

Financial Results Briefing for FY2019

Key Message

Monetizing large projects to lay the groundwork for the next growth stage

November 14, 2019

G M O Payment Gateway, Inc.
(Code: 3769; TSE-1st section)

The 59th IR Meeting

GMO PAYMENT GATEWAY

<https://corp.gmo-pg.com/>

A cautionary note about the contents of the document

The contents of this document are based on generally recognized economic and social conditions, as well as assumptions judged to be reasonable by GMO Payment Gateway as of November 14, 2019.

However, please note that they are subject to change without prior notice in the event of changes in the business environment or other unforeseen occurrences.

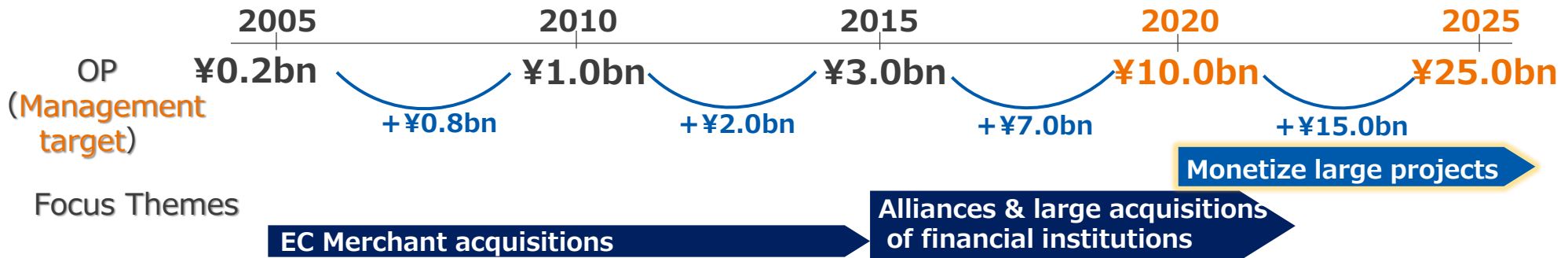
Agenda

1. Wrap-Up of FY2019
2. Summary of financial results for FY2019
3. FY2020 guidance
4. Future initiatives and growth strategy
5. Financial highlights
6. Reference materials

1. Wrap Up of FY2019

1.1 Wrap Up of FY2019

Management requirements and initiatives to reach OP ¥25bn



The 8 Management and operational requisites to generate incremental ¥15bn in the next 5 years

Management Requisites

Continuously monetize billion-yen businesses

1. Buildout payment platform for major industries
2. Service rollout to global major players
3. Innovation in FinTech domain
4. Innovation in the Cashless domain
5. Close ties with large FIs for the buildout of next generation platform

Initiatives

1. Platform buildout for the utility sector
2. Platform buildout for the telecom sector
3. Service rollout to global majors
4. Expansion of BtoB payment business
5. Next gen payment platform with SMCC+Visa
6. Expand BtoB factoring service
7. Diverse services targeting FI's
8. Payment services and Lending in the global market

2. Summary of financial results for FY2019

2.1 Financial Results Summary (IFRS)

Revenues up 21.6% YoY, OP up 26.7% YoY; in line with guidance

(mil. Yen)	<u>FY2018 Actual</u>	<u>FY2019 Actual</u>	<u>% YoY</u>	<u>FY2019 Full Year guidance</u>	<u>% achievement vs. guidance</u>
Revenue	26,417	32,121	+ 21.6%	31,850	100.9%
Operating Profit	6,550	8,301	+ 26.7%	8,300	100.0%
Profit attributable to owners of parent	4,255	5,267	+ 23.8%	5,106	103.2%
EBITDA ^{※1}	7,464	9,351	+ 25.3%	-	-
DPS ^{※2}	¥29	¥36	+ ¥7	¥35	102.9%

KPI ^{※3}	Operating stores ^{※4} (end-4Q)	TRX Volume (4Q standalone)	TRX Value (4Q standalone)
	111,425店 (+ 16.7%)	Approx. 480mil. (+ 32.6%)	Approx ¥1.1 tr. (+ 27.1%)

※1 EBITDA = Operating profit + Depreciation

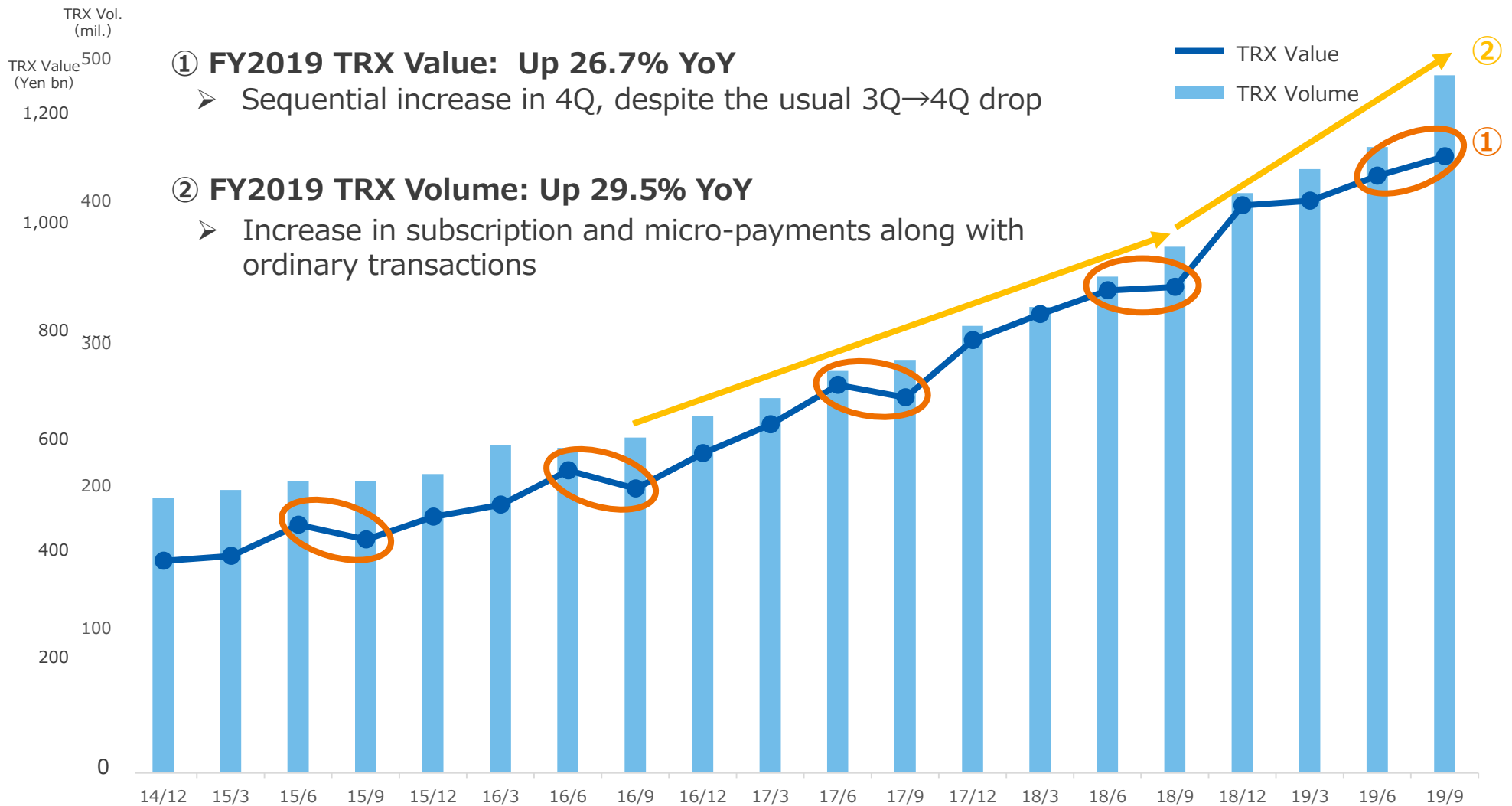
※2 On October 1, 2019 the company conducted a 2-1 stock split. The per share figure for FY2018 are calculated on a similar basis.

※3 Excluding offline payment. Figures in brackets () denote year on year change.

※4 Operating store figures exclude the impact of an increasing operating store from a specific large merchant. If included, the total number of operating stores would be 228,765 stores by end-Sep 2019Q4, an increase of 123.2% YoY.

