taxes of ¥2.200bn (+72%) and net profit for the term of ¥1.700bn (+65%).

### Revenues Expected to Increase in ALL Segments

Consolidated sales are expected to increase by ¥2.187bn compared to the previous period, broken down by segment it is as follows: the advertising platform business will increase by ¥1.094bn, the marketing SaaS business will increase by ¥996mn and the overseas business will increase by ¥251mn.

### The Increase in Revenue from the Advertising Platform Business is Due to the Expansion of the Enterprise Domain etc.

The advertising platform business is expected to see the largest increase in sales, at ¥5.400bn (+25% YoY), due mainly to the strengthening of sales channels for major agencies and the expansion of the enterprise field through the development of the video field and major media. Segment profit is expected to increase by ¥455mn to ¥2.700bn (+20% YoY).

### Marketing SaaS Business also Seeing Growth Centered on the Enterprise Sector

The next largest increase is expected to be in the Marketing SaaS business, with sales forecasted at ¥3.700bn (+37% YoY), mainly due to the promotion of growth in the enterprise field, mainly in the CHAT field, SFA/CRM and the new version of MA. Segment profit is expected to increase by ¥584mn to ¥800mn (+271% YoY).

### Overseas Business to Focus on Cross-Selling and Enterprise Media

Sales from the overseas business are expected to be ¥1.500bn (+20% YoY) and the increase in sales is mainly due to deepening cooperation with domestic supply and demand teams and working on cross-selling and developing new enterprise media. Segment profit is expected to increase by ¥99mn to ¥300mn (+49% YoY).

### Consolidated Sales, Including the Digital PR Business, is Expected to Increase by 55% YoY

The figures above do not include the digital PR business of Socialwire, which was acquired in July 2024. The full-year forecast for the fiscal year ending March 2025, including the digital PR business, is sales of ¥12.400bn (+55% YoY), cost of sales of ¥3.000bn (+60%), gross profit of ¥9.400bn (+53%), selling and general administrative expenses of ¥7.030bn (+53%), operating profit of ¥2.370bn (+54%) and net profit of ¥1.740bn (+69%). However, these figures do not take into account synergies and cost reductions from the acquisition.

## 3) Mid-Term Management Plan (FY3/2024 to FY3/2026)

### The First Axis is to Expand Market Share in the Enterprise Domain

The first axis of the current mid-term business plan is to expand market share in the enterprise (large company) domain. The reasons for focusing on the enterprise domain are that stable profits can be expected and there is a high possibility of increasing profitability, because they tend to sign higher-priced contracts. Geniee's technological capabilities can be improved by meeting their high standards.

### The Second Axis is the Launch of Generative AI Solutions

The second axis is the launch of generative AI solutions. The company established a subsidiary called "JAPAN AI" to specialize in this business and started a business efficiency support service using generative AI, while also using it to further improve its own products.

### The Third Axis is Domestic & International Supply-Side Business Collaborations

The third axis is SSP collaboration both in Japan and overseas. With GENIEE SSP and Zelto SSP as the axis, they are promoting product collaboration, cross-selling and development of overseas enterprise media.

### Results in the First-Year of the Medium-Term Plan Fell Short of Initial Plans

For the fiscal year ending March 2024, the first year of the medium-term management plan, sales were initially forecast at ¥9.661bn (+50% YoY), but due to the slowdown in the growth rate of the domestic and overseas advertising markets, hence this was revised downward to ¥8.400bn (+30% YoY), with the final figure at ¥8.013bn (+24% YoY). Profits also fell short of the initial plan.

### The Planned Figures for the Final Year of the Mid-Term Plan will be Formulated in the Future to Incorporate the Synergies After Socialwire Becomes a Subsidiary

The company plans to determine figures for the fiscal year ending March 2026, which will take into account synergies with Socialwire, which was made a subsidiary in July 2024 and the situation in overseas markets, including North America. The full-year performance plan for the fiscal year ending March 2026, excluding Socialwire, is in a range for sales of ¥16.200bn to ¥20.200bn, gross profit of ¥13.200bn to ¥16,400bn, operating profit of ¥4.500bn to ¥5.500bn and net profit of ¥3.000bn to ¥3.700bn.

