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On **May 15, 2019**, CARTA HOLDINGS, INC., announced earnings results for cumulative Q2 FY12/19 (six-month period ended March 31, 2019).

Income statement (JPYmn)	FY09/17				FY09/18				FY012/19
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	6,573	6,871	6,198	6,253	6,799	7,556	6,918	7,245	7,870
YoY	31.8%	31.4%	25.5%	10.0%	3.4%	10.0%	11.6%	15.9%	15.7%
Gross profit	2,155	2,222	1,864	1,774	2,040	2,065	2,039	2,019	2,489
YoY	29.1%	38.9%	22.0%	9.3%	-5.3%	-7.1%	9.4%	13.8%	22.0%
GPM	32.8%	32.3%	30.1%	28.4%	30.0%	27.3%	29.5%	27.9%	31.6%
SG&A expenses	1,520	1,539	1,538	1,612	1,624	1,634	1,724	1,759	2,065
Personnel expenses	684	717	737	721	719	740	748	768	773
Advertising expenses	218	161	164	259	186	200	259	182	439
Amortization of goodwill	59	59	59	51	52	53	53	53	52
Others	557	600	576	579	665	639	663	754	800
YoY	42.0%	37.0%	23.7%	27.6%	6.9%	6.2%	12.1%	9.2%	27.1%
Personnel expenses	15.2%	24.3%	17.0%	16.9%	5.1%	3.2%	1.5%	6.5%	7.5%
Advertising expenses	39.7%	-4.2%	20.6%	70.4%	-14.7%	24.2%	57.9%	-29.7%	136.0%
Amortization of goodwill	74.4%	82.0%	27.8%	10.9%	-11.9%	-10.2%	-10.2%	3.9%	-
Others	95.4%	73.9%	34.0%	29.8%	19.4%	6.5%	15.1%	30.2%	20.3%
SG&A ratio	23.1%	22.4%	24.8%	25.8%	23.9%	21.6%	24.9%	24.3%	26.2%
Personnel expenses	10.4%	10.4%	11.9%	11.5%	10.6%	9.8%	10.8%	10.6%	9.8%
Advertising expenses	3.3%	2.3%	2.6%	4.1%	2.7%	2.6%	3.7%	2.5%	5.6%
Amortization of goodwill	0.9%	0.9%	1.0%	0.8%	0.8%	0.7%	0.8%	0.7%	0.7%
Others	8.5%	8.8%	9.3%	9.3%	9.8%	8.5%	9.6%	10.4%	10.2%
Operating profit	636	682	326	162	416	431	314	260	424
YoY	6.1%	43.3%	14.4%	-55.0%	-34.6%	-36.9%	-3.5%	59.9%	1.9%
OPM	9.7%	9.9%	5.3%	2.6%	6.1%	5.7%	4.5%	3.6%	5.4%
Non-operating income (expenses)	73	7	-27	2	114	-7	-19	-78	6
Financial income (expenses)	-2	6	-1	8	-1	5	-1	6	-2
Forex gains (losses)	84	-12	-3	-2	0	0	-7	-8	-3
Equity in earnings of affiliates	-9	9	-24	-4	-20	-9	-11	-64	11
Others	1	4	1	0	135	-2	1	-12	0
Recurring profit	709	689	299	165	530	424	296	182	430
YoY	25.0%	80.6%	43.7%	83.8%	-25.3%	-38.5%	-1.0%	10.4%	-18.9%
Extraordinary gains (losses)	-15	44	-260	228	41	-25	536	-103	121
Income taxes	-232	-240	-136	-102	-215	-151	-312	-92	-161
Implied tax rate	33.4%	32.8%	352.0%	25.8%	37.6%	37.9%	37.5%	116.4%	29.3%
Minority interests	22	11	-17	-28	3	22	-10	-21	34
Net income attributable to parent company sh.	440	482	-80	320	353	225	530	8	355
YoY	11.5%	103.2%	-165.7%	-1,547.1%	-19.8%	-53.2%	-761.0%	-97.3%	0.6%
Net margin	6.7%	7.0%	-1.3%	5.1%	5.2%	3.0%	7.7%	0.1%	4.5%
OP before amortization of goodwill	695	741	385	213	468	484	367	313	476
YoY	9.7%	45.8%	16.3%	-47.5%	-32.7%	-34.8%	-4.6%	46.5%	1.7%
OPM	10.6%	10.8%	6.2%	3.4%	6.9%	6.4%	5.3%	4.3%	6.0%
Sales	6,573	6,871	6,198	6,253	6,799	7,556	6,918	7,245	7,870
(old seg) Ad Platform	4,495	4,964	4,395	4,460	4,635	4,847	4,737	5,041	4,936
(old seg) Point Media	1,535	1,476	1,356	1,378	1,542	2,166	1,522	1,640	1,691
(old seg) Incubation	615	471	497	499	674	595	710	614	1,305
Eliminations	-72	-40	-49	-84	-52	-52	-51	-50	-62
YoY	31.8%	31.4%	25.5%	10.0%	3.4%	10.0%	11.6%	15.9%	15.7%
(old seg) Ad Platform	56.4%	52.1%	40.5%	18.5%	3.1%	-2.4%	7.8%	13.0%	6.5%
(old seg) Point Media	-3.9%	-1.3%	-4.4%	-3.0%	0.5%	46.8%	12.2%	19.1%	9.6%
(old seg) Incubation	-4.9%	-19.7%	-0.1%	12.7%	9.5%	26.5%	42.9%	23.0%	93.8%
Operating profit	636	682	326	162	416	431	314	260	424
(old seg) Ad Platform	488	531	259	193	320	405	303	266	243
(old seg) Point Media	137	158	58	57	50	85	57	112	102
(old seg) Incubation	11	-6	9	-88	46	-59	-45	-118	79
Advancing	-38	-15	-4	-67	11	-40	-36	-113	63
Other	47	8	11	-22	35	-18	-8	-3	15
Withdrawn	-	-	-	-	-	-	-	-	-
OPM	9.7%	9.9%	5.3%	2.6%	6.1%	5.7%	4.5%	3.6%	5.4%
(old seg) Ad Platform	10.9%	10.7%	5.9%	4.3%	6.9%	8.4%	6.4%	5.3%	4.9%
(old seg) Point Media	8.9%	10.7%	4.3%	4.2%	3.2%	3.9%	3.7%	6.8%	6.0%
(old seg) Incubation	1.7%	-1.3%	1.8%	-17.7%	6.9%	-10.0%	-6.3%	-19.2%	6.1%
Number of employees	305	300	317	317	314	320	334	336	336
(old seg) Ad Platform	152	155	171	169	163	166	173	178	177
(old seg) Point Media	77	72	72	68	63	59	58	54	53
(old seg) Incubation	31	31	37	41	50	58	67	66	68
Company-wide	45	42	37	39	38	37	36	38	38