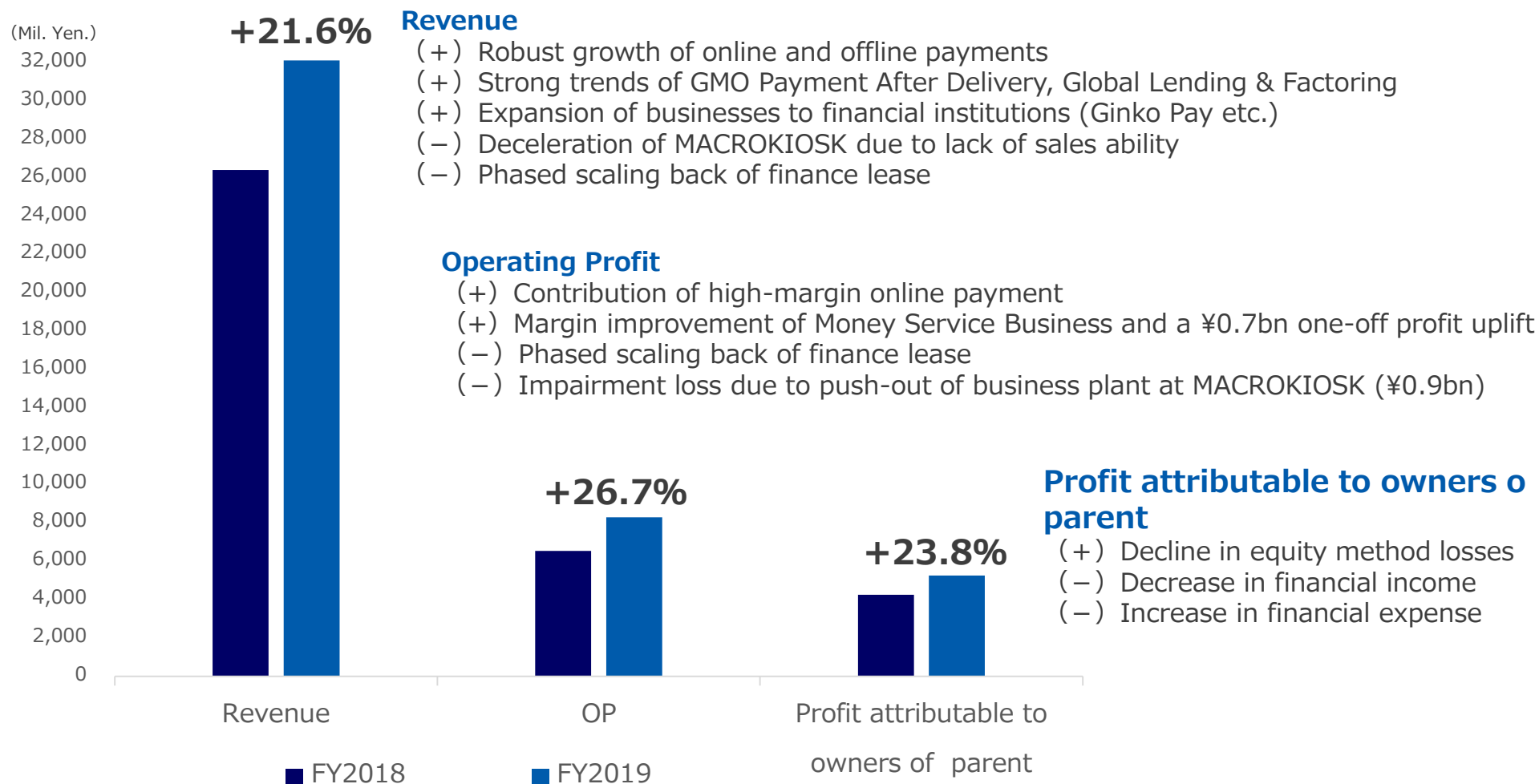
2.2 Transaction volume and value trend

Continue to achieve over 25% growth in volume and value



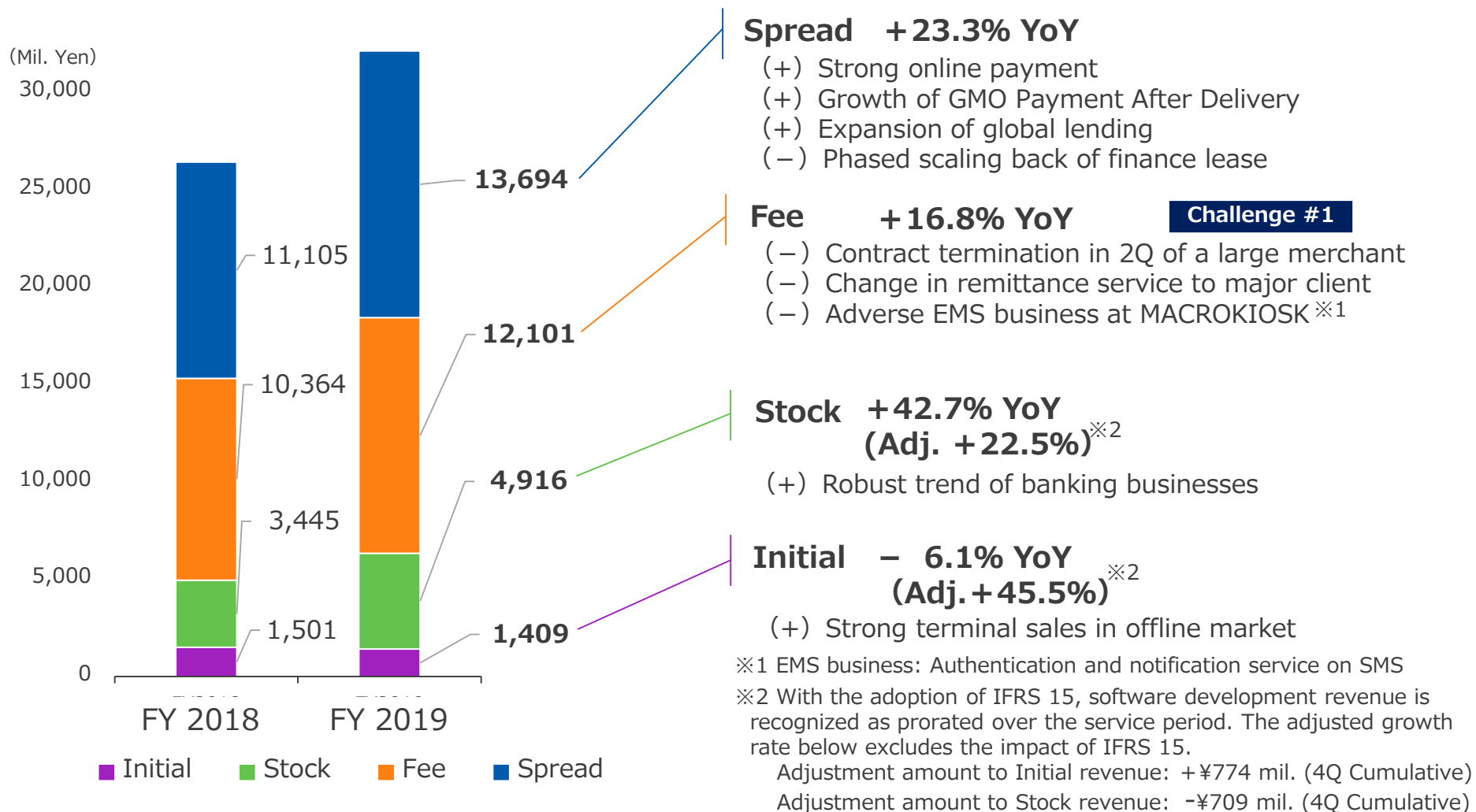
2.3 Factors affecting financial results

MK slowdown offset by high-growth businesses to achieve OP growth of 26.7% YoY



2.4 FY2019 Revenue by business model

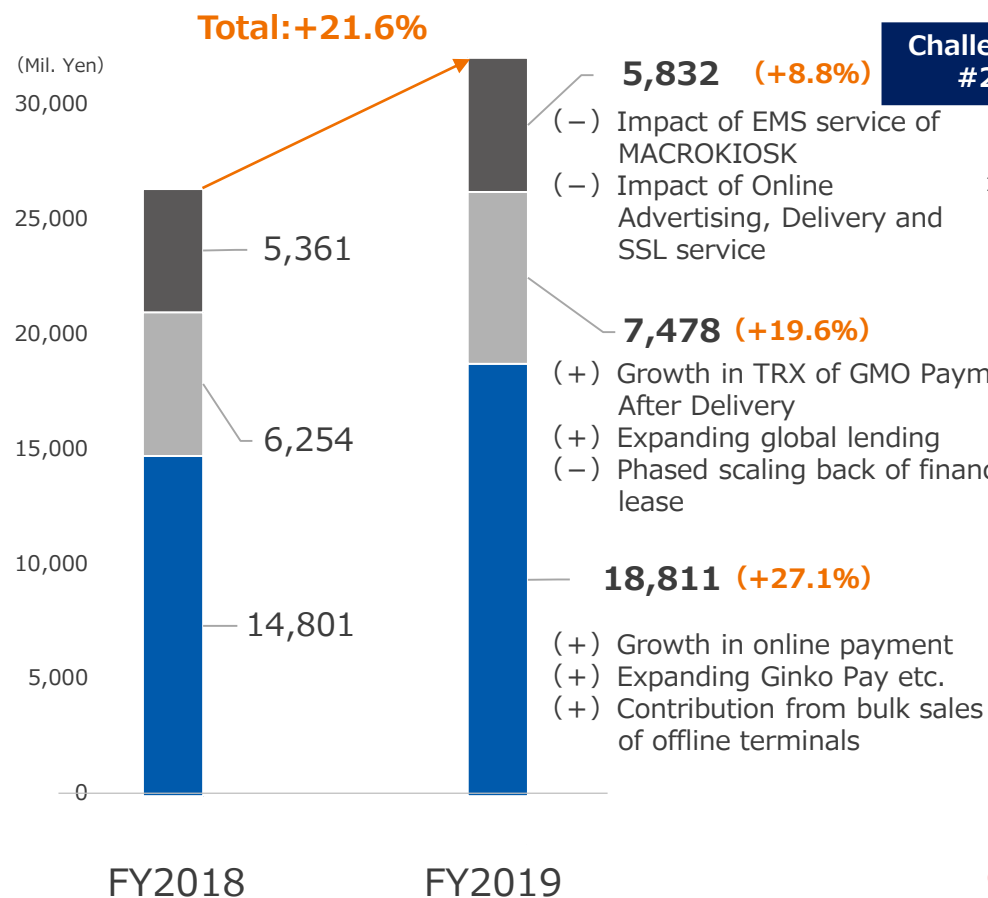
Mainstay business is strong; the sluggish fee revenue already addressed



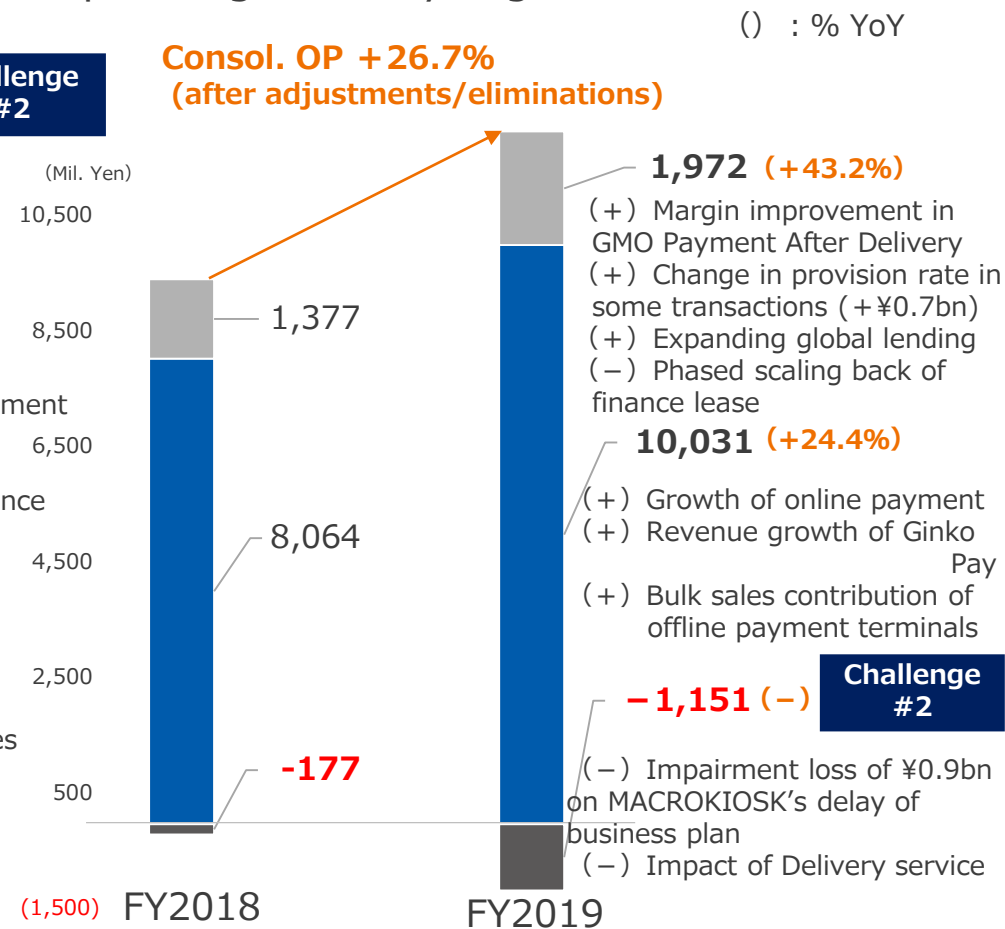
2.5 FY2019 Revenue and OP by segment

Payment Processing and MSB strong; offsets Payment Enhancement weakness

■ Revenue by segment



■ Operating Profit by segment



■ Payment Processing ■ Money Service ■ Payment Enhancement

3. FY2020 Forecast

3.1 Consolidated Financial Forecasts (IFRS)

Sustain over 25% CAGR OP growth

■ FY2020 Consolidated Financial forecast (IFRS)

(Unit: Mil. Yen, % YoY)

	FY2019 Act.	FY2020 Guidance	% YoY
Revenue	32,121	36,618	+14.0%
Operating Profit	8,301	10,376	+25.0%
Pre-tax Profit	8,039	9,867	+22.8%
Net Profit	5,052	6,216	+23.0%
Profit Attributable to Owners of Parent	5,267	6,110	+16.0% [※]
Dividend per share	¥36	¥42	+¥6

Challenge #3

(Adj. +19.3% YoY excl. MK and GMO Payment After Delivery)

※ Growth rate of Profit Attributable to Owners of Parent is lower than the Net Profit due to the uplift to Profit Attributable to Owners of Parent in FY2019, which is in turn due to the allocation to non-controlling interests of the impairment losses of MACROKIOSK

3.2 Revenue growth rate by company

Target topline growth rate of CAGR above 25%

Revenue	FY2019	FY2020 Guidance	Measures in place	FY2021 Target	
GMO-PG (Payment Processing)	Above +20%	Above +20%			
GMO-PG (Money Service)	Above +25%	Above +25%			
GMO-EP	Above +10%	±0%	Change of President to strengthen organization		Challenge #4
GMO-PS (GMO Payment After Delivery)	Above +10%	Above +10%	Expand scope of business ※ In consideration of major customer		
GMO-FG GCS	Above +25%	Above +25%			
MACROKIOSK	Above +10%	±0%	① Enhance merchant acquisition ability ② Shift to CPaaS and high-growth economies ③ Diversity business portfolio		Challenge #2

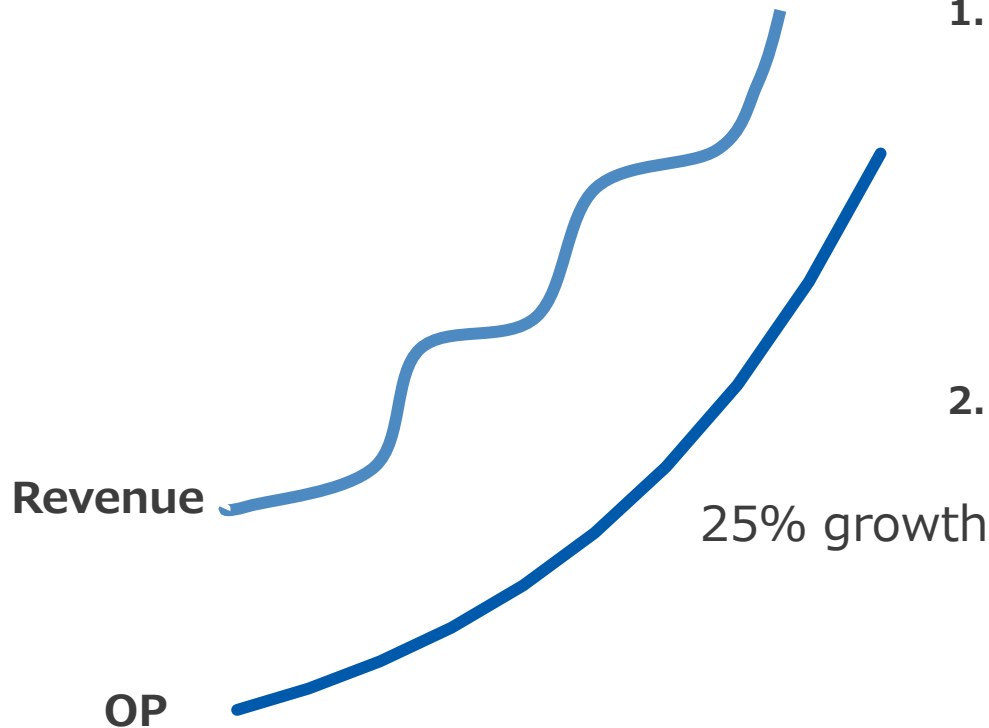
3.3 The 4 challenges and its improvement measures

Drastic measures in place to address the challenges we recognized during the previous fiscal year

	<u>Challenge</u>	<u>Improvement Measures</u>	<u>Reference page:</u>
Challenge #1	Sluggish fee revenue (FY2019 +16.8% YoY)	Addressed Period: Sep. 2021 onwards~ Action: PF business to utility sector	4.2
Challenge #2	Pace of growth at MACROKIOSK	In progress Period: Sep. 2022 onwards ~ Action : ① Enhance merchant acquiring ② Shift to CPaaS/high growth economies ③ Diversification of global business	4.6.2
Challenge #3	FY2020 Consol. Revenue growth rate	In progress Period: Sep. 2021 onwards ~ Action: Commence the new 8 initiatives	4.2~4.6
Challenge #4	Sluggish growth rate at GMO-Epsilon	In progress Period: Sep. 2021 onwards~ Action: ① Strengthen financial related business and collaboration with partner ② Develop new businesses	4.2

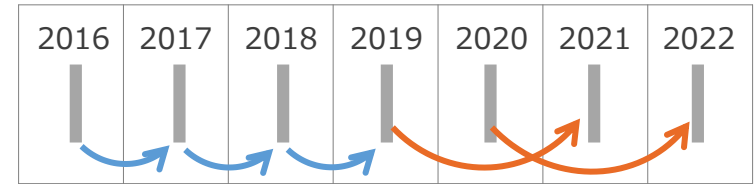
3.4 Revenue image for this fiscal year

Multiple factors affecting revenue growth rates but stable OP growth



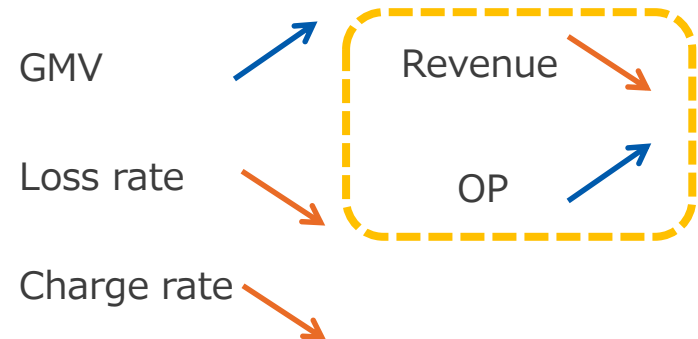
■ Factors affecting revenue growth

1. Skewing effect by longer lead time for development and service start-up as project sizes scales up



Lengthening of lead time

2. Payment After Delivery (Charge rate/loss rate)



3. Impact of loan balance of lending business

4. Future Initiatives and Growth Strategy

4.1 Management Targets

Target above-market growth from 2020 onwards

	2010		2015		2020		2025
BtoC EC Mrkt EC penetration	2.4%	≒ 2x	4.7%	≒ 1.5x	≒7%	≒ 2x	≒15%
BtoC EC Mrkt Mrkt size	¥7.7 tr.	≒ 2x	¥13.7 tr.	≒ 1.5x	≒¥2.2 tr.	≒ 2x	≒¥45 tr.
TRX Value	¥0.8 tr.	≒ 2x	¥1.6 tr.	≒ 3.5x	≒¥6 tr.	≒ 3x	≒¥18 tr.
OP	¥1.1bn	≒ 2.5x	¥2.9bn	≒ 3.5x	¥10.0bn	≒ 2.5x	¥25.0bn [※]

※o.w., ¥5bn+ to be generated from overseas businesses

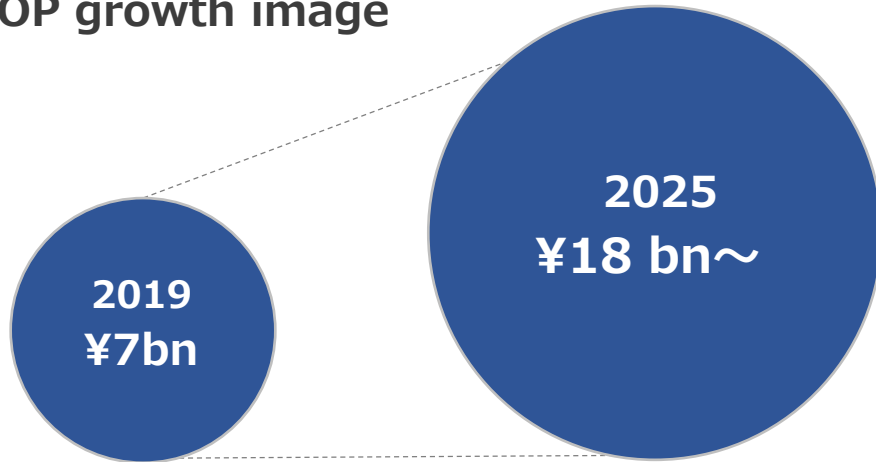
(Reference) The EC penetration and Market size figures reference METI's "E-Commerce Market Survey" for FY2005 and FY2015. Figures for year 2020 and beyond are based on our projections

Note: TRX value, OP and figures for year 2020 and beyond and the company's targets and projections.

4.2 Broader EC

Resolving challenges and the implementing the 5 initiatives to realize above ¥18bn OP in 2025

OP growth image



Basic Policy

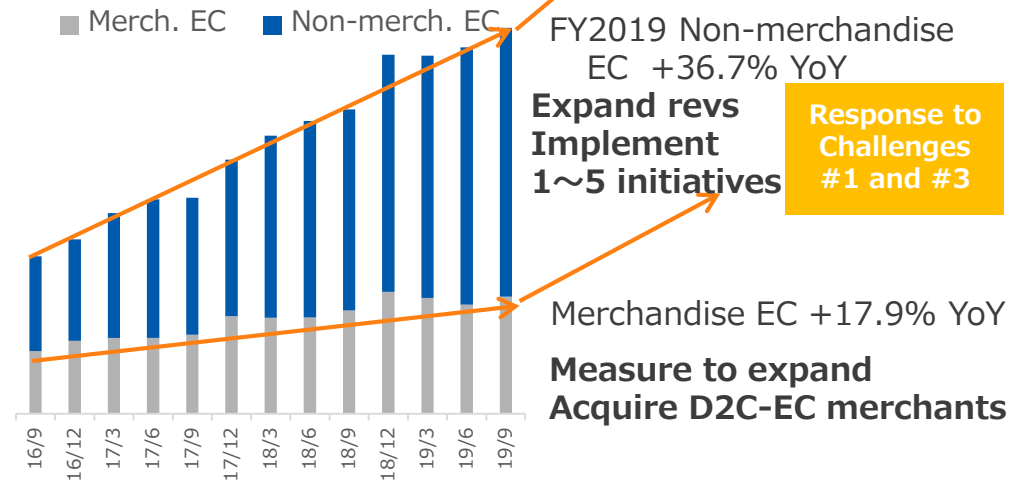
- Target large and/or high growth companies
- Expand into new online payment incl. merchandise EC

Initiatives Underway

Response to Challenges #1 and #3

- Buildout payment platform for utility sector
- Buildout platform for telecom sector
- Service rollout to global major players
- BtoB payment business expansion
- SMCC · VISA next generation payment platform

Initiatives to expand of non-merchandise and merchandise EC



※ Graphs only shows GMO-PG's online payment (multi-payment service) TRX value.
 ※ D2C (Direct to Consumer): Business model of direct sales by manufacturer.

GMO Epsilon's revenue enhancement measures

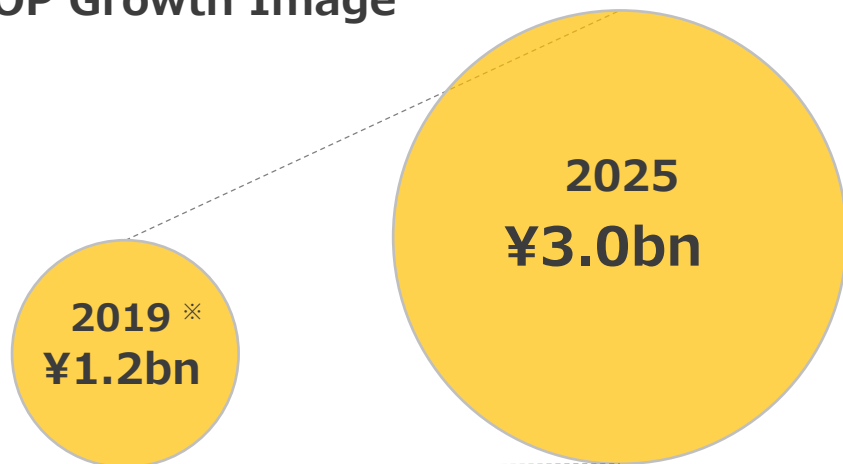
- Strengthening financial related business
 - New initiatives with offline partners
 - Transaction lending to cart partners
- New business
 - Issuing service to self-employed businesses
 - New OEM payment method offerings to cart partners

Response to Challenge #4

4.3 FinTech

Realize above ¥3bn OP contribution from expanding Payment After Delivery, Factoring and global Lending

OP Growth Image



※FY2019 OP is adjusted to exclude the impact of changes in the provision rate on some of the transactions.

Basic Policy

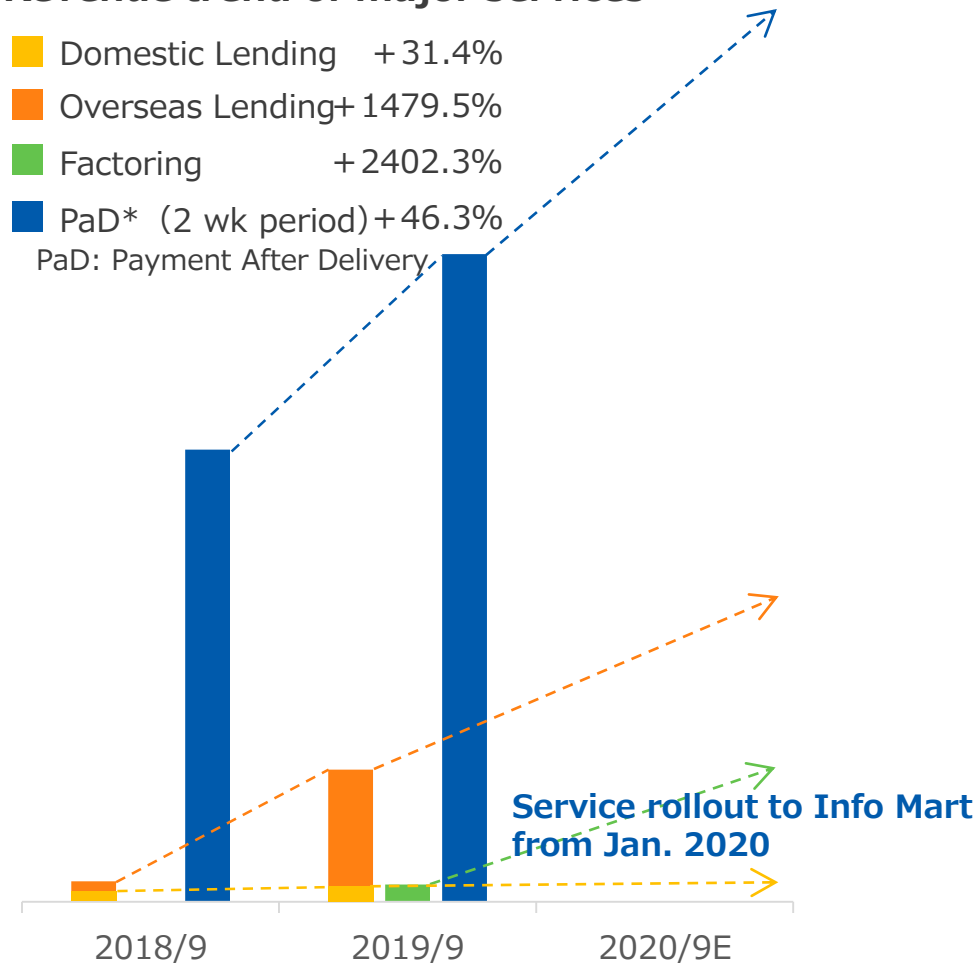
- Expand GMO Payment After Delivery
- Expand Global Lending

Initiatives

Response to Challenge #3

- 6. Expand factoring service

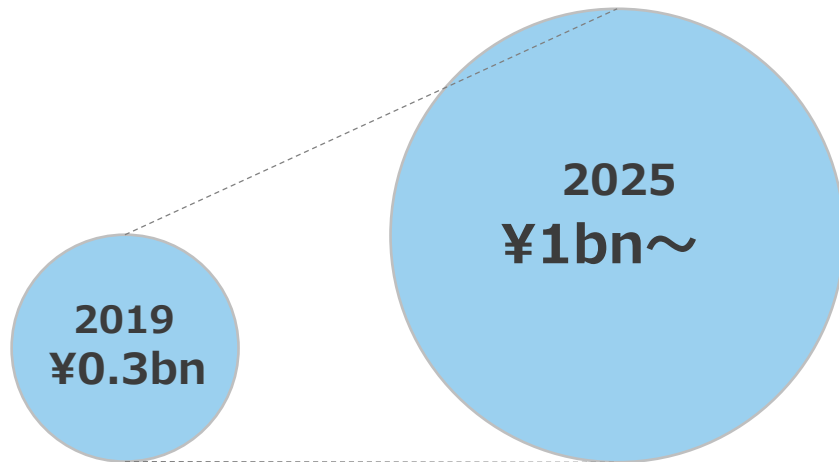
Revenue trend of major services (%: change vs. FY2018)



4.4 Cashless

Realize over ¥1bn OP contribution in 2025 from standardizing PFs for Financial Institutions

OP growth image



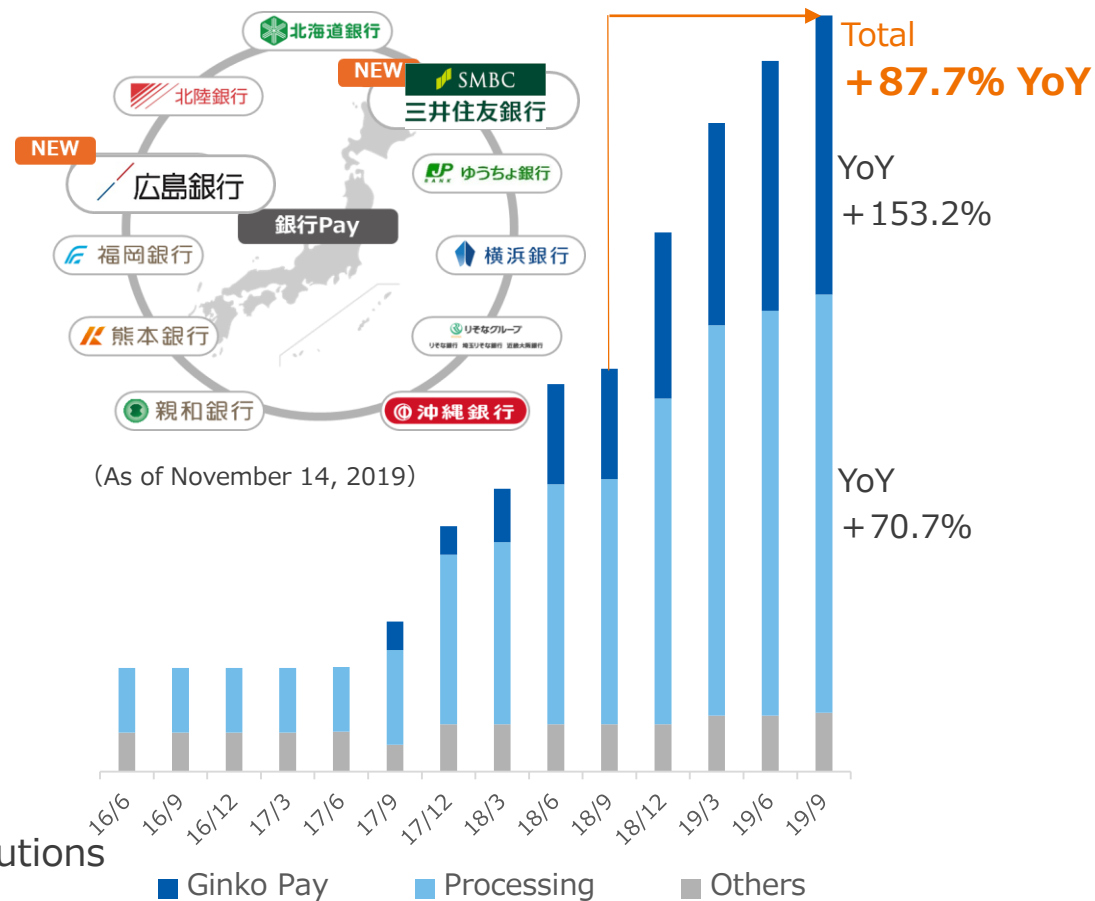
Basic Policy

- Increase bank adoption of Ginko Pay
 - ↳ Diversify revenue from joining up services
 - ↳ rollout to non financial institutions
- Expand the processing platform

Initiatives Response to Challenge #3

7. Diversify service offerings to financial institutions

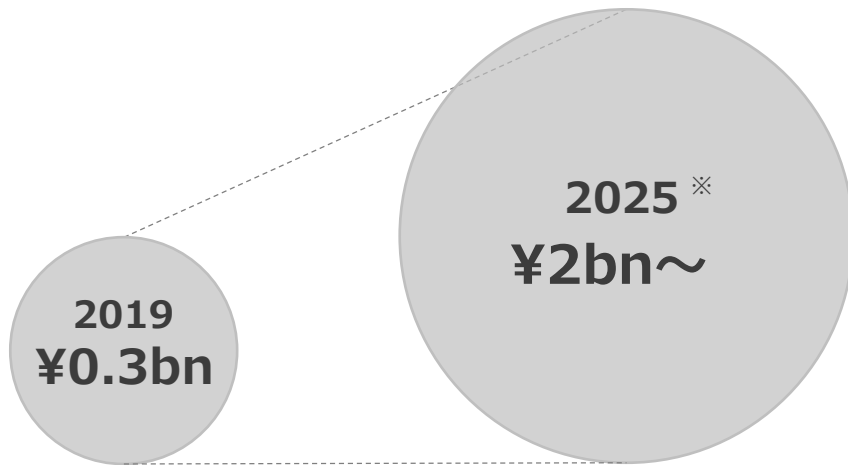
■ Expanding Stock Revenue to financial institutions by quarter



4.5 IoT

Realize over ¥2bn OP contribution in 2025 from unattended markets

OP growth image



※ Excluding contribution from next generation platform

Basic Policy

Strengthen marketing to Unattended Markets

Initiatives

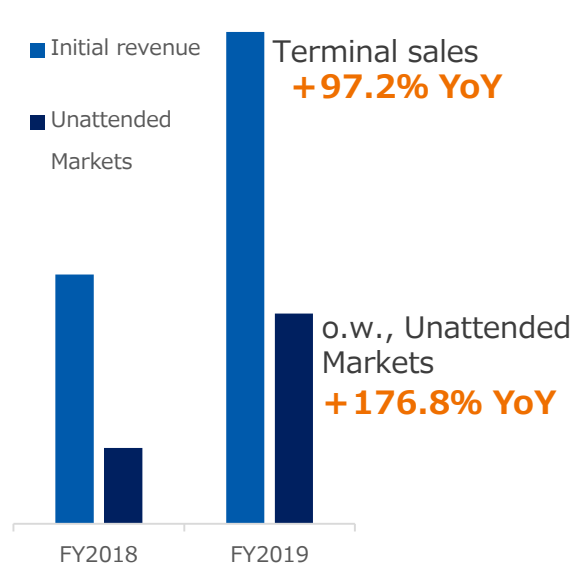
Response to Challenge #3

5. Next gen payment platform with SMCC+VISA

■ Unattended Markets

	Food & Beverage Vending machines	Ticket Machines	Fare Adjustment	Office Coffee Machine etc.
Mrkt Size	¥2.083 tr.	¥1.826 tr.	¥1 tr.	¥446.4 bn

■ Initial revenues in offline market



Next Gen Payment PF "stera" terminal

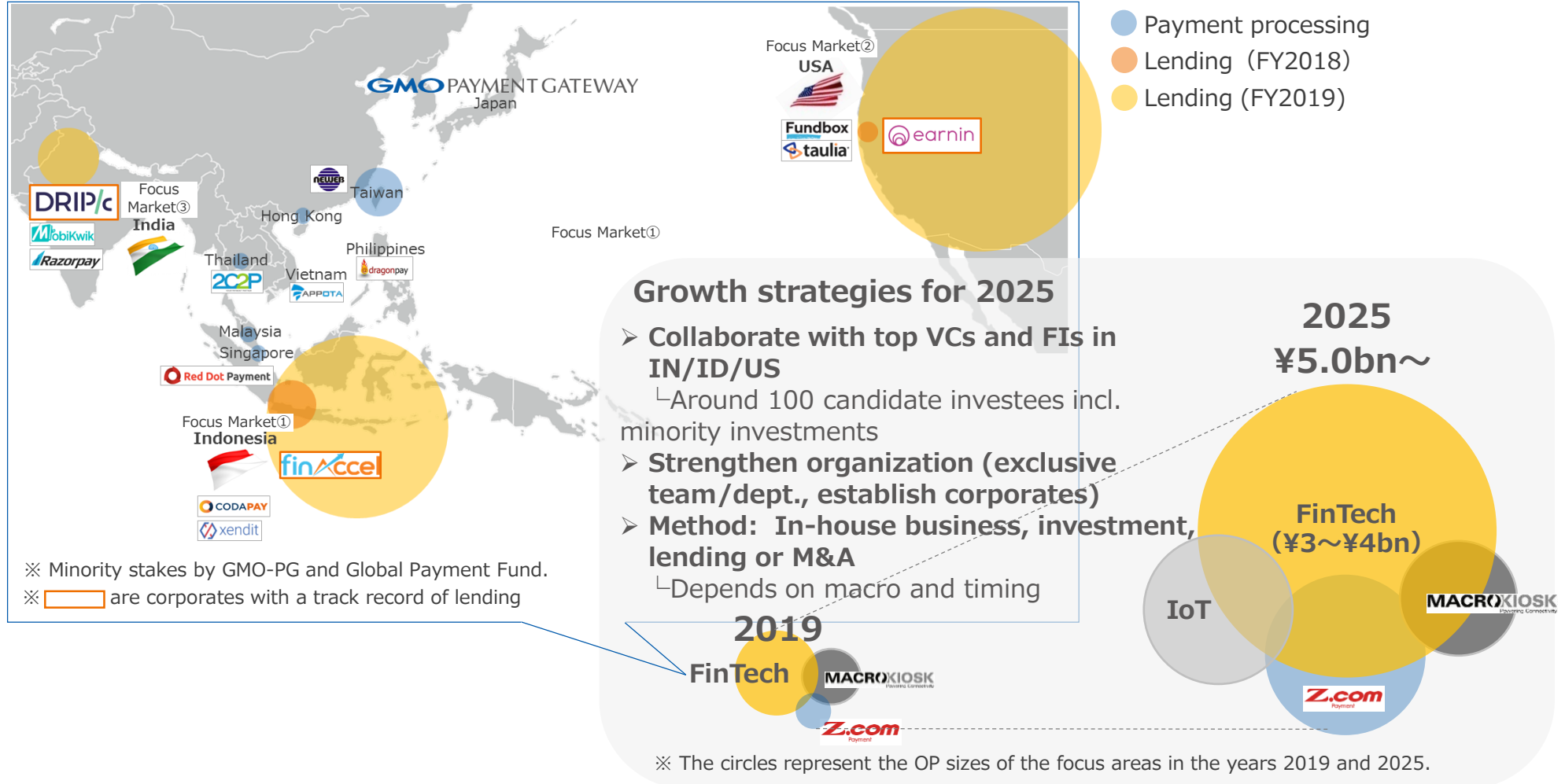


stera

4.6.1 Global: Focus markets are India, Indonesia and US

Expand lending asset by establishing offices and collaborating with local top-tier FinTech companies

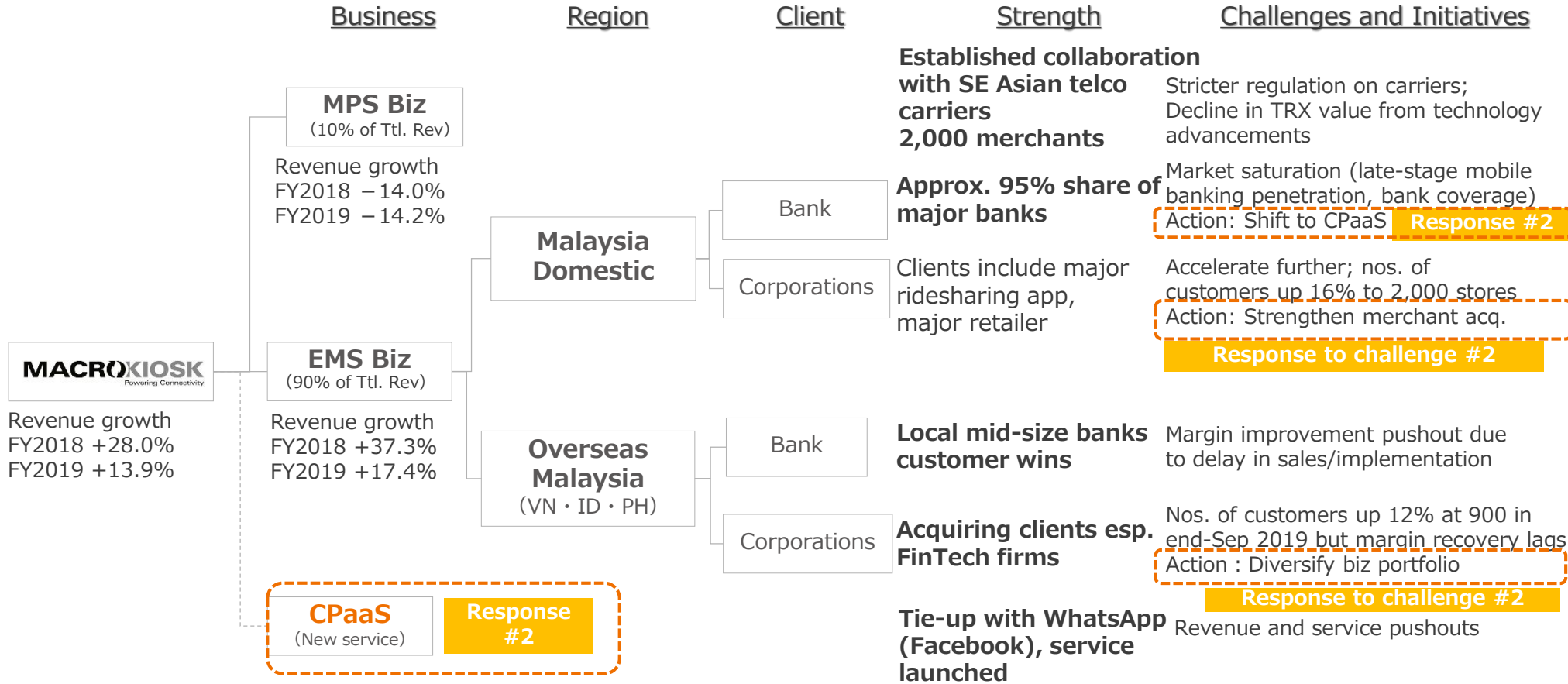
Investment Portfolio and Revenue size by business



4.6.2 Global: MACROKIOSK

Revamp business in Malaysia and neighboring countries and strengthen new services