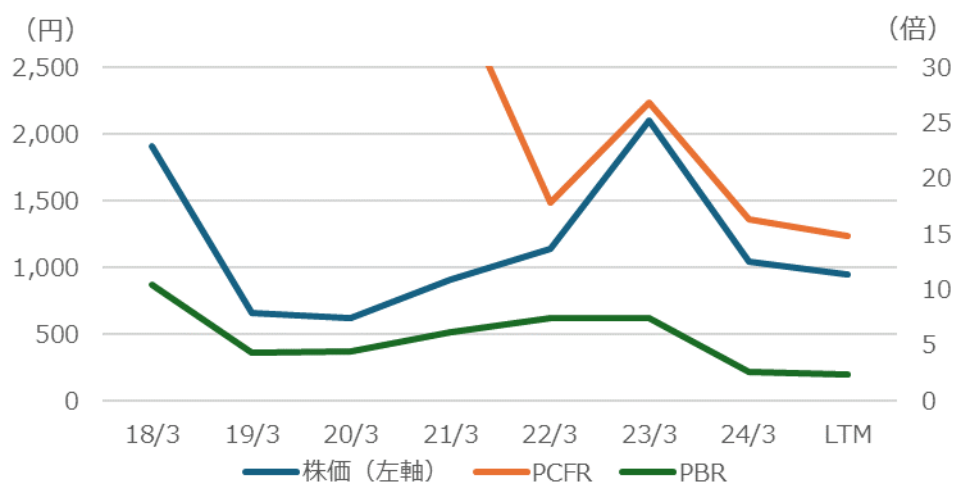
## 8. Valuation

### 1) Undervalued Compared vs Past Performance

**PBR and PCFR are Lower Than When the Company Posted Losses for the 2 Previous Years, Making the Stock Appear Undervalued**

Geniee's stock price was in the ¥600 range from FY19/3, when the company recorded a net loss, to FY20/3 and PBR was in the 4x range. After that, as net income increased, PBR rose to the 7x range, but in FY2024/3, when the impact of the increase in profits due to the one-off profit from the acquisition of Zelto faded away, it fell to the 2x range. The PBR has fallen to about half of what it was in FY19/3 to FY20/3, when the company recorded a final loss for two consecutive periods and both the PER and PCFR have fallen to their lowest levels ever, making the company appear undervalued compared to past performance.

**Figure 27 Geniee's Stock Price, PCFR and PBR Trends**



Source: Company Data. Compiled by Strategy Advisors

**Figure 28 Geniee's Stock Price and Major Index Trends**

	18/3	19/3	20/3	21/3	22/3	23/3	24/3	LTM
Stock Price (¥)	1,903	658	618	903	1,142	2,102	1,046	950
Operating CF (¥ mn)	292	203	73	431	1,140	1,389	1,140	1,140
PCFR (times)	114.1	57.9	152.0	37.8	17.8	26.8	16.3	14.8
Net Income (¥ mn)	63	-545	-179	102	336	2,115	1,032	1,032
PER (times)	528.9	-	-	159.8	60.2	17.6	17.9	16.3
PBR (times)	10.4	4.3	4.4	6.1	7.4	7.4	2.6	2.3
ROE	2.6%	-18.4%	-6.8%	3.9%	12.5%	-	16.7%	16.7%

Source: Company Data. Compiled by Strategy Advisors

## 2) A Sense of Undervaluation Compared to Competitors (PCFR Comparison)

**Use PCFR as a Measure to Compare with Overseas Companies**

Some overseas companies have posted stock-based compensation expenses and are in the red even at the operating profit stage, so we will compare them using PCFR, a stock price indicator that uses operating cash flow. There is no absolute financial indicator that shows the appropriate level of PCFR, but growth is one factor that increases PCFR, so we will compare the 3-year CAGR of operating cash flow with PCFR.

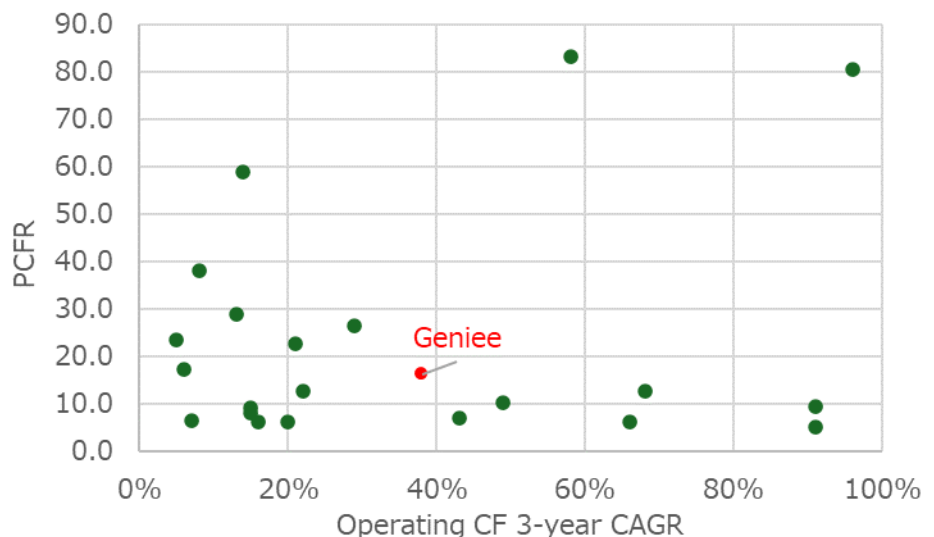
**There are Several Japanese Companies Whose Operating CF Growth Rate is Lower than Geniee's, but Whose PCFR is Higher Than Geniee's.**

When comparing the PCFR in descending order, there are several Japanese companies with lower growth rates but higher PCFRs than Geniee, which has a 3-year CAGR of 38%. Therefore, Geniee's stock price may be undervalued compared to the stock prices of these Japanese companies.

**Geniee has a Higher Growth Rate than Salesforce, Microsoft & Adobe. But its Stock Price is Cheaper**

In addition, the three major American IT companies, Salesforce, Microsoft and Adobe all have higher PCFR's than these Japanese companies. Although these three companies are significantly larger in scale than Geniee, Geniee has a higher 3-year CAGR of operating cash flow.

**Figure 29 Relationship Between PCFR & 3-Year Average Growth Rate of Operating Cash Flow**



Source: Company Data. Compiled by Strategy Advisors

**Figure 30 Major Indicators of Major Peer Companies (Descending Order of PCFR)**

Company Name	Ticker	Country	FY	Operating Cash Flow (¥ mn)	3 years CAGR	PCFR
HubSpot	HUBS	US	23/12	52,645	58%	83.3
Freshworks	FRSH	US	23/12	12,926	96%	80.5
MicroAd	9553	Japan	23/09	266	-25%	79.4
Trade Desk	TTD	US	23/12	89,749	14%	59.0
AnyMind Group	5027	Japan	23/12	1,028	455%	51.6
Adobe	ADBE	US	23/11	1,095,300	8%	38.1
Microsoft	MSFT	US	24/06	17,782,200	1 6%	28. 0
Salesforce	CRM	US	24/01	1,535,091	29%	26.6
Cybozu	4776	Japan	23/12	4,548	21%	22.8
CyberAgent	4751	Japan	23/09	20,822	-17%	19.6
CARTA HOLDINGS	3688	Japan	23/12	1,739	-5%	19.3
Oracle	ORCL	US	24/05	2,800,950	6%	17.3
United	2497	Japan	23/12	2,085	-33%	16.9
<b>Geniee</b>	<b>6562</b>	<b>Japan</b>	<b>24/03</b>	<b>1,140</b>	<b>38%</b>	<b>16.3</b>
Brain Pad	3655	Japan	24/06	1,538	25%	14.8
Meta Platforms	META	US	23/12	10,666,950	22%	12.8
AppLovin	APP	US	23/12	159,227	68%	12.6
SMN	6185	Japan	24/03	522	-7%	11.1
PubMatic	PUBM	US	23/12	12,168	49%	10.2
Perion Network	PERI	Israel	23/12	23,319	91%	9.5
LINE Yahoo!	4689	Japan	24/03	316,477	15%	9.2
Baidu	09888	China	23/12	732,300	15%	8.1
FreakOut Holdings	6094	Japan	23/09	2,461	43%	6.9
Criteo	CRTO	France	23/12	33,637	7%	6.4
Alphabet	GOOGL	US	23/12	15,261,900	16%	6.3
BBD Initiative	5259	Japan	23/09	530	66%	6.3
Nexxen International	NEXN	Israel	23/12	9,111	20%	6.2
Magnite	MGNI	US	23/12	32,155	Turning a profit	6.0
Startia Holdings	3393	Japan	24/03	2,523	Turning a profit	5.8
Mobvista	01860	HK	23/12	16,201	91%	5.1
GMO Ad Partners	4784	Japan	23/12	-912	-190%	-