Source: Shared Research based on company data

With the merger, the company is reclassifying business segments from Q2 FY12/19 onward. The three segments after reclassification are Partner Sales, Ad Platform, and Consumer. For Q1 FY12/19 and earlier, pre-merger VOYAGE GROUP figures are provided.

Quarterly trends and results (post-merger)

Cumulative (JPYmn)	FY12/19		FY12/19	
	Q1	Q2	% of FY	FY Est.
Sales	NA	9,391	36.1%	26,000
YoY	-	-		
Gross profit	NA	8,357		
YoY	-	-		
GPM	-	89.0%		
SG&A expenses	NA	6,261		
YoY	-	-		
SG&A-to-sales ratio	-	66.7%		
Operating profit	NA	2,096	83.8%	2,500
YoY	-	-		
OPM	-	22.3%		9.6%
Recurring profit	NA	2,138	85.5%	2,500
YoY	-	-		
RPM	-	22.8%		9.6%
Net income	NA	1,281	80.1%	1,600
YoY	-	-		
Net margin	-	13.6%		6.2%

Source: Shared Research based on company data

Cumulative Q2 FY12/19 (six-month period ended March 31, 2019) results

Results summary

- ▷ Reverse acquisition accounting was applied to the merger under the assumption that CCI acquired the VOYAGE GROUP. The income statement from Q2 onward will only reflect CCI results for Q1, but CCI and VOYAGE GROUP results from Q2 onward. The balance sheet of VOYAGE GROUP will be marked to market, and intangible assets and goodwill will be recognized. For this reason, YoY comparison cannot be conducted.

Reverse acquisition reflected in income statement

	Q1 (Oct–Dec 2018)	Q2 (Jan–Mar 2019)	Q3 (Apr–Jun 2019)	Q4 (Jul–Sep 2019)	Q5 (Oct–Dec 2019)
Voyage Group	Q1 results	Carta Holdings (Q2 results and onward)			
CCI					

Source: Company data

- ▷ The company reported cumulative Q2 sales of JPY9.4bn, operating profit of JPY2.1bn, recurring profit of JPY2.1bn, and net income attributable to parent company shareholders of JPY1.3bn.
- ▷ Following the merger, from Q2 onward there are three business segments: Partner Sales, Ad Platform, and Consumer.

