

AVANT

# AVANT CORPORATION

## Analyst Meeting

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*This is unofficial translation. In case of any difference in meaning between the original Japanese text and the English translation, Japanese text shall prevail*

**AVANT CORPORATION**  
**(Code: 3836 TSE 1)**  
**6<sup>th</sup> August, 2019**

- I. Highlights of results for the fiscal year ended June 30, 2019**
- II. Forecast for the fiscal year ending June 30, 2020**
- III. Shareholder return policy**
- IV. Update on Medium-term Management Plan of AVANT Group**
- V. Question & Answer**

The information contained in this material regarding the business outlook and other forecasts and strategies etc. are forward-looking statements and are determined within the range that could normally be predicted based on the information reasonably available to the Company at the time of preparation of this material. Investors should be aware of the risks, however, that actual results may differ from the business prospects described in the material due to the occurrence of extraordinary circumstances that cannot usually be predicted or the occurrence of results that cannot usually be predicted. The Company will proactively disclose information that is considered material to investors, but investors should be advised not to make judgment based entirely on only the business prospects described in this material. This material should not be copied or transferred for any purpose without permission of the Company.

# I-1. Highlights of FY19 Results

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**Revenue**  
**<New record>**

**Operating income**  
**<New record>**

**Net income**  
**<New record>**

**14.07**  
billion yen

**1.96**  
billion yen

**1.31**  
billion yen

**YoY**

**+16.2%**

**YoY**

**+20.5%**

**YoY**

**+24.0%**

# I-2. Segment Results

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- **Consolidated Accounting Business:** Provided allowance for a large-scale project, but quality of other projects improved and both operating income and margin
- **Business Intelligence Business:** Received order for large projects. Increased high margin primary contract that absorbed increase in expenses related to personnel expansion
- **Outsourcing Business:** Diversified revenue base. Increased revenue absorbed expenses related to business expansion

(Millions of Yen)

		FY18/06	FY19/06	Year-on-Year	
				Variance	%CHG
Consolidated Accounting	Revenue	7,261	8,034	+ 773	+ 10.6%
	Operating Income	1,030	1,293	+ 263	+ 25.5%
	OP Margin	14.2%	16.1%	-	+ 1.9 point
Business Intelligence	Revenue	3,953	4,990	+ 1,036	+ 26.2%
	Operating Income	324	636	+ 311	+ 96.1%
	OP Margin	8.2%	12.8%	-	+ 4.5 point
Outsourcing	Revenue	1,313	1,629	+ 316	+ 24.1%
	Operating Income	213	318	+ 104	+ 48.9%
	OP Margin	16.3%	19.5%	-	+ 3.3 point

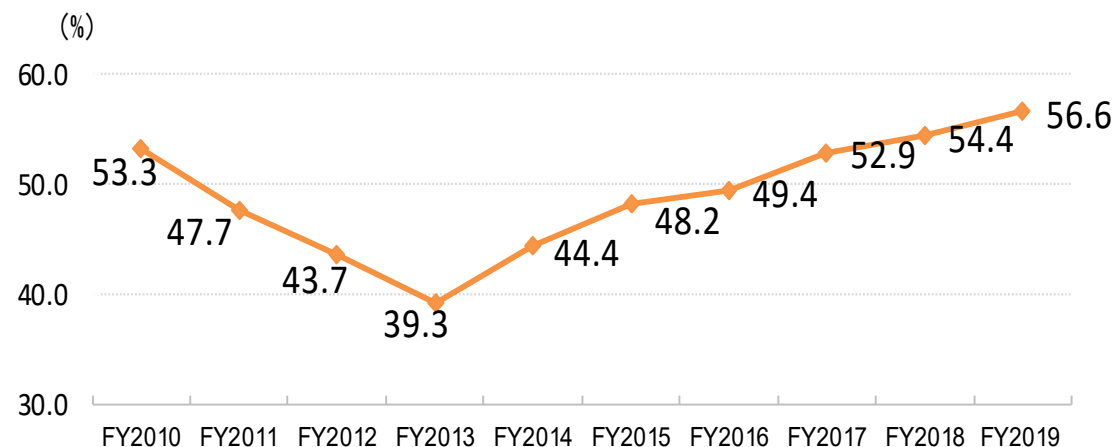
# I-3. Balance Sheet & Cash Flow

## Financial Status

(100 million yen)

Total Assets 104	Total Liabilities 45
	Net Assets 59

## Equity Ratio



Cash Flow	FY18/06	FY19/06
(Millions of yen)		
Operating CF	1,159	1,320
Investment CF	(353)	(455)
Financial CF	(184)	(232)
Free CF	805	864

### Key Factors for change

(millions of yen)

Income before income taxes and minority interests	2,003
Increase in account receivable	(512)
Increase in provision	242
Increase in deferred revenue	182
Depreciation expense	167
Income taxes paid	(792)
Paid deposit	(215)
Purchase of tangible fixed assets	(127)
Payment of shareholder dividends	(225)

## II. Forecast for the fiscal year ending June 30, 2020

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- **Both revenue and profit continue high growth**
- Revenue growth at Consolidated Accounting business should slow to single digits as we finalize large-scale projects, robust growth at Business Intelligence and Outsourcing business should continue and we expect double digit growth in revenue
- While investment for the future growth continues at each segment, we believe we could maintain OP margins compared to the previous fiscal year

**Revenue**  
**15.48**  
billion yen

**Operating  
income**  
**2.16**  
billion yen

**Net income**  
**1.35**  
billion yen

**YoY**

**+10.0%**

**YoY**

**+10.1%**

**YoY**

**+2.7%**

# III. Shareholder Return Policy

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- For the fiscal year ended June 2019, the Group plans to increase 3 yen to 15 yen compared to last year, in line with initial forecast
- In the fiscal year ending June 2020, we plan to increase dividends in line with our policy of continuing stable dividends to 18 yen per share

## Trends in Dividends per Share (adjusted for stock splits)

	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual
Dividends per share (yen)	1.0	2.3	6.8	4.5	5.5	8.0	12.0	15.0
DOE (AVANT)	1.30%	2.48%	5.84%	3.25%	3.42%	4.18%	5.20%	5.27%
DOE (TSE Average)	2.24%	2.28%	2.39%	2.43%	2.64%	2.78%	2.85%	2.93%

Source: JPX Group Statistics Monthly Report; DOE average of listed companies on TSE is calculated by 12 months from May 2018 to April 2019

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# **IV. Update on Medium-term Management Plan of AVANT Group**

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**AVANT Group FY2020  
- Management Updates -**

2019.08.06

**Chairman & Group CEO  
Tetsuji Morikawa**



**Creating a company that lasts 100 years**

**is a company committed to quality employment**

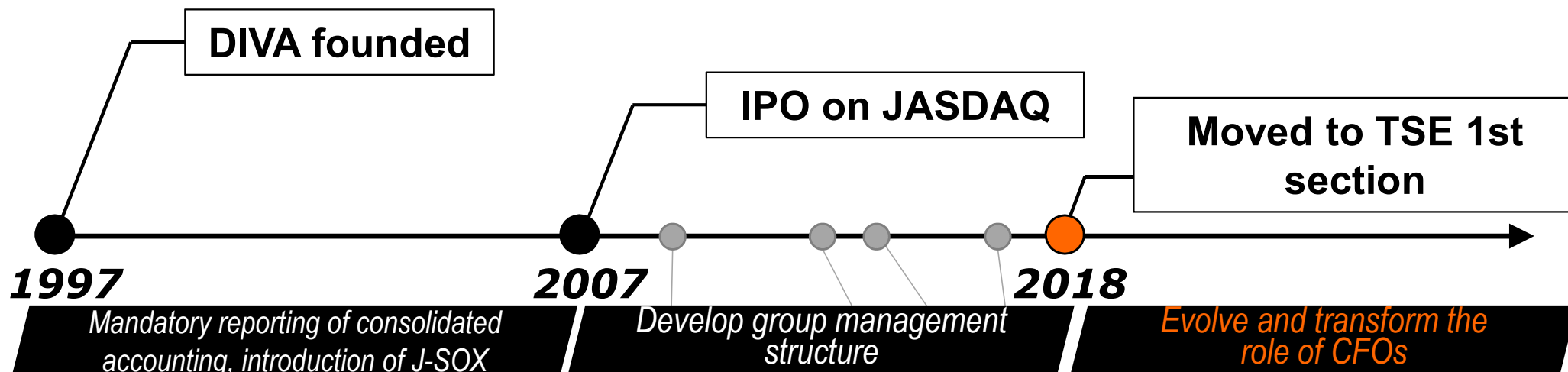
**< BE GLOBAL >**

**Developer of a world-class software**

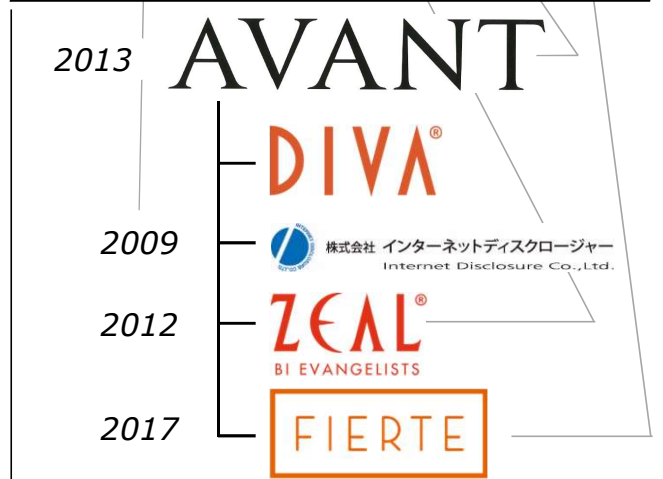
AVANT Group aspires to do business in a view to;

- ✓ **become a high value added company**
- ✓ **with its world-class IP (software)**
- ✓ **and act as a CIFO ACCELERATOR**

## AVANT Group for the next 10 years



Established itself as top developer of consolidated accounting software



Shifted to a holding company and evolved its group management structure

**AVANT Group**  
supports solution to, and transformation of CIFO organizations  
**CIFO ACCELERATOR**

The Group stand poised to generate new value to stakeholders

## Spreading Accountability

### CIFO ACCELERATOR

**The Group believe our mission is to “Spread Accountability (to convert management information into a map for the future)”, and we offer intellectual properties (software) to help achieve digital transformation of CFO (Chief Financial Officers) organization of our clients.**

**The Group defines the modern CFO who utilizes digitized information for executive decision as CIFO. We offer various solutions to help transform information digitally “visible,” “usable” and ”reliable” for decision-making and we call that pivotal role as a “CIFO ACCELERATOR”.**







## AVANT Group target KPIs

	FY18		FY23
Revenue	¥12B	➔	¥18 – 22B
Recurring revenue ratio	33%	➔	70%
Operating income	¥1.6B	➔	¥3.1 ~ 3.8B
Revenue growth + OP margins	28.5pt	➔	Over 40pt
ROE	24.5%	➔	Over 20%
Dividends	¥12	➔	Over ¥30

# Plan Update: First year achievement

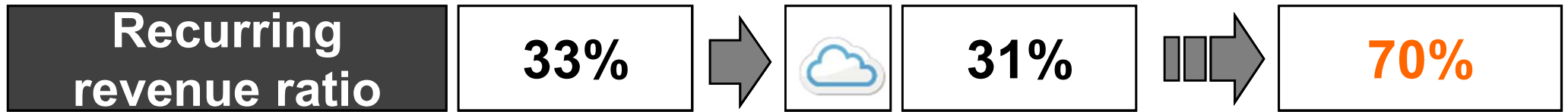
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**Recurring revenue ratio dropped but amount increased by 11.8% in this stocking period, on track to achieve target**

	FY18 Actual		FY19 Actual		FY23 Target
<b>Revenue</b>	¥12.1B	→	 ¥14.1B	⇒	¥18-22B
<b>Recurring revenue ratio</b>	33%	→	 31%	⇒	70%
<b>Operating income</b>	¥1.63B	→	 ¥1.97B	⇒	¥3.1-3.8B
<b>GPP: Rev. growth + OP margin</b>	28.5pt	→	 30.2pt	⇒	Over 40pt
<b>ROE</b>	24.5%	→	 24.6%	⇒	Over 20%
<b>Dividends</b>	¥12	→	 ¥15	⇒	Over ¥30

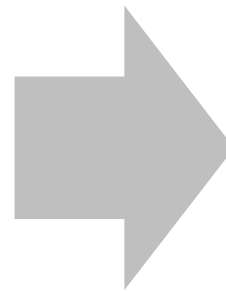
# Plan Update: Essence of the Plan

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**Shift from time-base to value base**

Time Base



Value Base



Increase revenue

Improve corporate value

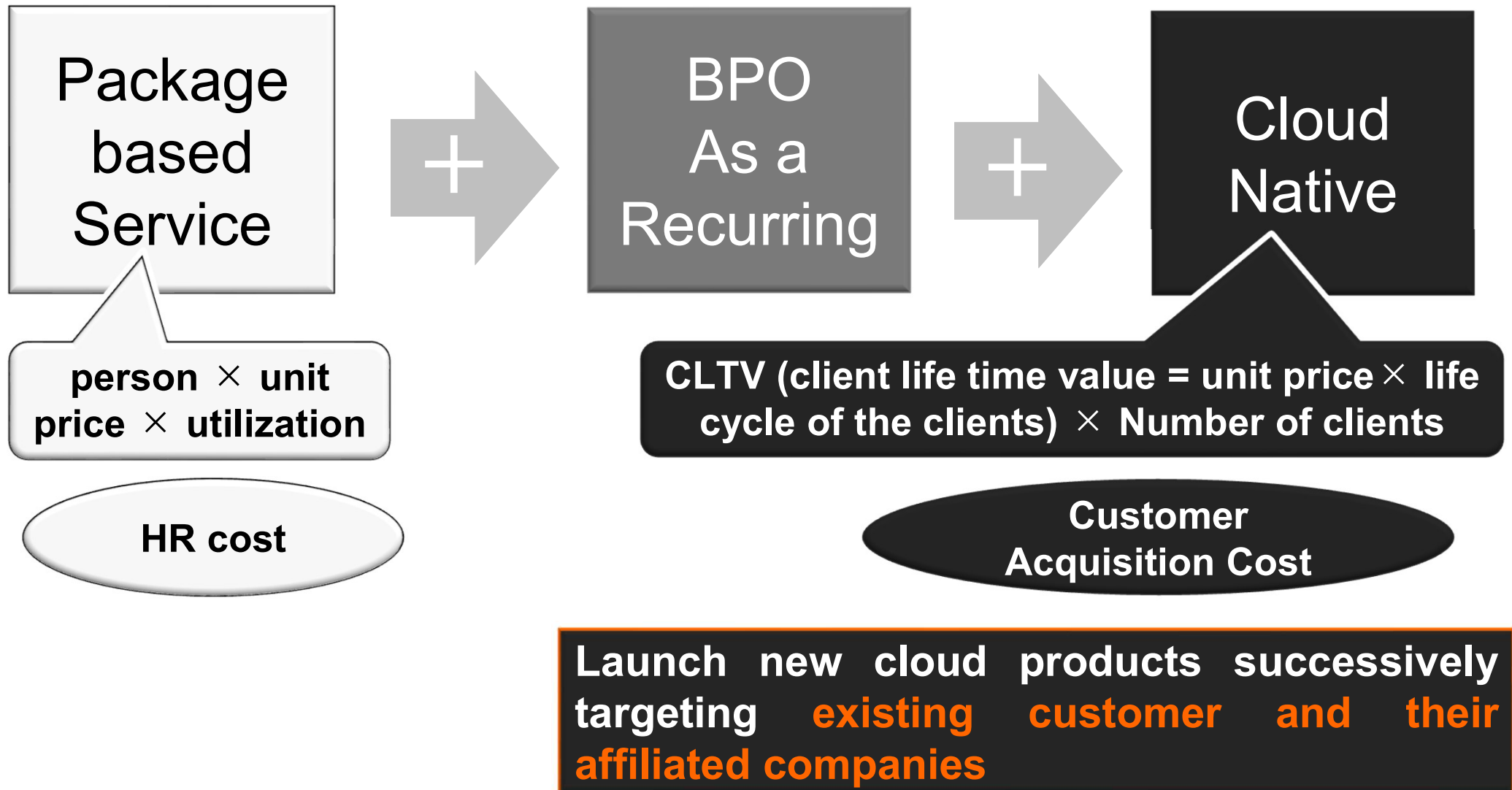
Improve profitability

Improve return to shareholders

Improve productivity

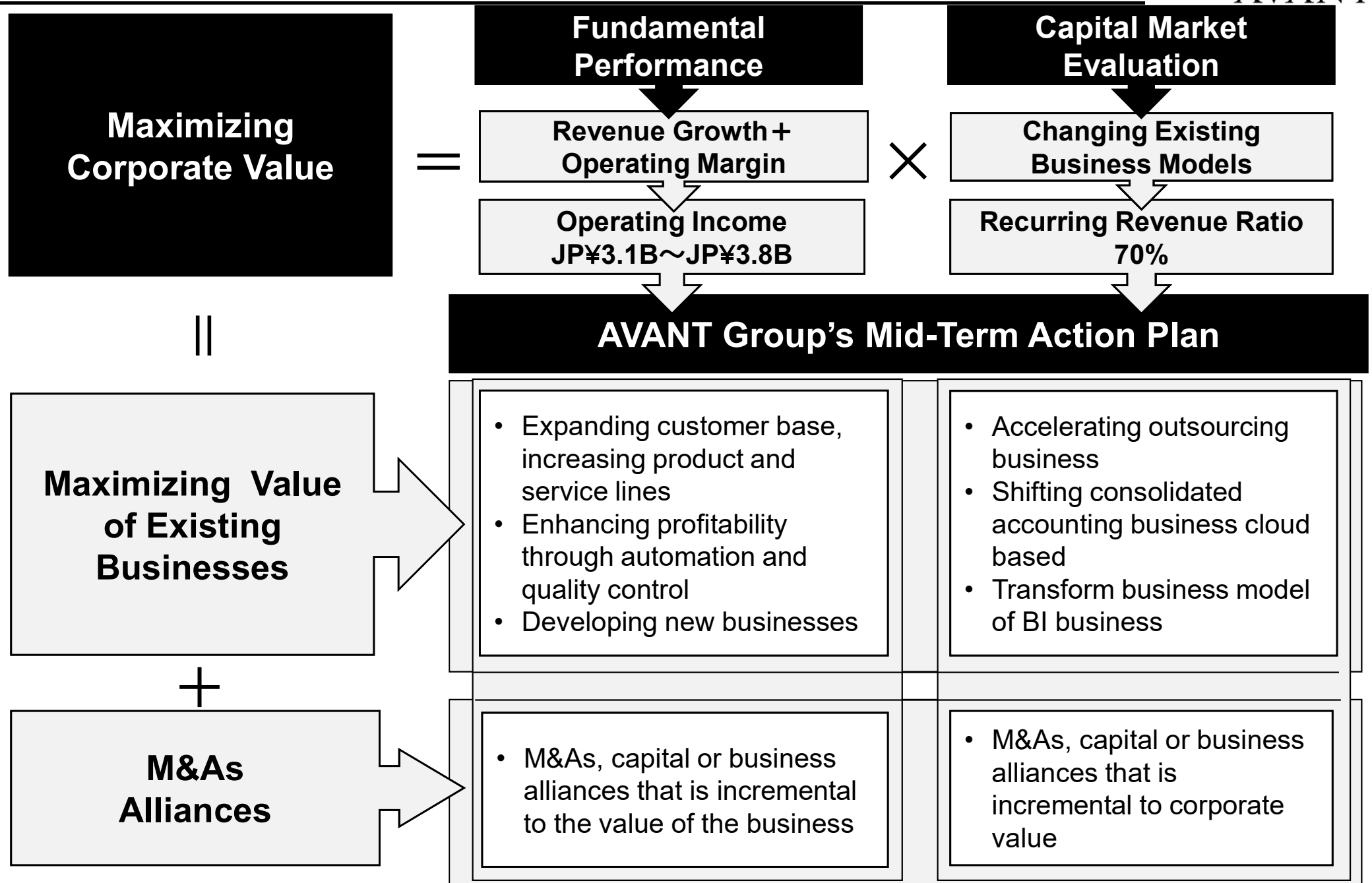
Improve return to employees

## Leap Shift to Cloud



# Mid-term Management Plan: BE GLOBAL 2023

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# Role of the companies of the Group

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**Holding company**

**Operating companies**



## <Maximizing Corporate value of the Group>

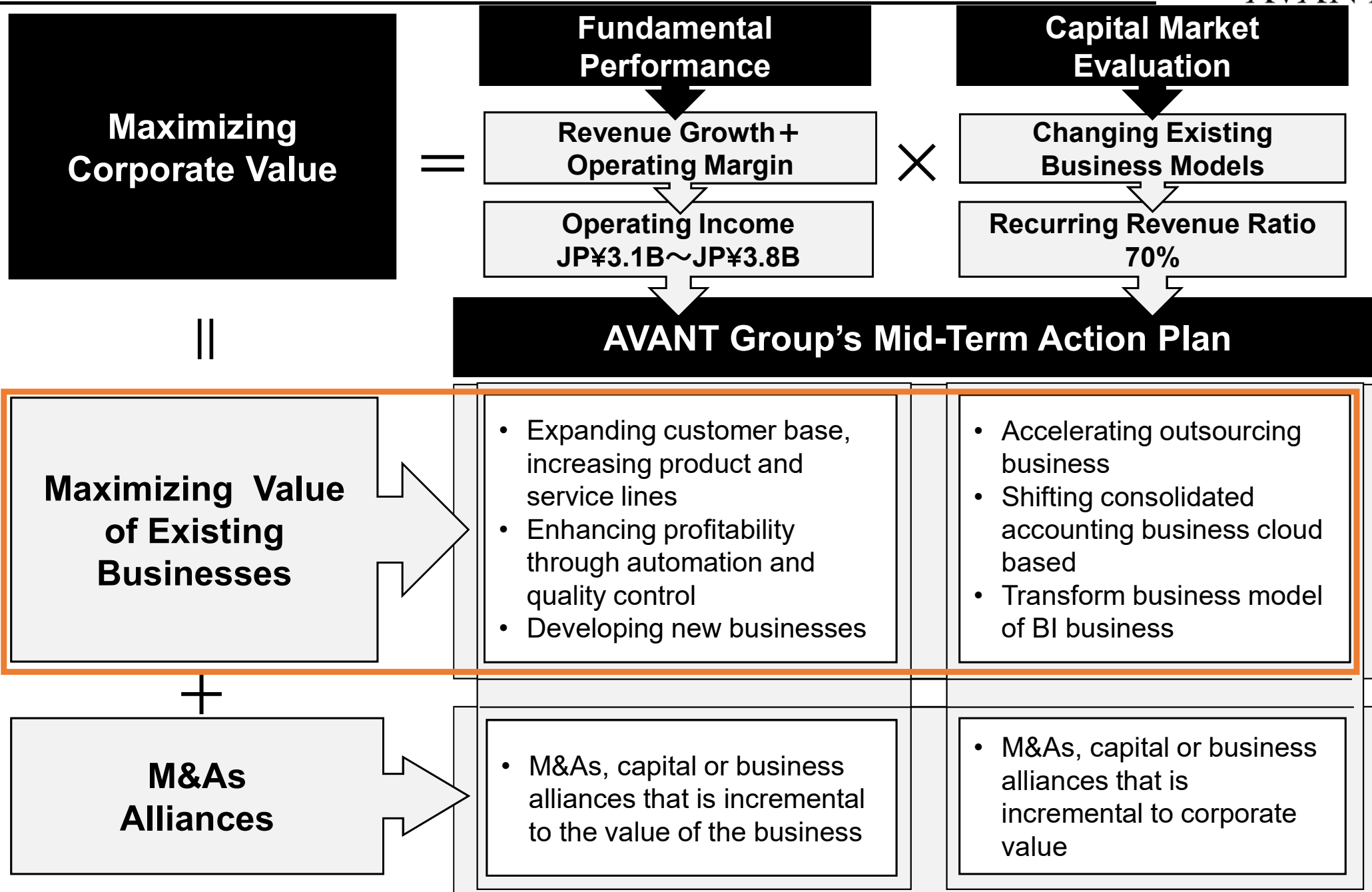
- Establish group governance
- Establish framework to generate group synergies
- Stay engaged with investment communities
- Alternative actions supplementing existing business to achieve growth target
  - ✓ Incorporating external growth
  - ✓ Investment in new business

## <Maximizing business value of each operating segment>

- Focus on maximizing value proposition to clients
- Execute business plan
- Transform business model if necessary to achieve business plan
- Develop new products based on accumulated knowledge base

# Mid-term Management Plan: BE GLOBAL 2023

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# Plan Update: Path to Achievement

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## Consolidated Accounting

Recurring revenue ratio

FY19 actual

38%

FY23 target

50%

### FY19 Achievement

- Mega-projects had topped out
- Cloud based “Planning” successfully launched
- Established pipeline of new products
- Major audit company win with filing documents review service

### FY20 Initiatives

- Continue to roll out “Planning”
- Launch cloud based “Compass”
- Develop group management solution

# Plan Update: Path to Achievement

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## Business Intelligence

Recurring revenue ratio

FY19 actual

7%

FY23 target

40%

### FY19 Achievement

- Increased large-scale project wins
- Over 50% as prime contractor for the first time
- Recognized by Microsoft as the first global partner in Japan with achievements in “Power BI” projects
- Introduced a number of “first in Japan” cloud products from overseas vendors

### FY20 Initiatives

- Develop unique products (templates etc.) based on “Power BI” platform
- Roll out proprietary analytics tool “ZEUS” on AWS
- Introduce cloud based DWH products from overseas vendors
- Initiate BPO service that run on cloud data platform

# Plan Update: Path to Achievement

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## Outsourcing

Recurring  
revenue  
ratio

FY19 actual

94%

FY23 target

95%

### FY19 Achievement

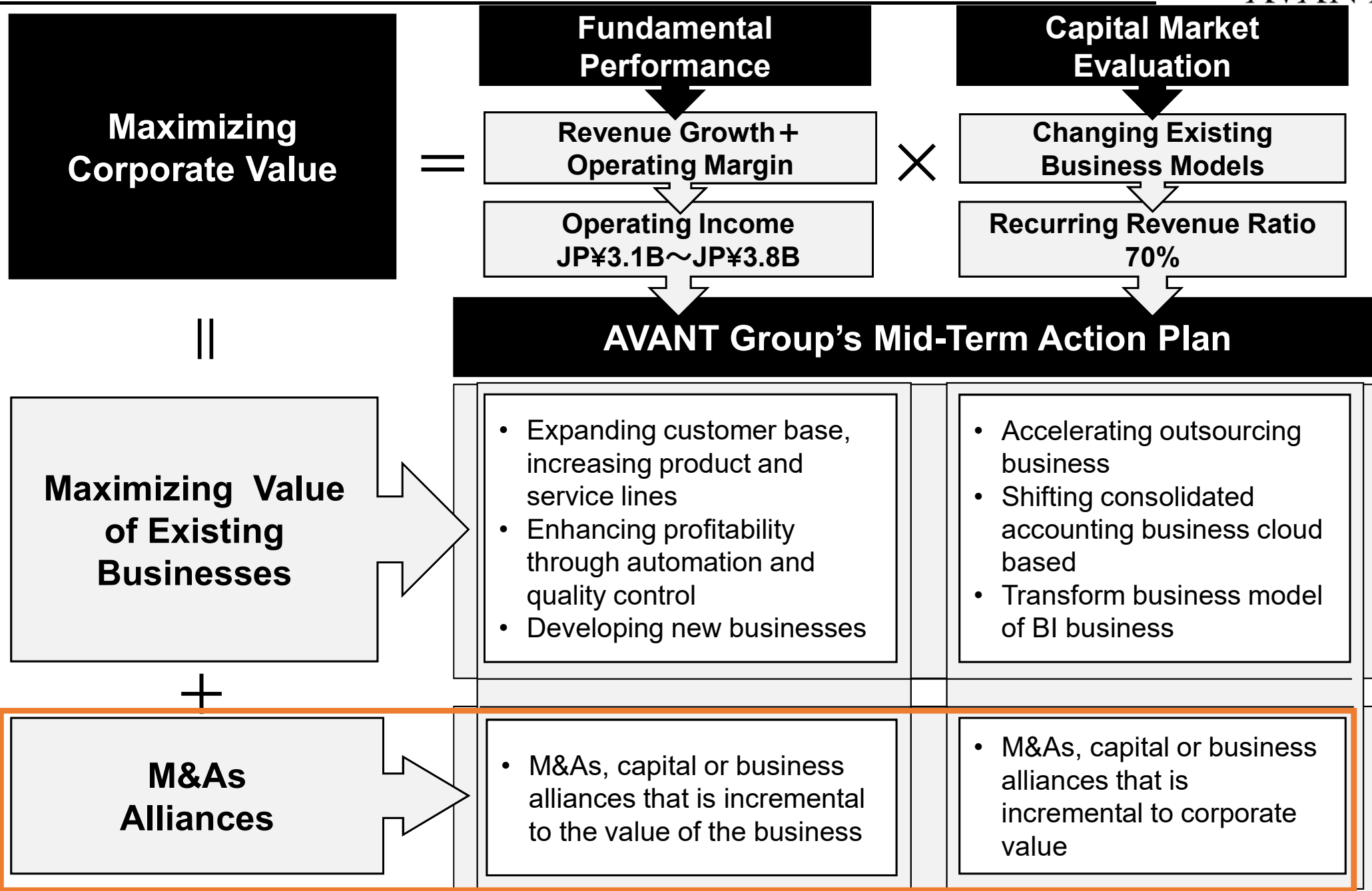
- Maintained top line growth of over 25% while maintaining high margins
- First outsourcing service for consolidated accounting on foreign vendor's ERP system
- Increased outsourcing business other than consolidation of accounts (such as cash management related business that contributed more than ¥100M in revenue)

### FY20 Initiatives

- Continue rapid growth, leading a role of building recurring revenue base for the Group
- Increase non-DIVA clients
- Continue research & investment in process automation

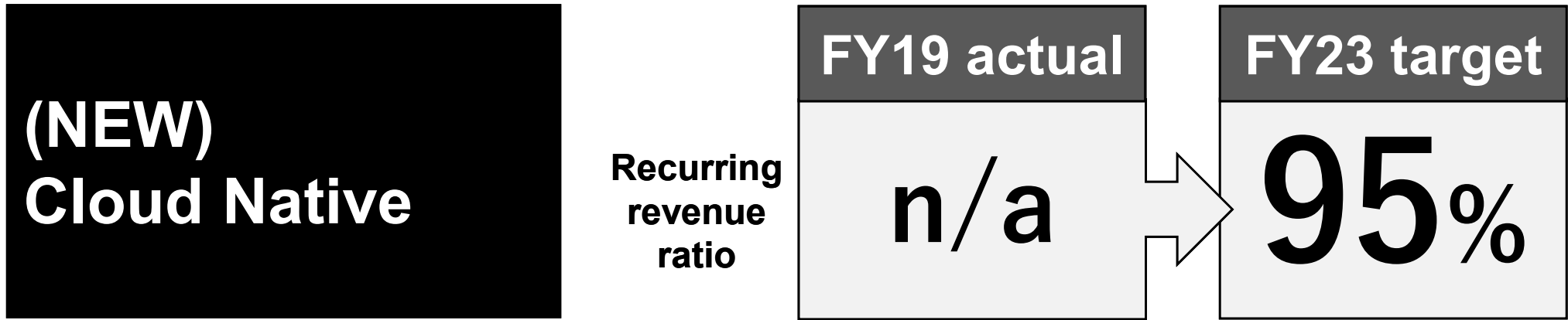
# Mid-term Management Plan: BE GLOBAL 2023

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# Plan Update: Path to Achievement

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**FY19  
Achievement**

- Finalized the outline of the new business (concept, policy and target)

**FY20  
Initiatives**

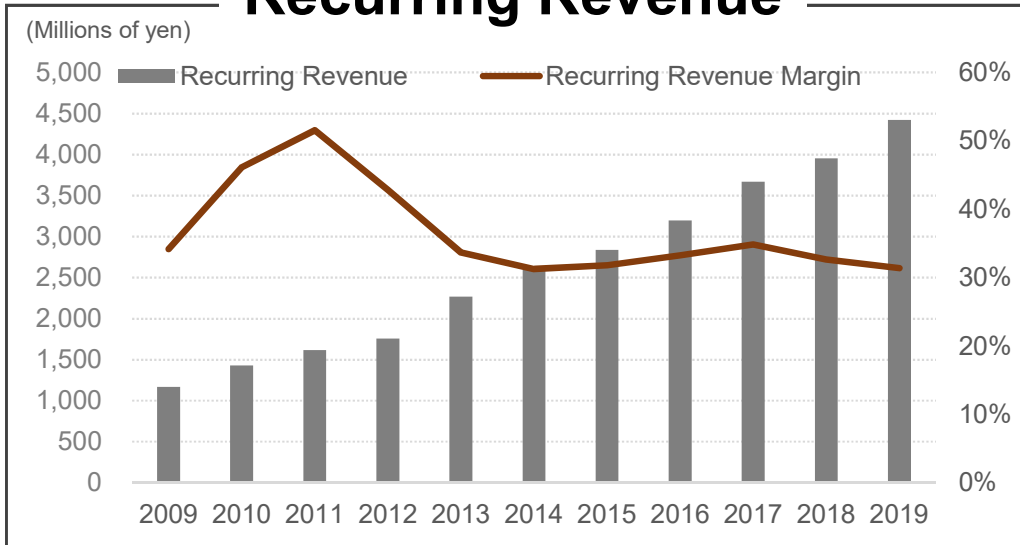
- Finalize official launch of business sometime in FY20
- New business could be set up with internal cash, M&A or capital alliances

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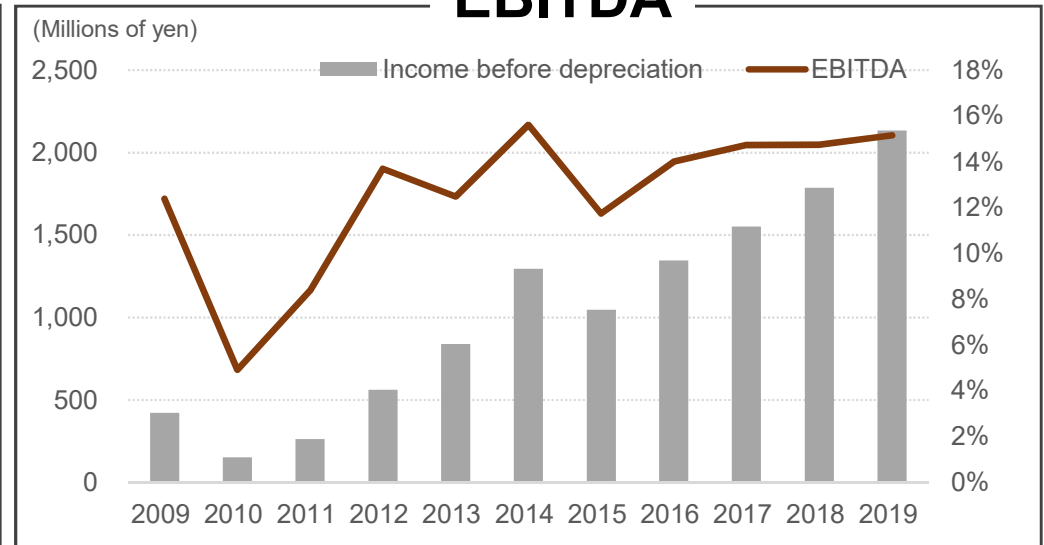


## Trends in Major KPI

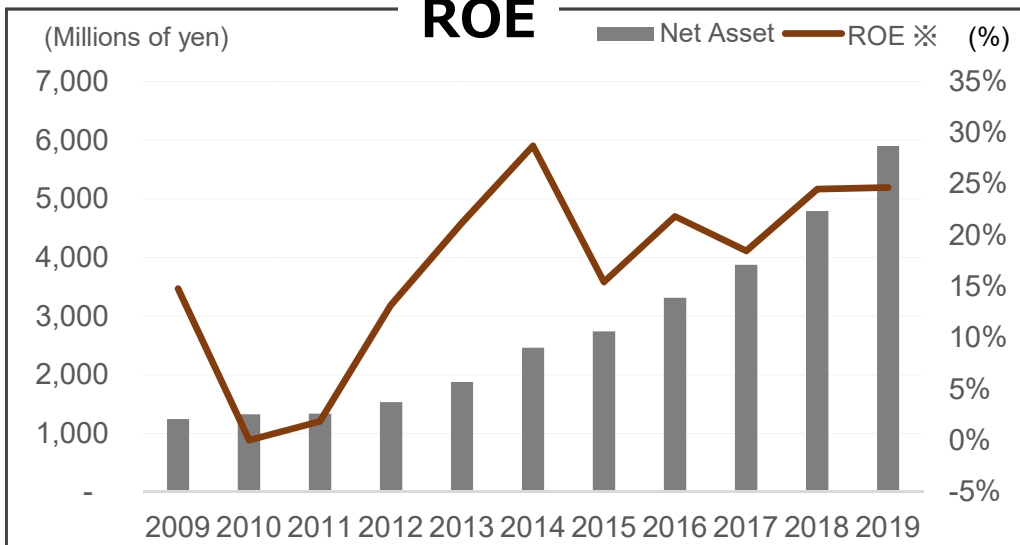
### Recurring Revenue



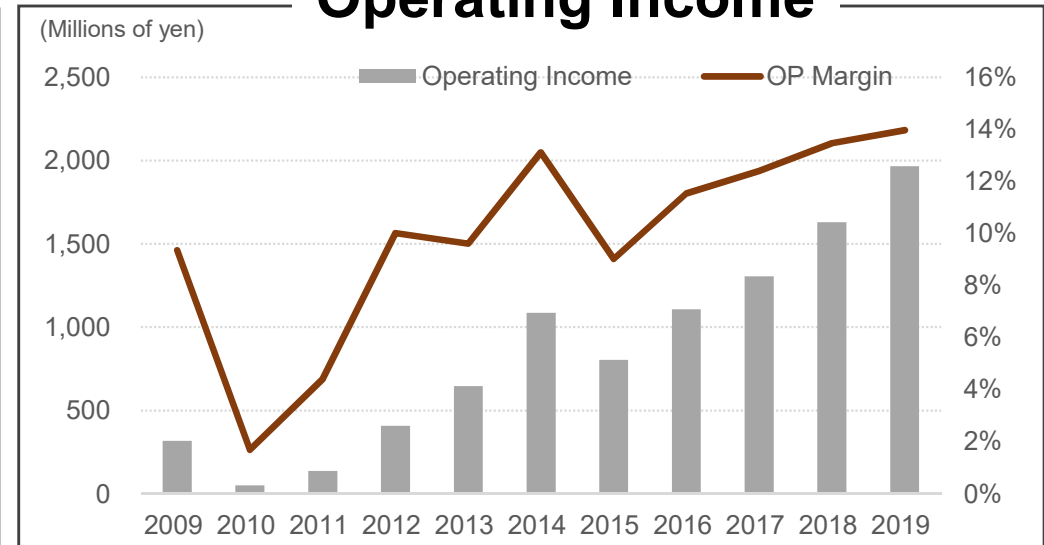
### EBITDA



### ROE

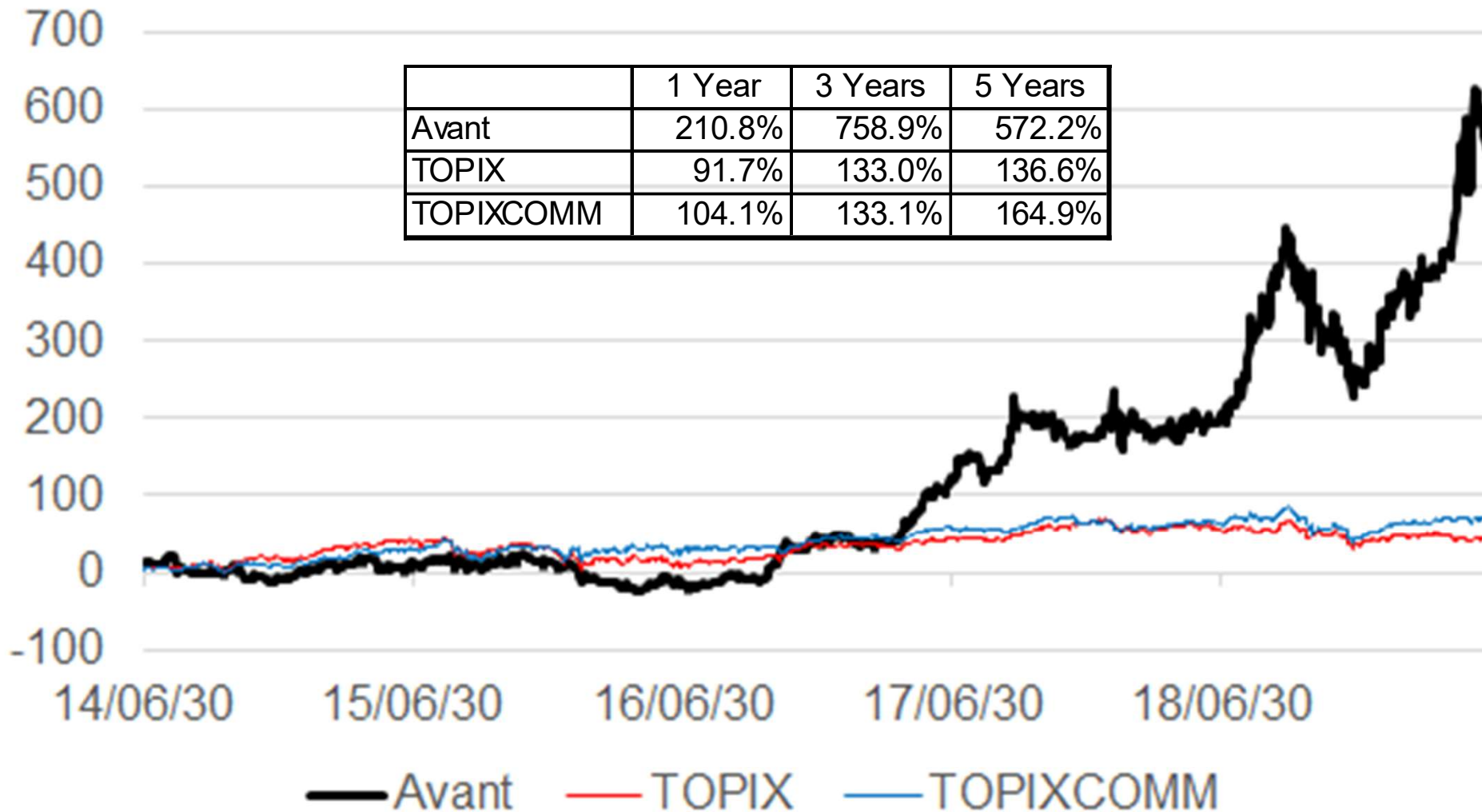


### Operating Income



※twelve month rolling

## TSR



Source: Bloomberg