■ MACROKIOSK: analyzing challenges using logic tree

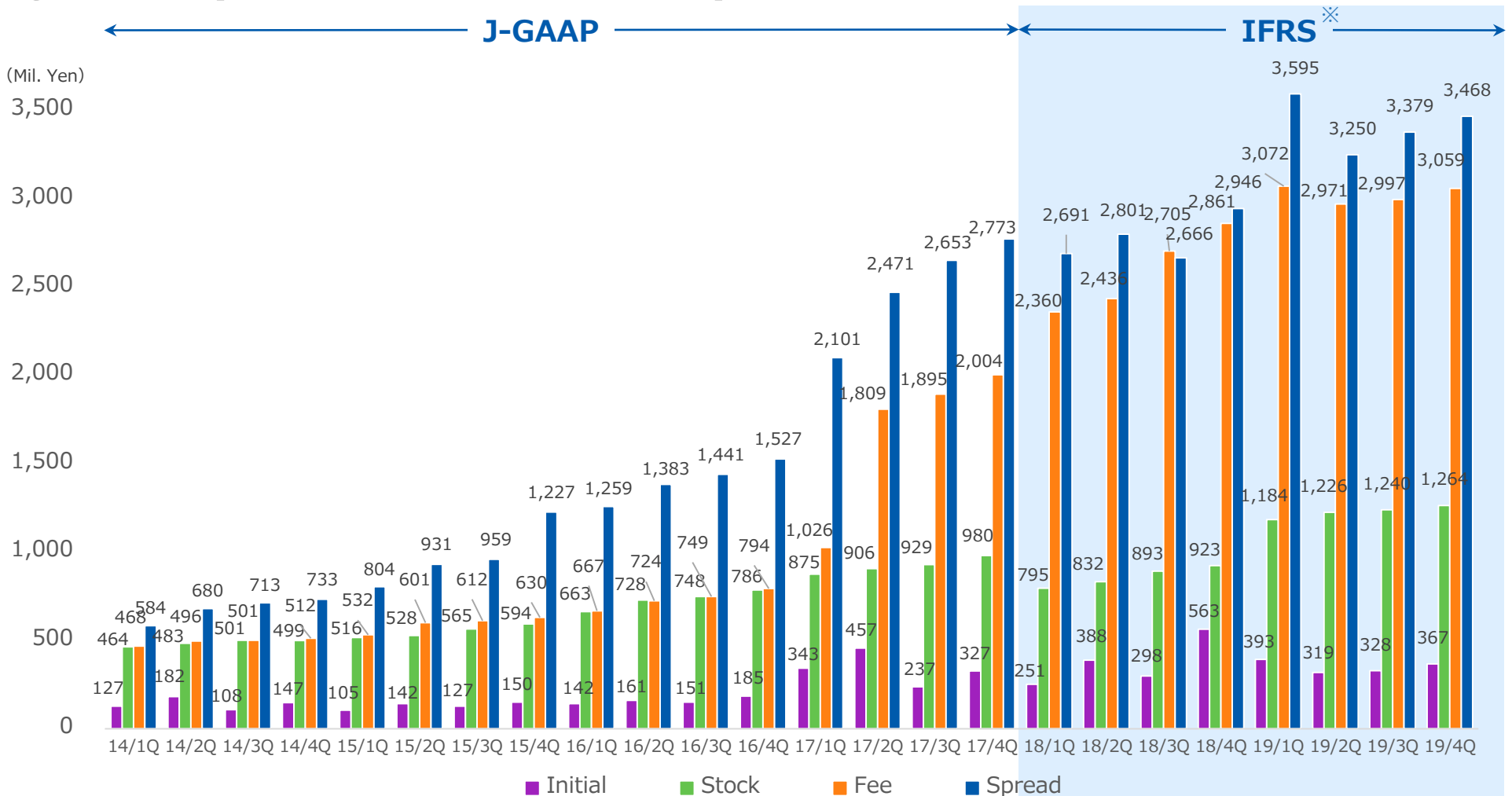


※MPS business : Mobile Payment Service
 EMS business : Authentication/Notifications on SMS
 CPaaS : Communications Platform as a Service

5. Financial Highlights

5.1 Revenue by business model

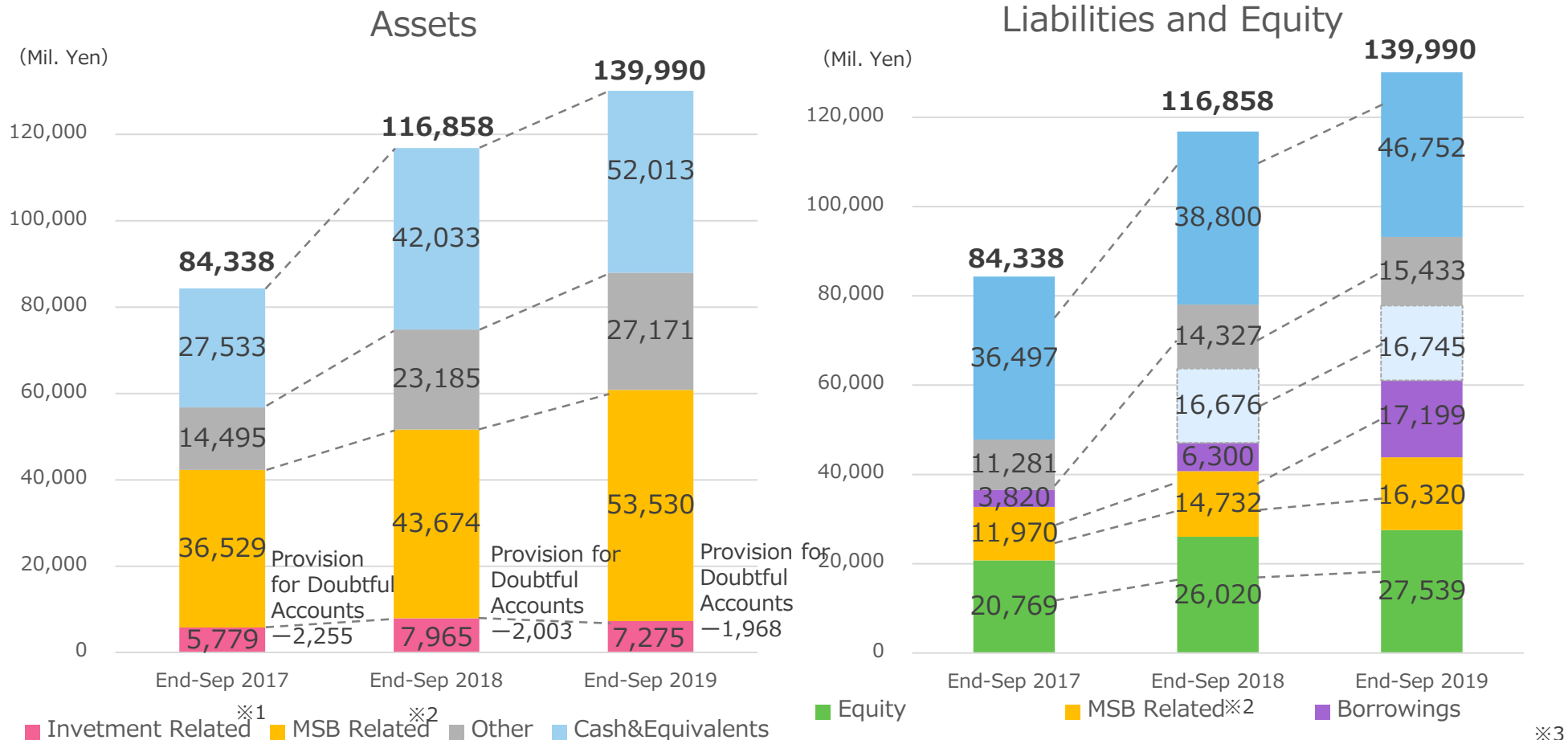
Quarterly trend of revenue by business model



※Online advertising service (stock) and finance lease (spread) revenues are recognized as a net amount with the IFRS adoption rather than the gross method.

5.2 Balance Sheet Changes

Increase in deposits received and MSB-related assets



※1 Securities classified under Investment Securities and Equity-Method Affiliates

※2 MSB Related Asset : Lease assets, Short term loans, Advance payment, Accrued revenue (net of provisions for doubtful accounts)

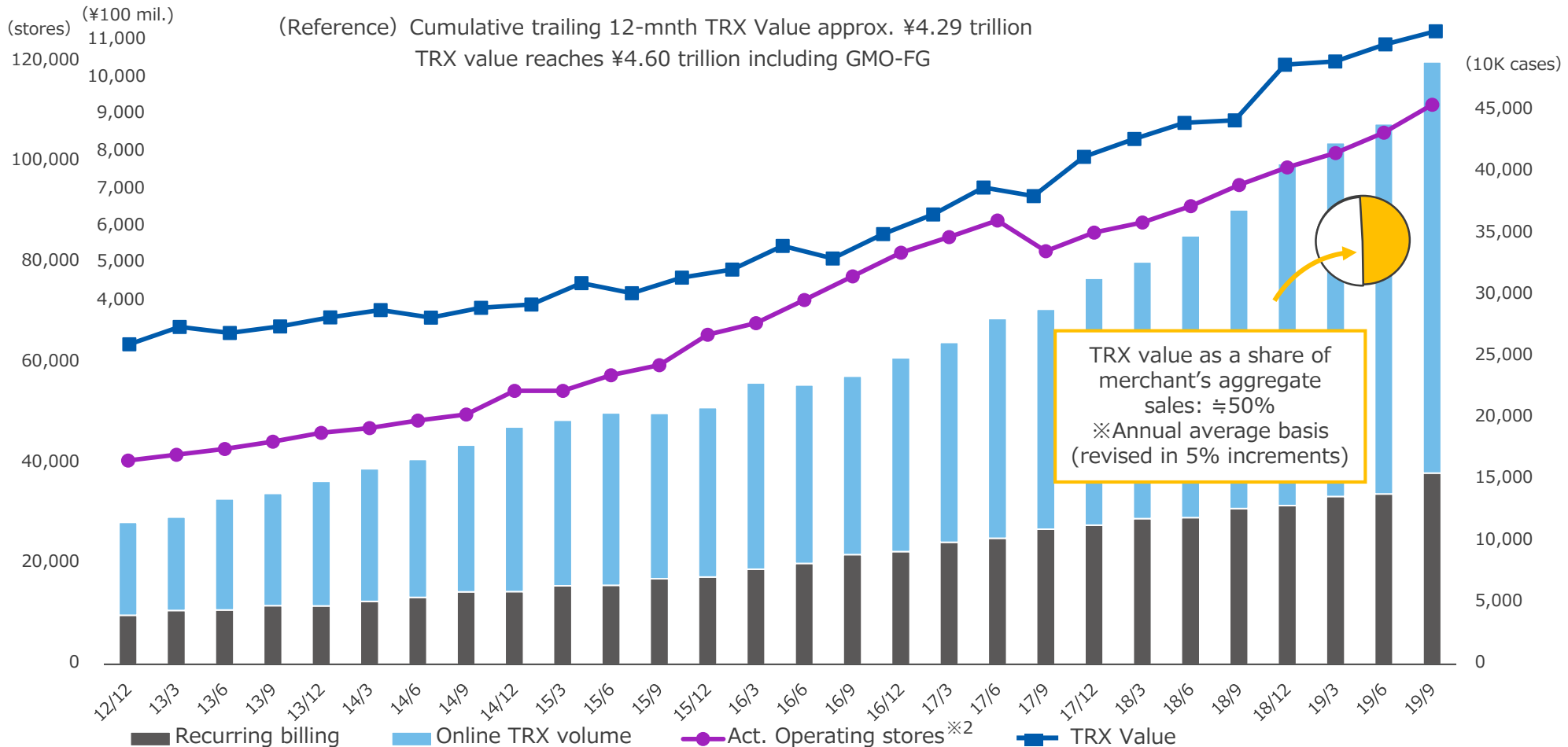
MSB related Liabilities : Accrued expenses

※3 Deposits received from merchants under the Representative Contract. ※4 Some figures are shown in net amounts of financial asset and liabilities.

5.3 Major Quarterly KPIs

Group-wide annual TRX value reaches ¥4.6 trillion

Operating stores: 111,425 stores, TRX volume approx. 480 mil., TRX value approx. ¥1.1 trillion. ^{※1}



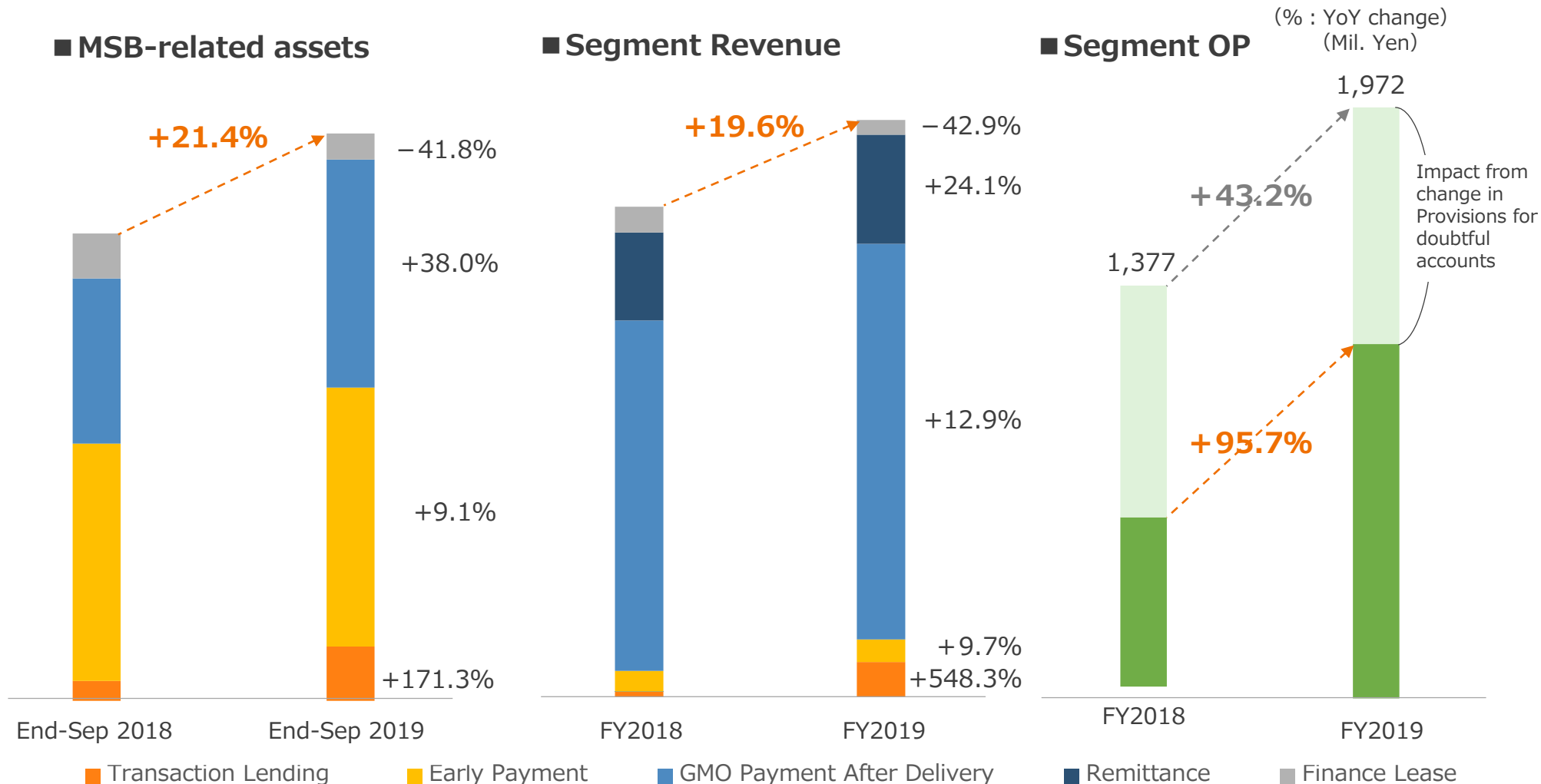
*1 Number of operating stores is measured on an end-of-quarter basis, while TRX value and volume are the total for the respective quarter.

*2 Figure excludes a significant increase in operating stores from a specific merchant. If included, operating stores would be 228,765 outlets by end-Sep 2019 (up 123.2% YoY)

6. Reference materials

6.1 FinTech : Assets and profit growth

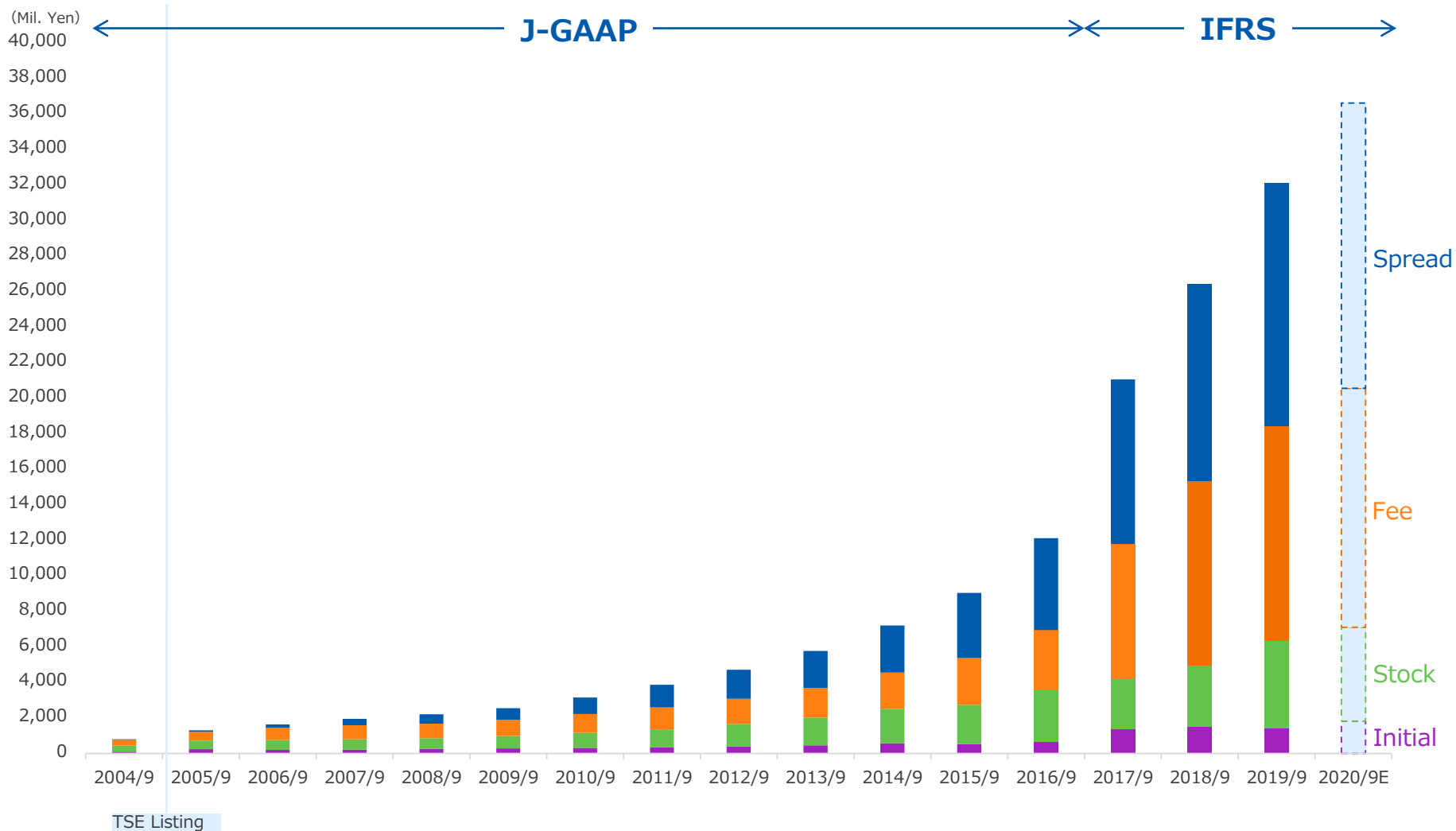
Rapid growth of global lending and margin improvement of GMO PaD



* Figure is net of GMO PaD assets (accrued revenue) and provision of doubtful account

6.2 Revenue trend by business model (annual)

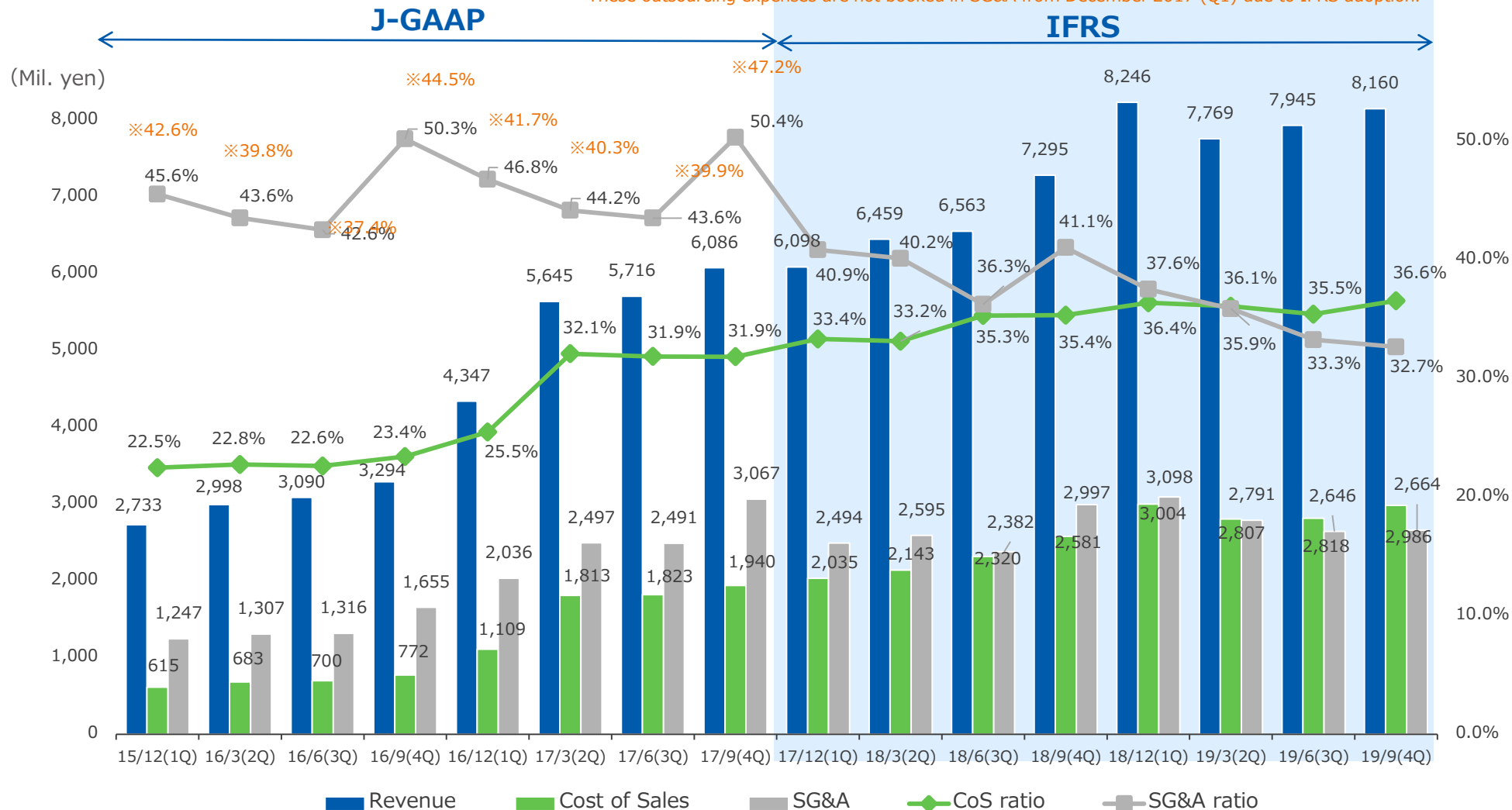
Pursue balanced growth of each business model



6.3.1 Quarterly trend of CoS and SGA ratio

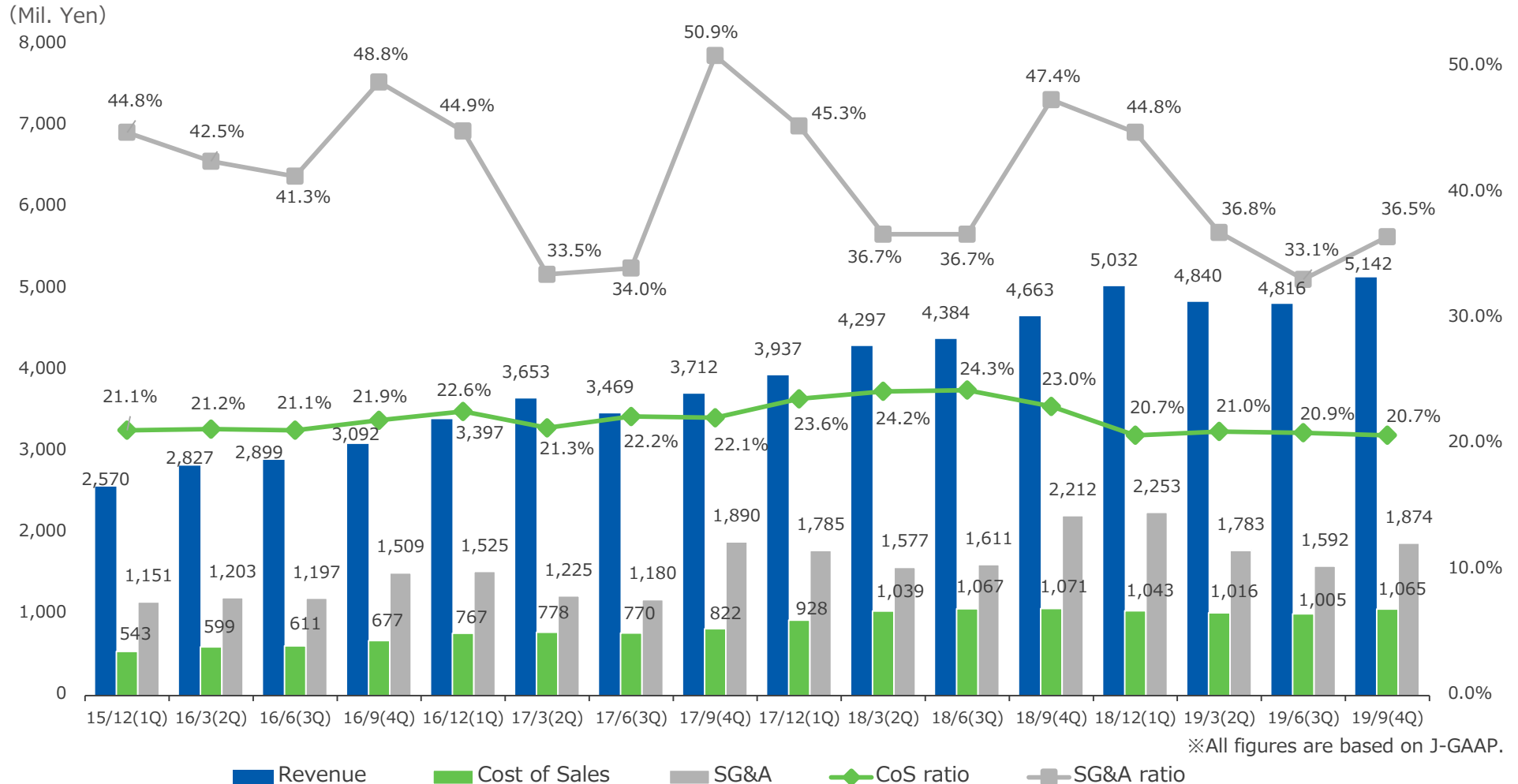
CoS ratio fluctuates with changes in sales mix

*Figures with asterisk exclude outsourcing expense related to MSB.
 These outsourcing expenses are not booked in SG&A from December 2017 (Q1) due to IFRS adoption.

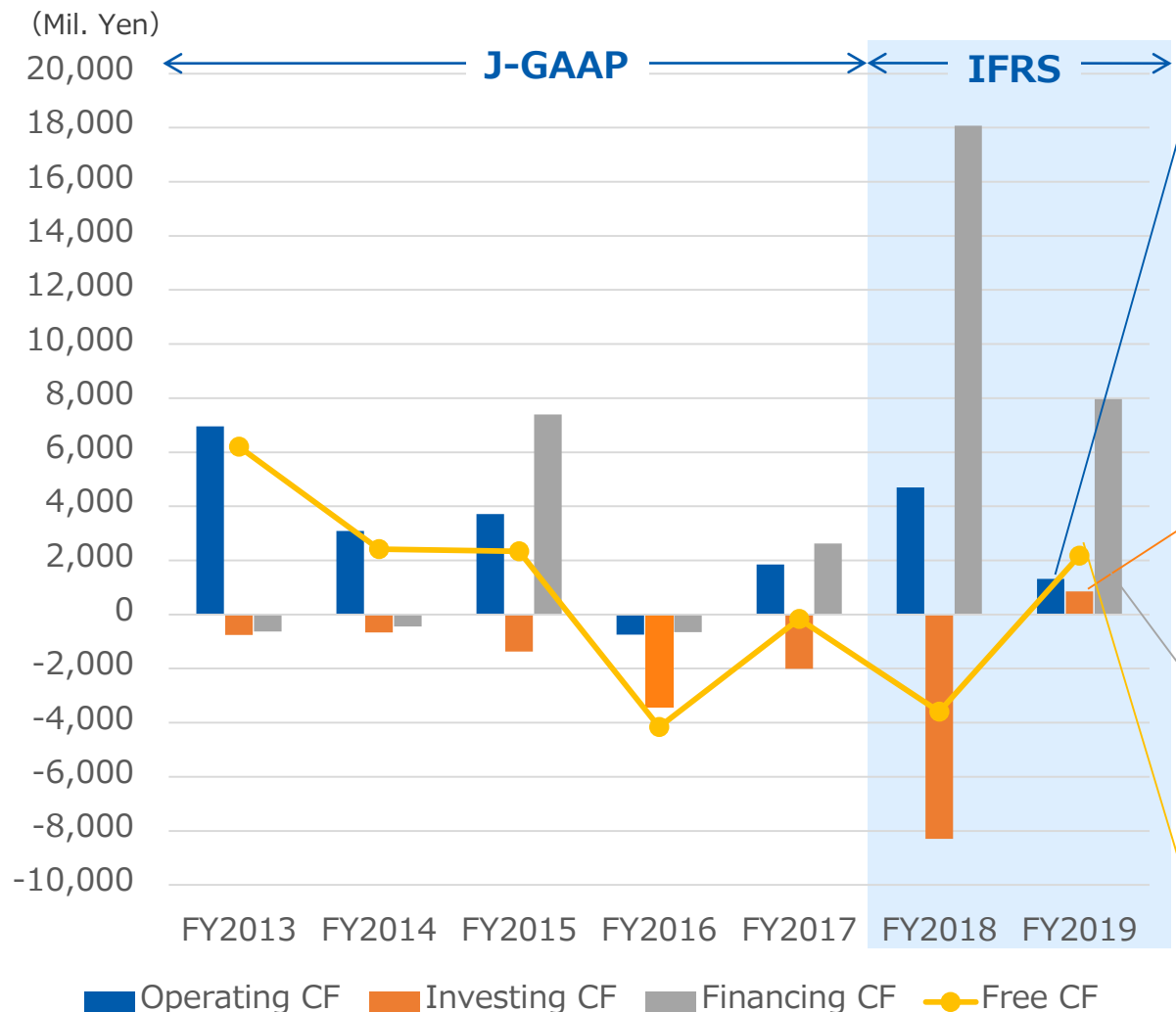


6.3.2 Quarterly trend of PG and EP's CoS and SGA ratio

CoS ratio fluctuates with changes in sales mix



6.4 Consolidated CF Statement



■ FY2019 changes

	(Mil. Yen)
Operating CF:	+¥1,311
Pretax profit	+¥8,039
Chgs. in rcvbles	-¥516
Advances paid	-¥10,229
Accrued income	-¥5,848
Chgs. In payables	+¥131
Accrued expenses	+¥278
Deposits received	+¥9,605
Investing CF:	+¥858
Time deposits	+¥689
Acq. Of intangibles	-¥1,356
Financing CF :	+¥7,959
Chgs in ST debt	+¥11,699
LT debt repayment	-¥800
Dividend payout	-¥2,134
Free CF :	+¥2,169
Cash & Equivalent:	¥52,013

※ Free CF= Operating CF + Investing CF

Thank You Very Much

GMO PAYMENT GATEWAY

GMO Payment Gateway, Inc.
(3769; Tokyo Stock Exchange, Section 1)

URL : <https://corp.gmo-pg.com/en/ir/>

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