\*Exchange rates calculated at ¥150 to the USD and ¥20 to the yuan.

Source: Compiled by Strategy Advisors based on data from each company.

## 3) Shareholder Composition and Liquidity

### Increase in the Proportion of Foreign Shareholders as Overseas IR Companies Become More Active

There are six Japanese companies with a higher PCFR than Geniee, but five of them have a lower 3-year average growth rate of operating cash flow than Geniee. However, almost all of these companies have a higher percentage of foreign shareholders than Geniee. Among them are companies such as CARTA HOLDING and United, which have a lower daily trading volume than Geniee but a higher percentage of foreign shareholders than Geniee. Comparing with these companies, it can be said that Geniee has room to make overseas IR companies more active and increase stock prices through an increase in the percentage of foreign shareholders.

### Increased Daily Trading Volume by Utilizing Shares Acquired from the SoftBank Group

In addition, among companies with daily trading volume 10x or more that of Geniee, MicroAd and CyberAgent have higher PCFR than Geniee, despite the 3-year average growth rate of their operating cash flow being negative and so it can be said that the large daily trading volume is contributing to their high stock prices. Geniee could consider using the shares acquired from SoftBank Group to increase liquidity and use the increase in daily trading volume to increase its stock price.

**Figure 31 Percentage of Foreign Shareholders in Japanese Companies with Higher PCFR Than Geniee**

Company Name	Ticker	Country	FY	Operating Cash Flow (¥ mn)	3-Year CAGR	PCFR	Overseas Sales Ratio	Foreign Shareholder Ratio (%)	Daily Trading Volume (¥ mn)
MicroAd	9553	Japan	23/09	266	-25%	79.4	24%	3%	1,966
AnyMind Group	5027	Japan	23/12	1,028	455%	51.6	55%	14%	221
Cybozu	4776	Japan	23/12	4,548	21%	22.8	-	6%	1,939
CyberAgent	4751	Japan	23/09	20,822	-17%	19.6	-	35%	5,165
CARTA HOLDINGS	3688	Japan	23/12	1,739	-5%	19.3	-	7%	81
United	2497	Japan	23/12	2,085	-33%	16.9	4%	8%	65
<b>Geniee</b>	<b>6562</b>	<b>Japan</b>	<b>24/03</b>	<b>1,140</b>	<b>38%</b>	<b>16.3</b>	<b>22%</b>	<b>4%</b>	<b>218</b>

\*The trading volume per day is the average of the closing price multiplied by the trading volume for each trading day during the accounting period

Source: Compiled by Strategy Advisors based on Company Data

**Figure 32 Foreign Companies with Lower Operating Cash Flow Growth Rates than Geniee But Higher PCFR**

Company Name	Ticker	Country	FY	Operating Cash Flow (¥ mn)	3- Year CAGR	PCFR	Daily Trading Volume (¥ mn)
Trade Desk	TTD	US	23/12	89,749	14%	59.0	45,511
Adobe	ADBE	US	23/11	1,095,300	8%	38.1	203,154
Microsoft	MSFT	US	24/06	17,782,200	1 6%	28. 0	1,302,293
Salesforce	CRM	US	24/01	1,535,091	29%	26.6	194,162
Oracle	ORCL	US	24/05	2,800,950	6%	17.3	161,904
<b>Geniee</b>	<b>6562</b>	<b>Japan</b>	<b>24/03</b>	<b>1,140</b>	<b>38%</b>	<b>16.3</b>	<b>218</b>

\*Exchange rate is ¥150 to the USD

\*The trading volume per day is the average of the closing price multiplied by the trading volume for each trading day during the accounting period

Source: Compiled by Strategy Advisors based on Company Data

## 4 ) Possibility of Share Price Increase Through Synergy with Socialwire

**Current Earnings Forecasts Do Not Incorporate Synergies. So, There is a High Possibility that they Will be Revised Upwards**

Geniee's full-year performance forecast for the fiscal year ending March 2025, including Socialwire, is based on the assumption that synergies from the subsidiary acquisition are not taken into account; and the company will update the forecast when it is possible to formulate a plan that incorporates the effects of the subsidiary acquisition and the situation in overseas markets, including North America. In addition, the figures for the fiscal year ending March 2026, the final year of the medium-term management plan, are unchanged from the planned figures before Socialwire was acquired as a subsidiary and these figures will be updated in the future taking into account synergies and the situation in overseas markets. Geniee lists the several expected synergies as cost reductions through standardization of management operations and a one-time server contract, the introduction of JAPAN AI's tools into the digital PR business, integration of management structures, cross-selling and mutual transfers of employees, all of which are concretely actionable and highly likely to be realized. If the positive impact on revenue from these synergies is reflected in the business forecast, the stock price may rise.

**If the Company Can Use its Newly Acquired Know-How in Creating Content to Further Improve its Advertising Platform, its Stock Price Will Rise Even Further**

In addition, Socialwire provides services that require know-how about the content of the release, such as structuring release documents and proposing titles, but Geniee has only provided a service of providing distribution methods to companies that create content for distribution, such as advertisements, and has not been involved in creating the content. By acquiring know-how about creating content for distribution through the acquisition of Socialwire as a subsidiary, if Geniee can further improve its advertising distribution platform, it will likely see further growth in earnings and an increase in the possibility of its stock price rising.



## 9. Sustainability

### **The Belief is that "If Society Becomes Prosperous, Companies Can Grow Too"**

Geniee has been focusing on social and governance aspects in order to build rich human relationships. They are promoting initiatives to improve employee benefits, create a system to support the career development of each employee, and increase the ratio of women and people of child-rearing age in executive and managerial positions .

### **Creating an Environment Where Employees Can Work With Peace of Mind**

In terms of employee benefits, the company has introduced systems such as refreshment leave, rent subsidy systems and systems that can accommodate changes in working patterns that occur due to child or elderly care. Through these measures, the company has created an environment in which employees can work with a peace of mind.

### **Book Subsidy of ¥60,000 Per Year**

In terms of career support, the company offers a wide range of options to employees, including book subsidies, job changes, transfers between departments and even work in overseas business ventures. In particular, with regard to book subsidies, Kudo is an avid reader and actively encourages employees to take in new information, offering a subsidy of up to ¥60,000 (excluding tax) per year.

### **In the Future, the Company Plans to Further Strengthen Employee Benefits & Career Development Support**

Going forward, the company plans to further strengthen employee benefits and career development support and will focus on developing a workforce that reflects the diversity of the population, with a view to creating an environment that supports the further participation of women and those raising children in particular.

## 10. Risk Factors

The following are potential risk factors for business development and other matters.

1. If the Marketing SaaS business is delayed in turning a profit at the operating profit level, it may have a negative impact on the management of the company as a whole.
2. Acquired or invested companies may not perform as expected.
3. As a result of adopting IFRS, goodwill is no longer amortized, and there is a possibility that goodwill impairment will result in a significant decrease in equity capital.
4. There is a possibility that damage will occur if the founder, Mr. Kudo, is unable to continue his work for some reason.

**Figure 33 Consolidated Income Statement (¥ mn)**

Accounting Period	18/3	19/3	20/3	21/3	22/3	23/3	24/3	25/3e
<b>Sales</b>	<b>14,381</b>	<b>14,955</b>	<b>14,348</b>	<b>14,062</b>	<b>14,459</b>	<b>6,455</b>	<b>8,013</b>	<b>10,200</b>
Advertising Platform Business	-	-	-	-	11,246	3,919	4,307	5,400
Marketing SaaS business	-	-	-	-	1,177	1,976	2,704	3,700
ARR (SaaS business)	-	-	-	-	980	1,940	2,414	-
ARR (SFA/CRM)	-	-	75	159	215	325	474	-
ARR (CHAT)	-	-	39	53	223	690	881	-
ARR (ANALYTICS)	-	-	-	-	-	307	421	-
Overseas business	-	-	-	-	2,132	784	1,249	1,500
Adjustment amount	-	-	-	-	-95	-224	-248	-200
Cost of Sales	11,923	13,008	12,127	11,453	10,676	1,313	1,874	2,200
<b>Gross Profit</b>	<b>2,457</b>	<b>1,947</b>	<b>2,221</b>	<b>2,608</b>	<b>3,783</b>	<b>5,142</b>	<b>6,139</b>	<b>8,000</b>
Gross Profit Margin	17.1%	13.0%	15.5%	18.5%	26.2%	79.7%	76.6%	78.4%
Selling, general and administrative expenses	1,930	2,257	2,312	2,413	3,045	2,685	4,600	5,700
Operating profit	<b>528</b>	<b>-310</b>	<b>-91</b>	<b>196</b>	<b>739</b>	<b>2,457</b>	<b>1,539</b>	<b>2,300</b>
Advertising platform business	-	-	-	-	1,719	2,164	2,245	2,700
Marketing SaaS business	-	-	-	-	49	86	216	800
Overseas business	-	-	-	-	163	339	201	300
Adjustment amount	-	-	-	-	-1,343	-132	-1,123	-1,500
Operating Profit Margin	3.7%	-2.1%	-0.6%	1.4%	5.1%	38.1%	19.2%	22.5%
Non-operating income	8	2	9	16	46	20	31	
Non-operating expenses	68	<b>22</b>	60	62	39	198	293	
<b>Ordinary Profit</b>	<b>467</b>	<b>-330</b>	<b>-142</b>	<b>149</b>	<b>746</b>	<b>2,279</b>	<b>1,277</b>	<b>2,200</b>
Ordinary Profit Margin	3.2%	-2.2%	-1.0%	1.1%	5.2%	35.3%	15.9%	21.6%
Extraordinary profit and loss	-277	-148	-31	-14	-247	0	0	
<b>Net Income Before Taxes and Other Adjustments</b>	<b>191</b>	<b>-479</b>	<b>-173</b>	<b>136</b>	<b>500</b>	<b>2,279</b>	<b>1,277</b>	<b>2,200</b>
Pre-tax profit margin	1.3%	-3.2%	-1.2%	1.0%	3.5%	35.3%	15.9%	21.6%
Corporate tax etc.	130	63	5	34	161	168	242	
<b>Net Income Attributable to Owners of Parent</b>	<b>63</b>	<b>-545</b>	<b>-179</b>	<b>102</b>	<b>336</b>	<b>2,115</b>	<b>1,032</b>	<b>1,700</b>
Net profit margin	0.4%	-3.6%	-1.2%	0.7%	2.3%	32.8%	12.9%	16.7%

\*Figures do not include digital PR business Source: Created by Strategy Advisors based on company materials

**Figure 34 Consolidated Balance Sheet (¥ mn)**

Accounting Period	18/3	19/3	20/3	21/3	22/3	23/3	24 /3
Cash and deposits	2,542	1,619	1,198	1,092	1,477	2,844	2,494
Trade receivables	1,855	1,085	1,131	1,479	2,032	2,489	3,095
Inventory	0	0	0	0	0	1	0
Deferred tax assets	40	0	0	0	0	0	0
Other current assets	11 6	180	145	156	306	338	355
<b>Current Assets</b>	<b>4,513</b>	<b>2,884</b>	<b>2,474</b>	<b>2,727</b>	<b>3,815</b>	<b>5,672</b>	<b>5,944</b>
<b>Tangible Fixed Assets</b>	<b>319</b>	<b>638</b>	<b>532</b>	<b>447</b>	<b>471</b>	<b>973</b>	<b>642</b>
Goodwill	27	401	305	1,025	1,416	9,423	10,444
Other intangible fixed assets	419	296	544	1,049	1,186	1,184	1,628
<b>Intangible Fixed Assets</b>	<b>446</b>	<b>697</b>	<b>849</b>	<b>2,074</b>	<b>2,602</b>	<b>10,607</b>	<b>12,072</b>
<b>Investments and Other Assets</b>	<b>263</b>	<b>417</b>	<b>414</b>	<b>404</b>	<b>448</b>	<b>604</b>	<b>539</b>
<b>Total Fixed Assets</b>	<b>1,028</b>	<b>1,752</b>	<b>1,795</b>	<b>2,925</b>	<b>3,521</b>	<b>12,184</b>	<b>13,253</b>
<b>Total Assets</b>	<b>5,541</b>	<b>4,636</b>	<b>4,269</b>	<b>5,652</b>	<b>7,336</b>	<b>17,855</b>	<b>19,197</b>
Trade payables	1,299	869	781	1,012	1,513	1,671	1,909
Accounts payable and accrued expenses	0	0	0	0	0	732	0
Interest-bearing debt	178	178	276	656	1,271	7,612	1,848
Its current liabilities	408	438	387	486	705	313	1,119
<b>Current Liabilities</b>	<b>1,885</b>	<b>1,485</b>	<b>1,444</b>	<b>2,154</b>	<b>3,489</b>	<b>10,328</b>	<b>4,876</b>
Interest-bearing debt	451	311	150	713	966	1,280	6,221
Asset Retirement Obligations	0	125	126	127	144	0	0
Other fixed liabilities	0	0	0	0	5	1,214	810
<b>Fixed Liabilities</b>	<b>451</b>	<b>436</b>	<b>276</b>	<b>840</b>	<b>1,115</b>	<b>2,494</b>	<b>7,031</b>
<b>Total Liabilities</b>	<b>2,336</b>	<b>1,921</b>	<b>1,720</b>	<b>2,994</b>	<b>4,604</b>	<b>12,822</b>	<b>11,907</b>
Capital and Surplus	3,044	3,083	3,095	3,107	2,672	2,695	2,819
Retained earnings	160	-385	-564	-462	307	2,545	3,577
Treasury Stock	0	0	0	0	-300	-330	-402
<b>Shareholders' Equity</b>	<b>3,203</b>	<b>2,698</b>	<b>2,531</b>	<b>2,644</b>	<b>2,679</b>	<b>4,990</b>	<b>7,248</b>
Valuation difference	0	10	9	11	42	80	1,254
Stock Acquisition Rights	0	0	1	2	3	5	4
<b>Total Net Assets</b>	<b>5,541</b>	<b>4,636</b>	<b>4,269</b>	<b>5,652</b>	<b>7,336</b>	<b>17,855</b>	<b>19,197</b>
<b>Liabilities and Net Assets</b>	<b>5,541</b>	<b>4,636</b>	<b>4,269</b>	<b>5,652</b>	<b>7,336</b>	<b>17,855</b>	<b>19,197</b>

Source: Company Data. Compiled by Strategy Advisors

**Figure 35 Consolidated Operating Cash Flow (¥ mn)**

Accounting Period	18/3	19/3	20/3	21/3	22/3	23/3	24/3
Profit before tax	191	-479	-173	136	500	2,279	1,277
Depreciation	256	330	306	392	587	642	746
Impairment loss	-	172	25	-	203	0	-
Loss on disposal of fixed assets	-	-	-	-	-	285	-
Unrealized gains and losses on securities and investment securities	278	1	1	0	0	0	0
Gain or loss on step acquisition	-	-	-	-	-	-1,623	-
Allowance for doubtful accounts	34	14	11	6	2	-	-
Corporate tax paid	-145	-183	79	-23	-64	-251	-65
Other operating cash flows	-322	348	-176	-80	-88	57	-818
<b>Cash Flows from Operating Activities</b>	<b>292</b>	<b>203</b>	<b>73</b>	<b>431</b>	<b>1,140</b>	<b>1,389</b>	<b>1,140</b>
Acquisition of securities and investment securities	-111	-55	-1	0	0	-33	-45
Sales of securities and investment securities	0	0	0	0	0	0	145
Acquisition and sale of tangible and intangible fixed assets	-142	-487	-345	-595	-723	-760	-844
Acquisition of subsidiary shares	-	-173	-71	-863	-520	-5,129	-
others	-77	-281	2	2	-31	-45	-87
<b>Cash Flows from Investing Activities</b>	<b>-330</b>	<b>-996</b>	<b>-415</b>	<b>-1,456</b>	<b>-1,274</b>	<b>-5,967</b>	<b>-831</b>
Issuance of shares	1,539	39	12	9	0	0	7
Redemption and cancellation of shares	0	0	0	0	-299	-31	0
Dividend payment	1,050	6,400	6,400	0	0	0	0
Borrowings	-97	-100	-2	-254	869	6,250	-487
Other financial cash flows	-1,100	-6,477	-6,486	1,157	-86	-293	-357
<b>Cash Flows from Financing Activities</b>	<b>1,392</b>	<b>-138</b>	<b>-76</b>	<b>912</b>	<b>484</b>	<b>5,926</b>	<b>-837</b>
<b>Free Cash Flow</b>	<b>-38</b>	<b>-793</b>	<b>-342</b>	<b>-1,025</b>	<b>-134</b>	<b>-4,578</b>	<b>309</b>

Source: Company Data. Compiled by Strategy Advisors

## Figure 36 Indicators, ROE & KPI's

Accounting Period	18/3	19/3	20/3	21/3	22/3	23/3	24/3	25/3e
EPS (¥)	3.8	-30.8	-10.0	5.7	18.7	119.5	58.3	96.1
BPS (¥)	183.0	151.5	141.5	147.1	153.6	282.5	0.0	
Dividend per share (¥)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio	-	-	-	-	-	-	-	-
Closing price (¥)	1,903	658	618	903	1,142	2,102	1,046	
PER (Multiple)	528.9	0.0	0.0	159.8	60.2	17.6	17.9	12.1
PBR (Multiple)	10.4	4.3	4.4	6.1	7.4	7.4	2.6	
Number of shares issued at end of period ('000)	17,508	17,868	17,958	18,048	18,048	18,048	18,056	
Number of treasury stocks (Shares)	0	0	0	0	330	365	347	
Number of treasury stocks excluded ('000 Shares)	17,508	17,868	17,958	18,048	17,718	17,683	17,710	
Market capitalization (¥ Million)	33,318	11,757	11,098	16,297	20,234	37,170	18,524	
Shareholders' Equity Ratio	57.8	58.4	59.5	47.0	37.1	28.0	37.8	
Interest-bearing debt balance	629.0	489.0	426.0	1,369.0	2,237.0	8,892.0	8,068.0	
D/E ratio	0.2	0.2	0.2	0.5	0.8	1.8	1.1	
EV (Enterprise Value)	31,407	10,634	10,333	16,574	21,002	43,256	24,140	
EBITDA (¥ Million)	784	20	215	588	1,326	3,099	2,285	
EV/EBITDA (Multiple)	40.1	531.7	48.1	28.2	15.8	14.0	10.6	
ROE	2.6	-18.4	-6.8	3.9	12.5	-	16.9	
ROIC (Invested Capital)	13.2	-10.6	-3.1	4.6	12.9	-	8.9	
ROIC (Business Assets)	36.1	-26.0	-5.9	6.9	17.6	-	9.8	
Number of Employees	242	258	264	307	346	566	617	

Source: Company Data. Compiled by Strategy Advisors

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Central Building 703, 1-27-8 Ginza, Chuo-Ku, Tokyo 104-0061, Japan