Changes to segment classification

Company	Business description	Segment (before merger)	Segment (after merger)
CCI	Media representative services, etc.	—	Partner Sales business
	BEYOND X, PMP, etc.	—	Ad Platform business
Voyage Group	Zucks, fluct, CMerTV, etc.	Ad Platform business	Ad Platform business
	EC Navi, PeX, Research Panel	Point Media business	
	HR, FinTech, EC, etc.	Incubation business	Consumer business
	Voyage Ventures, etc.		

Source: Company data

Important considerations associated with the merger for the disclosure of Q2 FY12/19 financial results and onward
Irregular period

- ▷ The company moved the end of its accounting periods to December, making FY12/19 an irregular accounting period of 15 months.

Recognized intangible assets following merger

- ▷ Due to the purchase price allocation (PPA) associated with the merger, the company forecasts annual depreciation of about JPY650mn. It anticipates a total of JPY6.5bn in recognized intangible assets, comprising trademark rights worth JPY812mn in the Point Media segment, technology-related assets worth JPY2.5bn in the Ad Platform segment, and JPY3.2bn in goodwill.

Early adoption of Accounting Standard for Revenue Recognition

- ▷ The company had planned to apply accounting standards related to revenue recognition starting in April 2021 but will now apply them early starting from the next announcement of financial results in Q2. A portion of earnings will be recorded on a net basis.
- ▷ Although adoption of the standard will only become mandatory in several years, the company decided to adopt the standard in conjunction with the merger, making the timing of the transition easier to understand.
- ▷ Of media representative services under the Partner Sales segment and operations in the Ad platform segment, sales from intermediary businesses are recorded on a net basis. Such sales are substantial, and the company therefore expects the impact from early adoption of the new accounting standard to be significant.
- ▷ Because the point exchange platforms in the Consumer business are also an intermediary business, related sales are recorded on a net basis.

Early adoption of Accounting Standard for Revenue Recognition

Segment	Transactions	Revenue recognition standard (before change)	Revenue recognition standard (after change)
Partner Sales business	Media representative services, etc.	Gross basis	Net basis*3
	Staffing agency and outsourcing services	Gross basis	No change
Ad Platform business	All services	Gross basis (partially, net basis)	Net basis*3
Consumer business	Voyage Marketing point exchange, on-demand gift coupons, Gifpy	Gross basis	Net basis
	Services other than the above	Gross basis (partially, net basis)	No change

Source: Company data

Note: In principle recorded on a net basis, but some transactions may still be recorded on a gross basis.

Status by business segment

Cumulative (JPYmm)	FY12/19 Q2
Total sales	9,391
YoY	-
Partner Sales	5,870
YoY	-
% of total sales	62.5%
Ad Platform	1,898
YoY	-
% of total sales	20.2%
Consumer	1,626
YoY	-
% of total sales	17.3%
Adjustments	-4
Operating profit	2,096
YoY	-
Partner Sales	1,928
YoY	-
% of total segment profit	92.0%
Ad Platform	136
YoY	-
% of total segment profit	6.5%
Consumer	32
YoY	-
% of total segment profit	1.5%
Adjustments	-

Source: Shared Research based on company data

Partner Sales

- ▷ In the Partner Sales segment, the company reported cumulative Q2 sales of JPY5.9bn and segment profit of JPY1.9bn.
- ▷ In the reserved advertising business, even as the shift by media to programmatic advertising accelerates, the company worked with existing media and actively conducted sales measures targeting youth media and other emerging media.
- ▷ In the programmatic advertising business, the company established an optimal trading desk structure leveraging abundant audience data, multiple demand-side platforms (DSPs), and ad exchanges, and strengthened cooperation with solutions

vendors to actively respond to diversified advertiser needs and guarantee brand safety (protecting advertiser brands by ensuring the quality of the media placing ads).

Ad Platform

- ▷ In the Ad Platform segment, the company reported cumulative Q2 sales of JPY1.9bn and segment profit of JPY136mn.
- ▷ The fluct business felt the impact of a decrease in ad delivery by major advertisers.
- ▷ The company booked amortization expenses for goodwill (JPY2.4bn) resulting from the merger.

Consumer

- ▷ In the Consumer segment, the company reported cumulative Q2 sales of JPY1.6bn and segment profit of JPY32mn.
- ▷ In addition to operating media using points, especially EC Navi and PeX, the company actively invested to create the next earnings pillar in the long term, with human resources, e-commerce, and FinTech as focus areas.
- ▷ It booked amortization expenses for goodwill (JPY761mn) resulting from the merger.

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Contact Details

Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp