

Trend Micro FY2024 Q1 Results

Mahendra Negi CFO, Representative Director

May 8, 2024



Forward Looking Statements

Certain Statements that we make in this presentation are forward-looking statements. These forward-looking statements are based upon management's current assumptions and beliefs in light of the information currently available to it, but involve known and unknown risks and uncertainties.

Many important factors could cause our actual results to differ materially from those expressed in our forward-looking statements. These factors include:

- difficulties in addressing new virus and other computer security problems;
- timing of new product introductions and lack of market acceptance for our new products;
- the level of continuing demand for , and timing of sales of , our existing products;
- rapid technological change within the anti-virus software industry;
- changes in customer needs for anti-virus software;
- existing products and new product introductions by our competitors and the pricing of those products;
- declining prices for our products and services;
- the effect of future acquisitions on our financial condition and results of operations;
- the effect of adverse economic trends on our principal markets;
- the effect of foreign exchange fluctuations on our results of operations;
- an increase in the incidence of product returns;
- the potential lack of attractive investment targets; and
- difficulties in successfully executing our investment strategy.

We assume no obligation to update any forward-looking statements.

FY2024.Q1 Financial Highlight

(First quarter ended Mar 31, 2024)

Q1 Consolidated Results

(unaudited)
(in million Yen)

Three months ended Mar 31,	1Q2023	1Q2024	YoY growth
Net sales	58,704	65,931	+ 12%
Total Operating expenses	49,155	53,803	+ 9%
Operating income <i>(Margin)</i>	9,548 <i>(16%)</i>	12,127 <i>(18%)</i>	+ 27%
Ordinary income	8,979	13,664	+ 52%
Net income attributable to owners of the parent	6,374	10,754	+ 69%

Pre-GAAP	57,970	65,456	+ 13%
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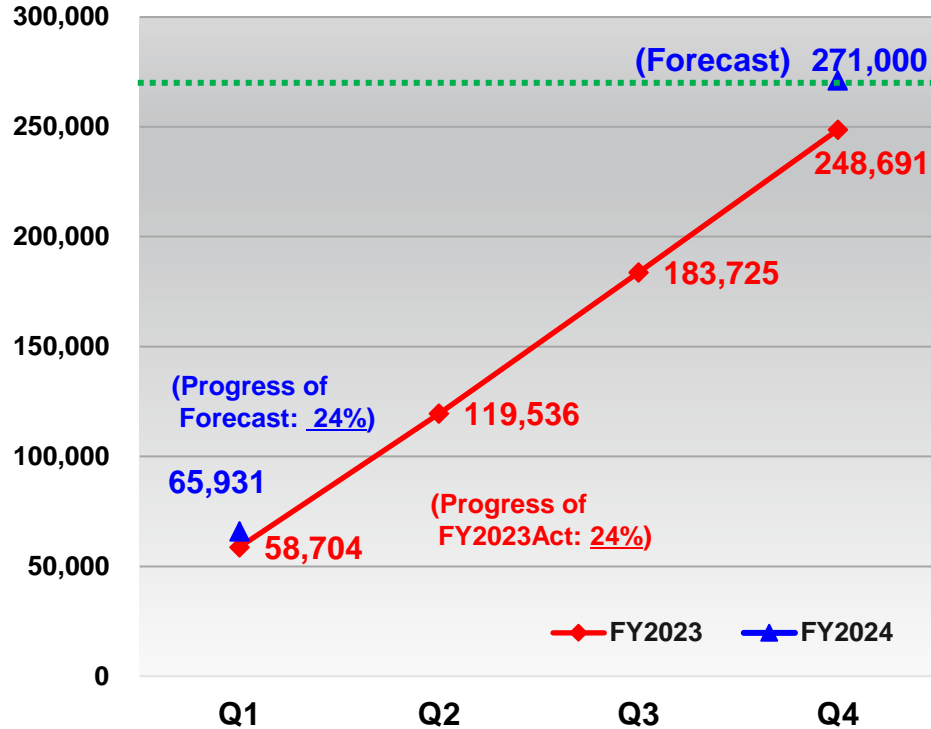
Pre-GAAP based Operating Income	8,815	11,652	+ 32%
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(Non-GAAP)

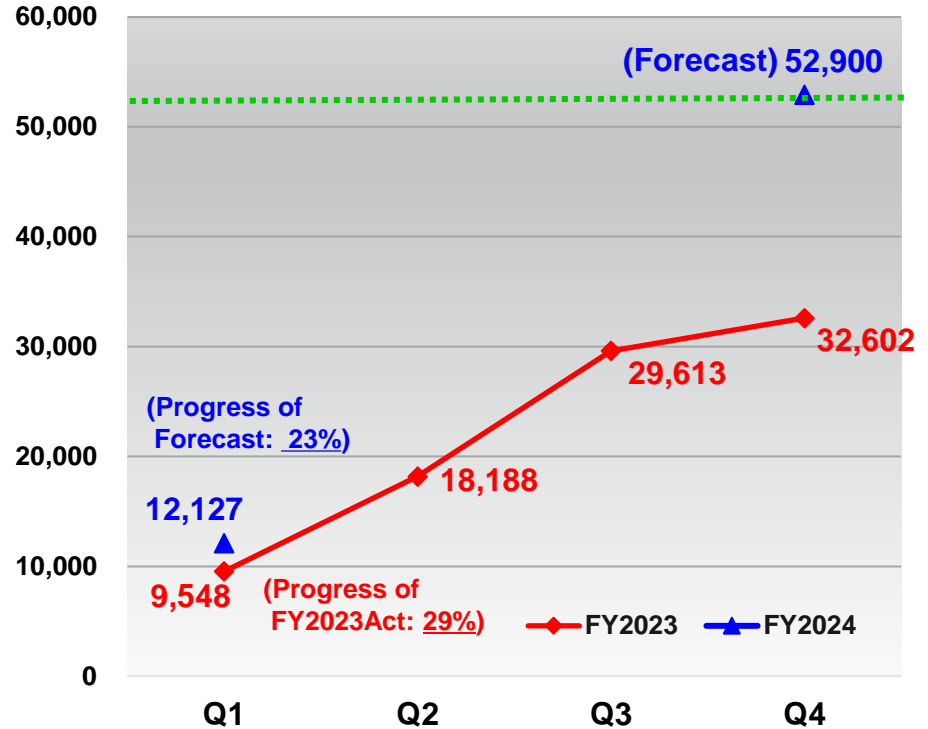
Progress (3 months)

(in million Yen)

Revenue



Operating Income

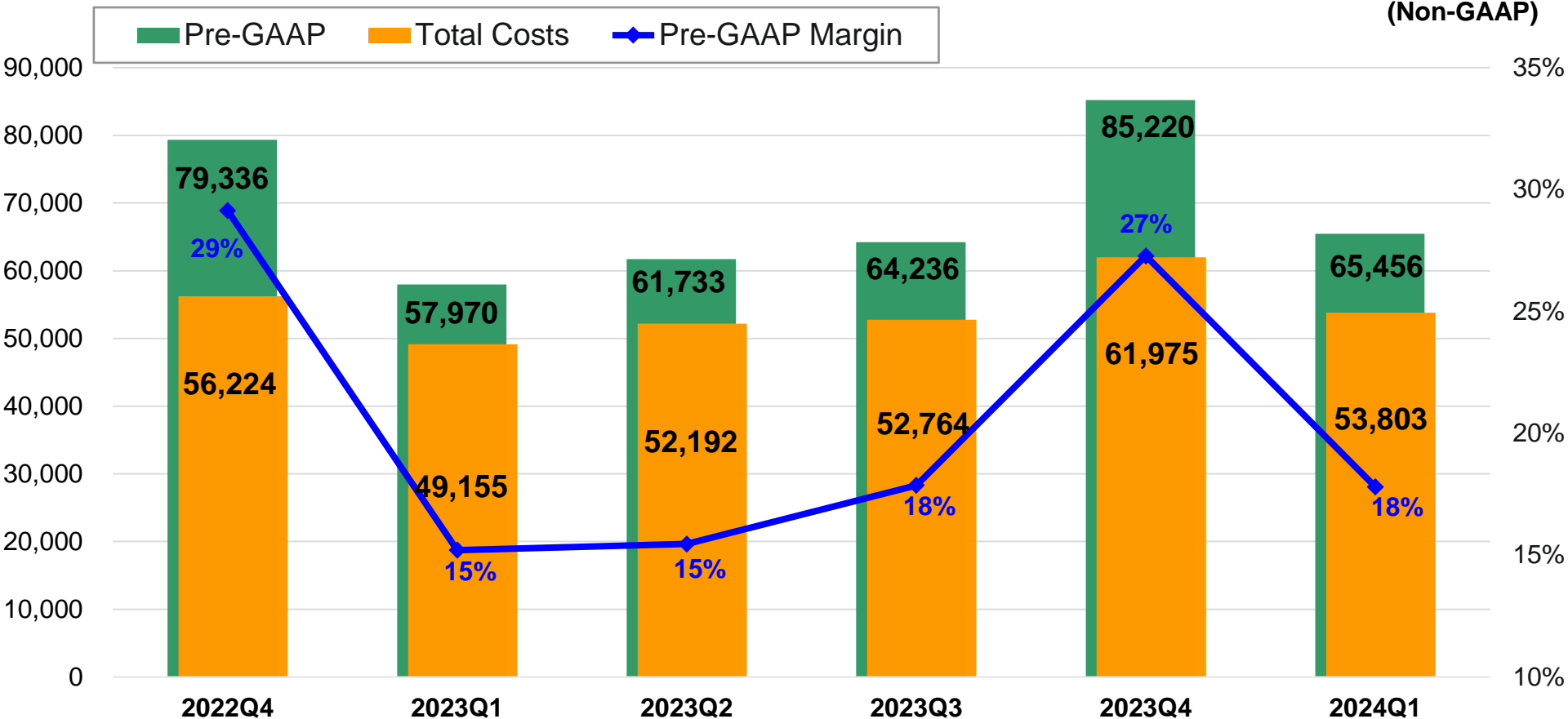


Pre-GAAP v s Total Costs

(unaudited)

(Non-GAAP)

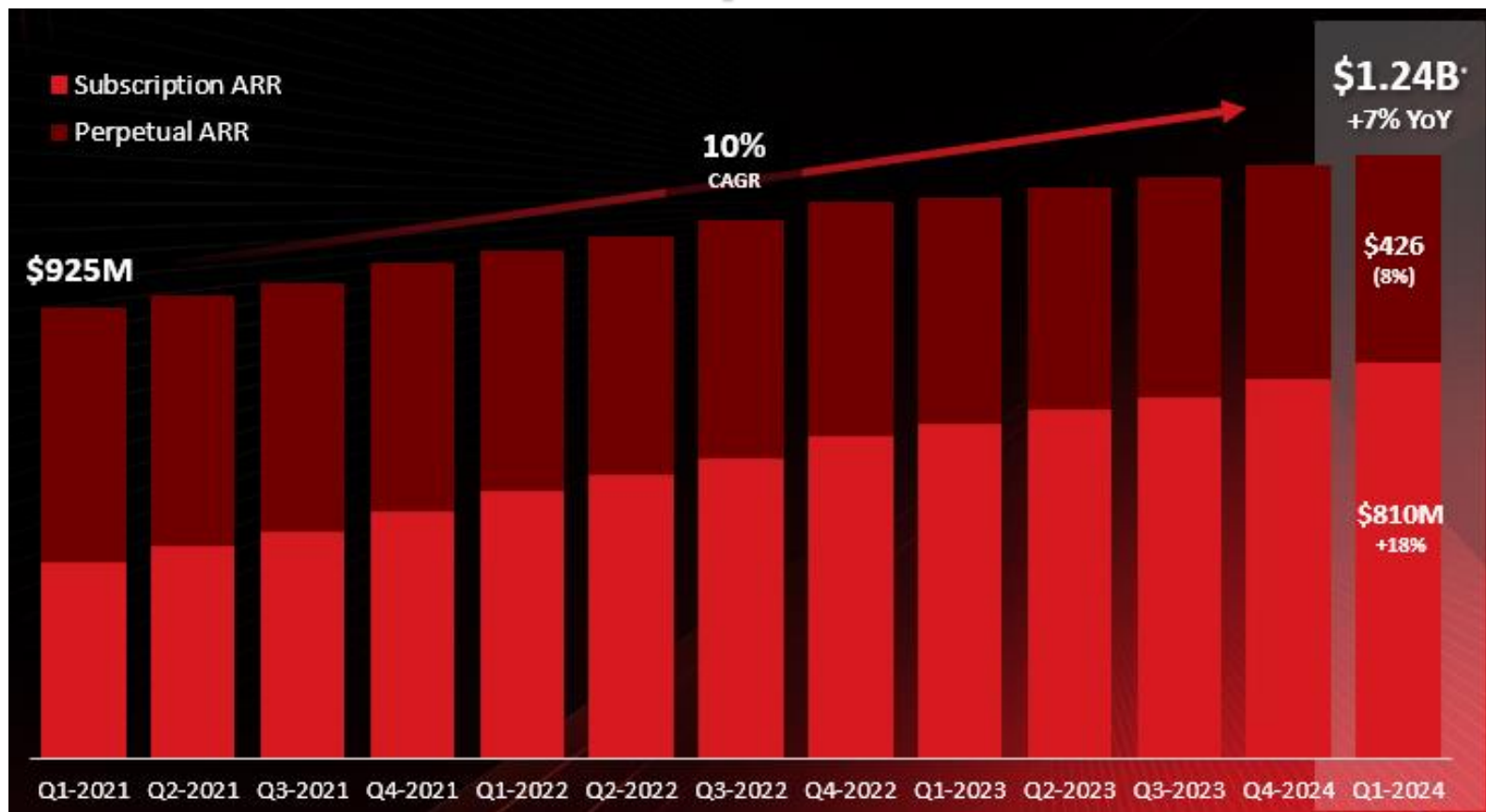
(in million Yen)



* "Total costs" means COGS + SGA.

Enterprise ARR

(Non-GAAP)
(unaudited)



*ARR at constant currency: (e.g. 1USD= 147.74 yen as the company internal budget exchange rate for FY2024). Non-GAAP and reference for internal management.

Cash flows

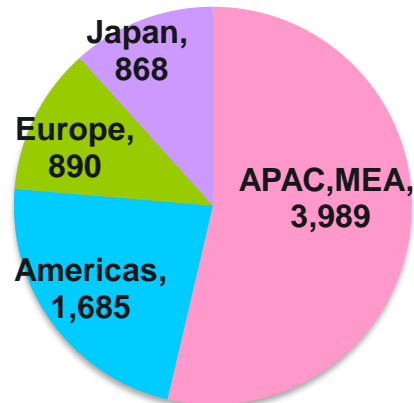
(unaudited)
(in million Yen)

	1Q2023	1Q2024	YoY growth
Cash flows from operating activities	19,840	16,304	- 16%
Cash flows from investing activities	- 570	- 5,374	—
Cash flows from financing activities	- 28,586	- 106,892	—
Effect of exchange rate changes on cash and cash equivalents	367	3,818	+ 938%
Net increase (decrease) in cash and cash equivalents	- 9,308	- 92,143	—
Cash and cash equivalents at beginning of this quarter period	207,643	261,265	+ 26%
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	—	—
Cash and cash equivalents at end of this quarter period	198,334	169,122	- 15%

Headcount

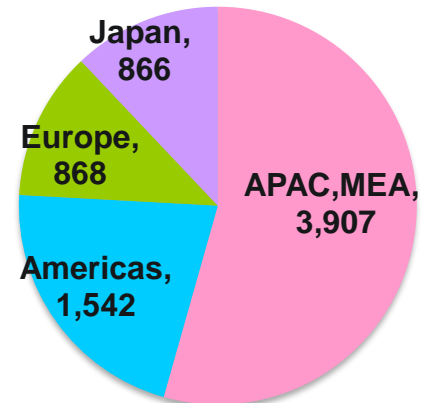
Dec - 2023

7,432



Mar - 2024

7,183



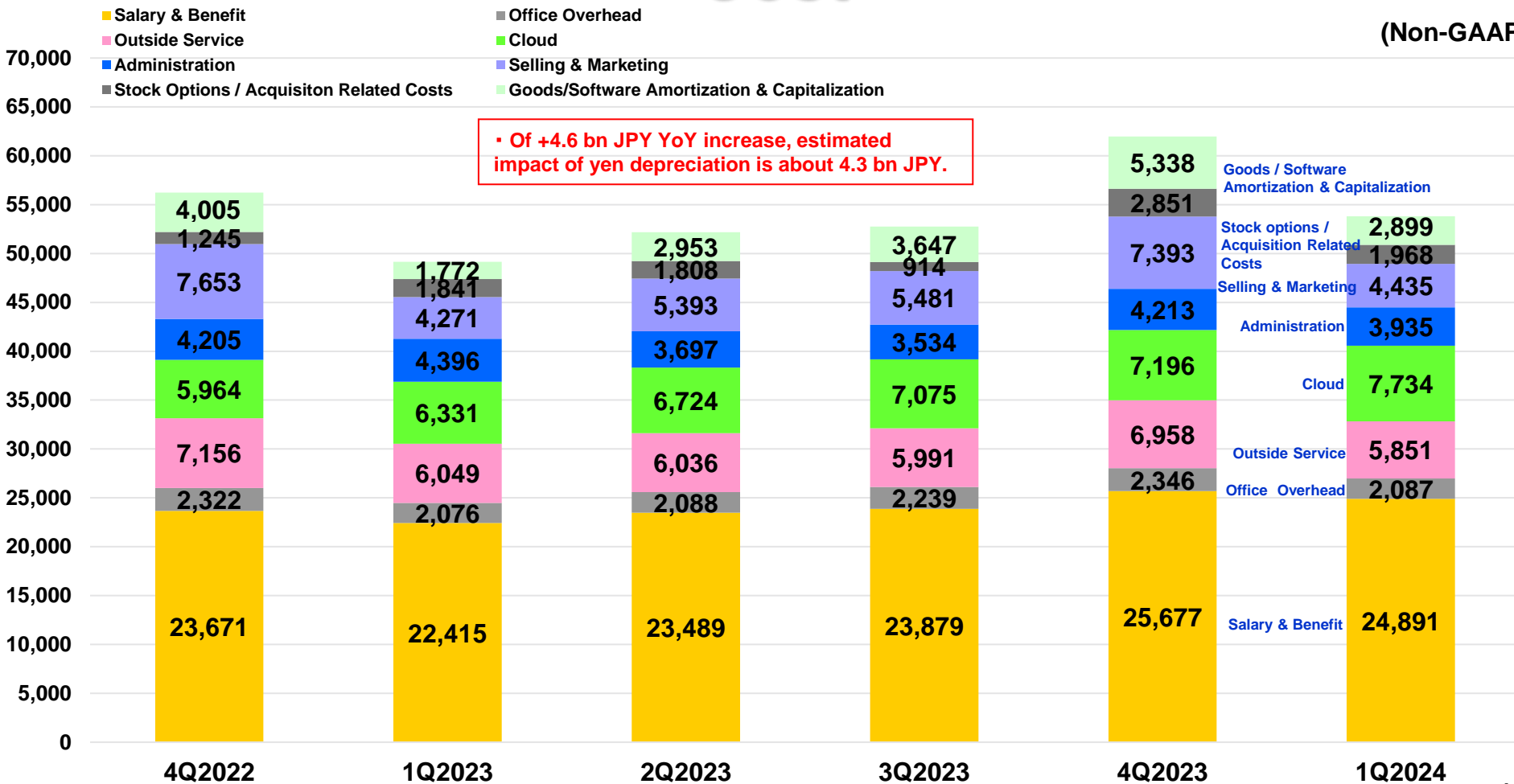
**- 249
(- 3%)**

(in million Yen)

Cost

(unaudited)

(Non-GAAP)



Q1 Highlights

- ***Highest ever net revenues and ordinary income***
- ***Double digit growth of US enterprise business***
- ***Operating margin improvement***

FY2024 Guidance

Projection for FY2024 Annual **(Unchanged)**

(unaudited)
(in million Yen)

	<u>For FY2024</u> <u>Jan - Dec, 2024</u>	<u>Expected</u> <u>YoY growth</u>
Net Sales	271,000	<u>+ 9%</u>
Operating Income	52,900	<u>+ 62%</u>
Ordinary Income	50,100	<u>+ 38%</u>
Net Income attributable to owners of the parent	34,600	<u>+ 222%</u>

(Estimated annual exchange rate 1USD=147 yen, 1EUR=157 yen)

“Reference” actual exchange rate up to Q1: 1USD=149 yen, 1EUR=161 yen

In case of excluding a foreign exchange impact (a rule of thumb)

Net Sales

+ 6%

(Non-GAAP)

Appendix for FY2024.Q1

Q1 USD based Results (Non-GAAP)

(unaudited)

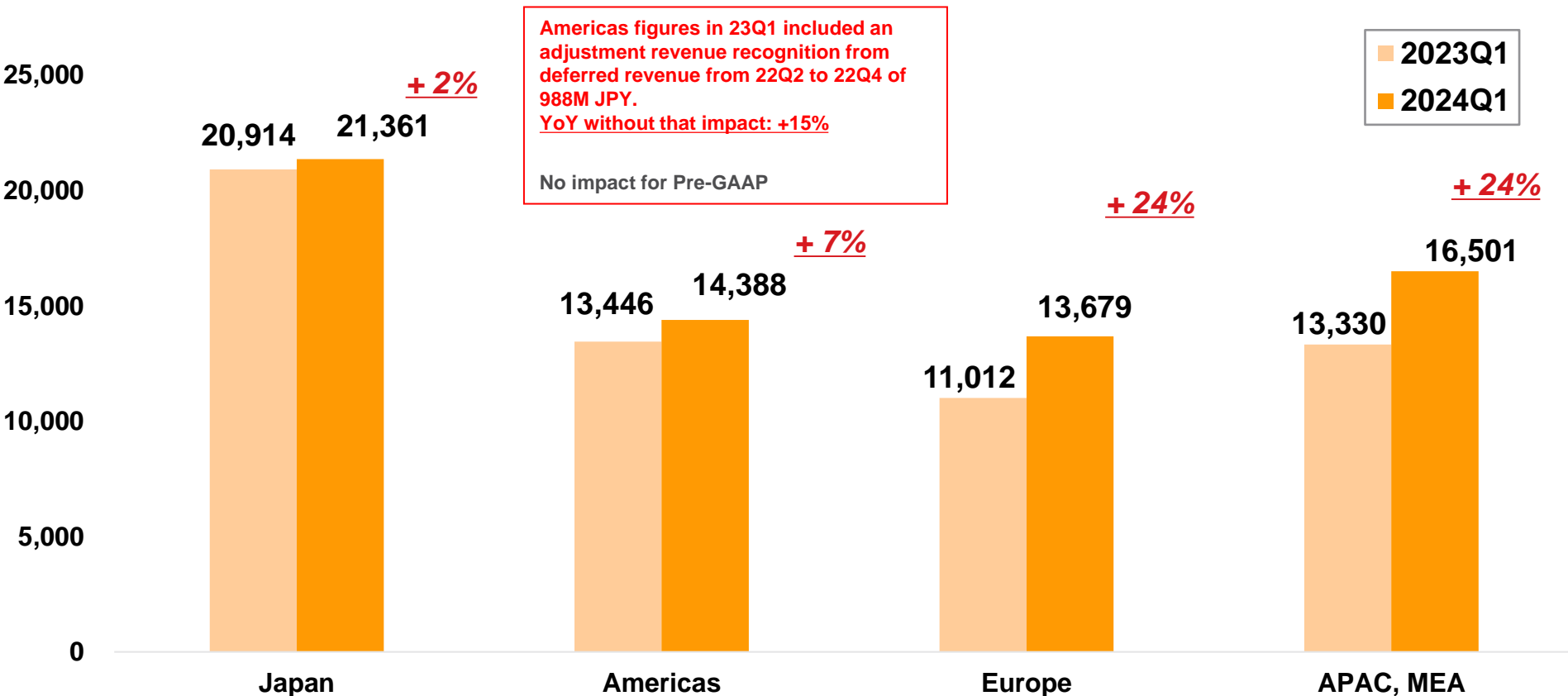
<i>Three months ended Mar 31,</i>	<i>1Q2023</i>	<i>1Q2024</i>	<i>(in thousand USD) YoY change</i>
Net sales	443,384	443,742	+ 0%
Cost of sales	108,730	107,790	- 1%
Operating expenses	262,535	254,329	- 3%
Operating income	72,119	81,622	+ 13%
Ordinary income	67,817	91,964	+ 36%
Net Income	48,146	72,379	+ 50%
<small>attributable to owners of the parent</small>			(Non-GAAP)

For each of the quarters shown in the table above, JPY Japan GAAP amounts have been converted to USD amounts using the exchange rates of USD=132.40 JPY for 1Q2023 and 1 USD =148.58 JPY for 1Q2024, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.

(in million Yen)

Net Sales Growth by Region

(unaudited)

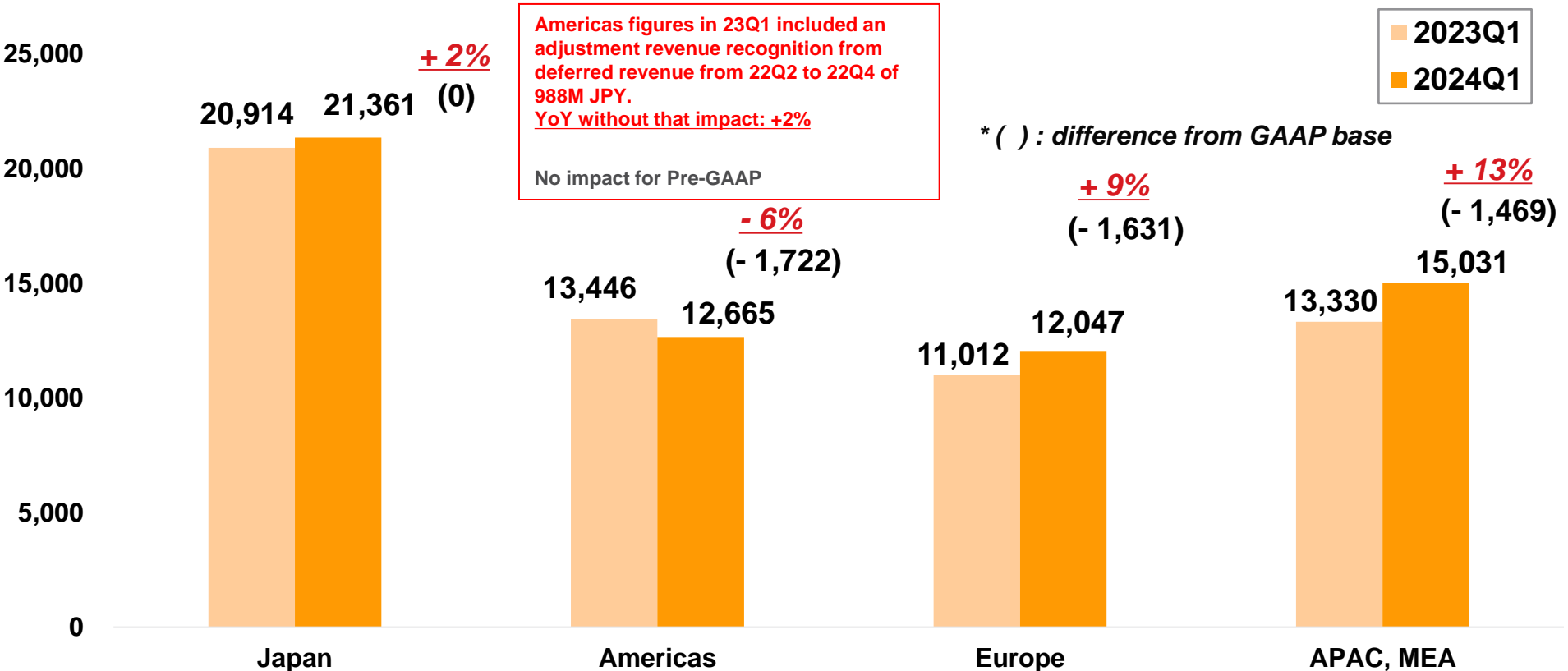


Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 1Q2023 were used for 1Q2024:

(unaudited)



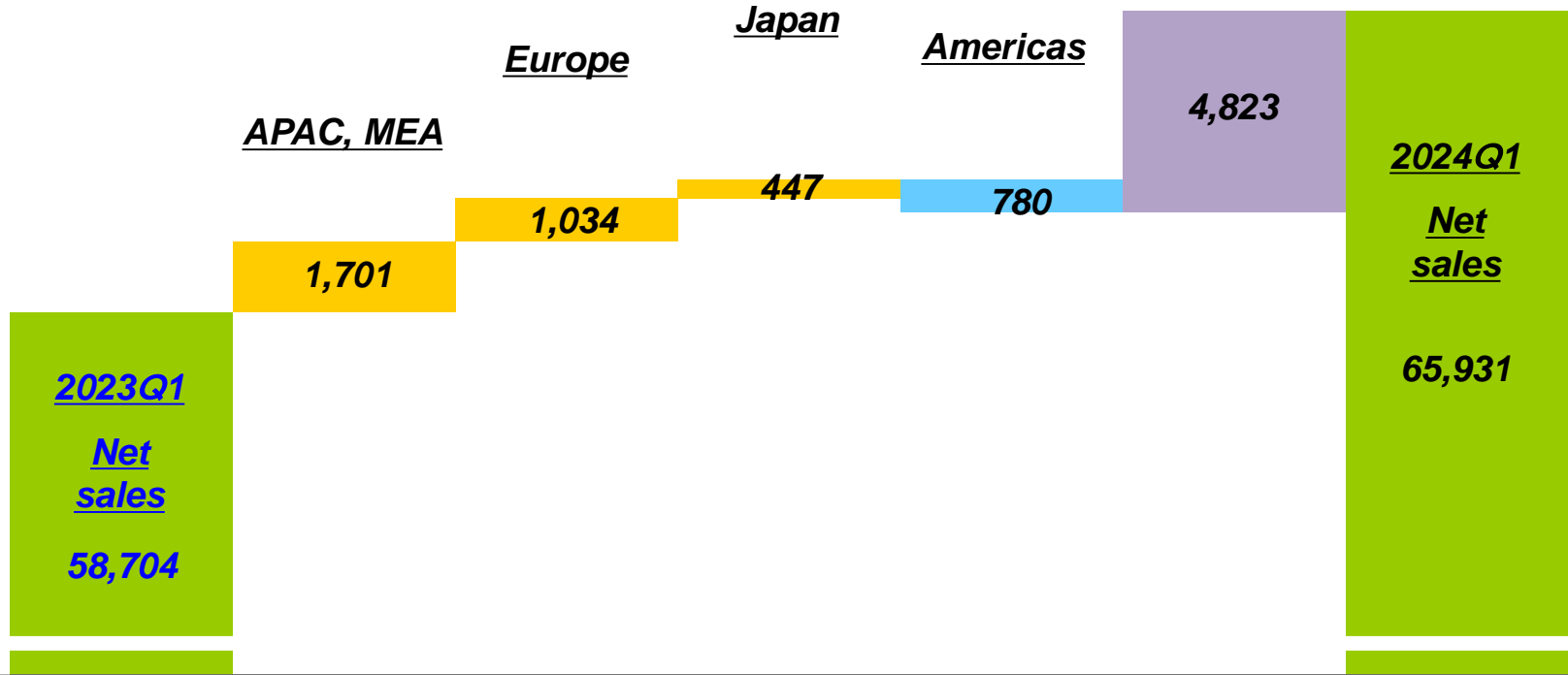
(Non-GAAP)

Decomposition of Revenue (vs. last year)

(in million Yen)

(unaudited)

Exchange impact

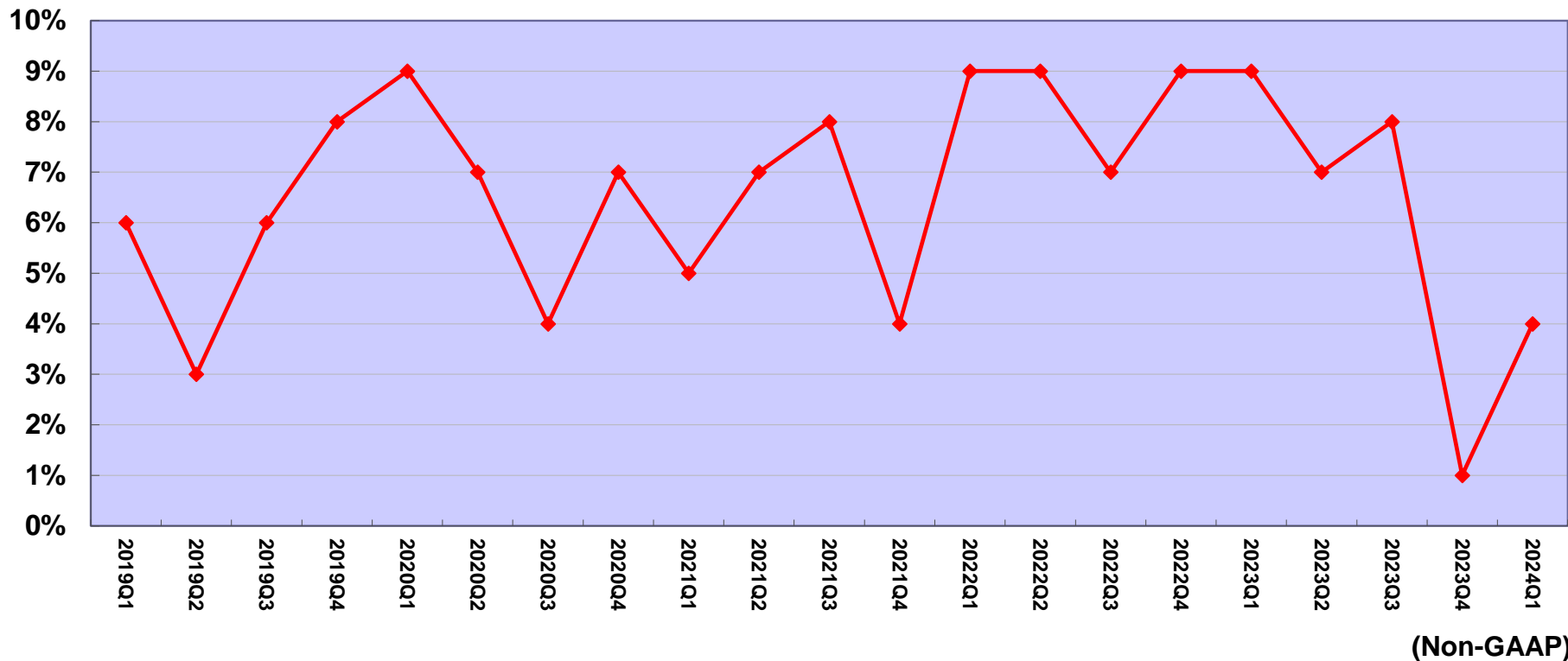


(Non-GAAP)

Constant currency Revenue growth

(YoY)

(unaudited)



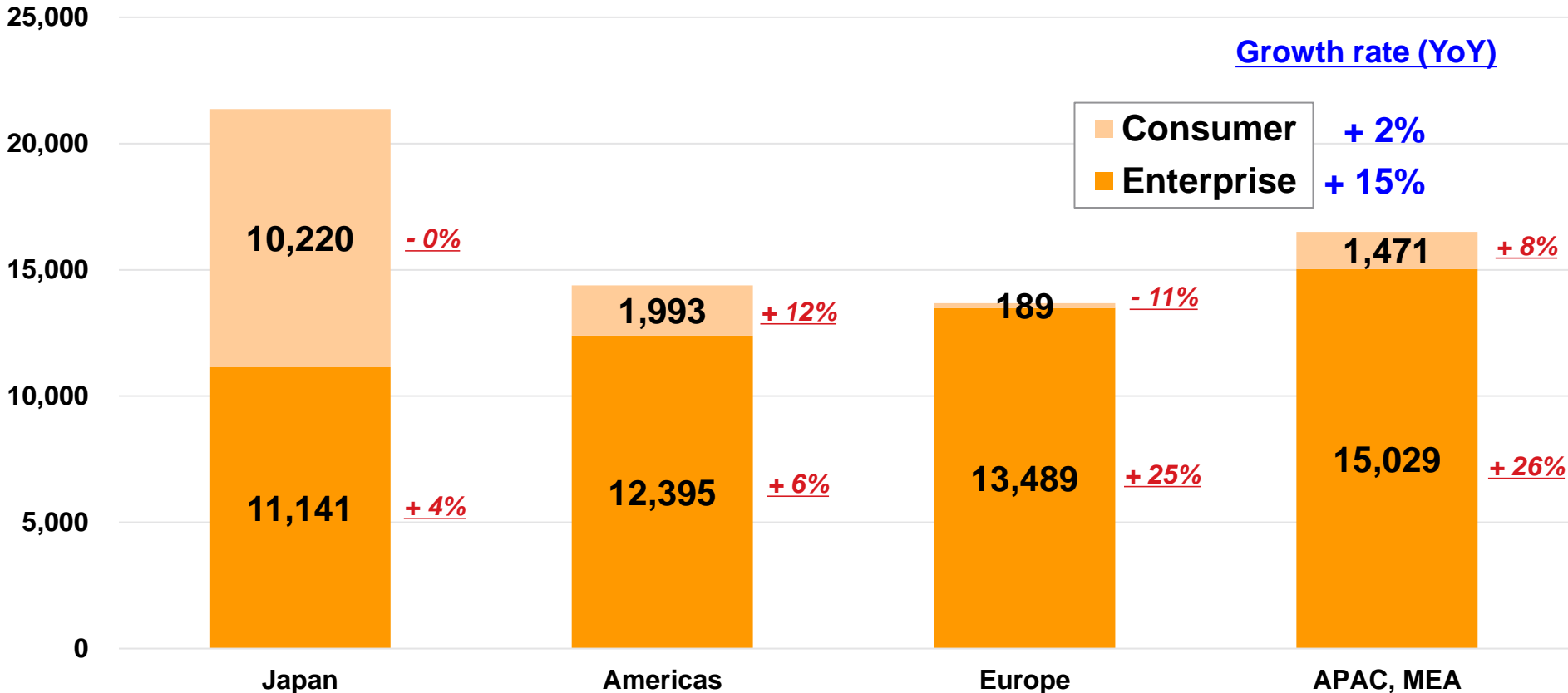
(Non-GAAP)

• Each growth rate shown above is based on applying to each quarter the same currency rate as the previous year for the same period

Sales by Segment

(in million Yen)

(unaudited)



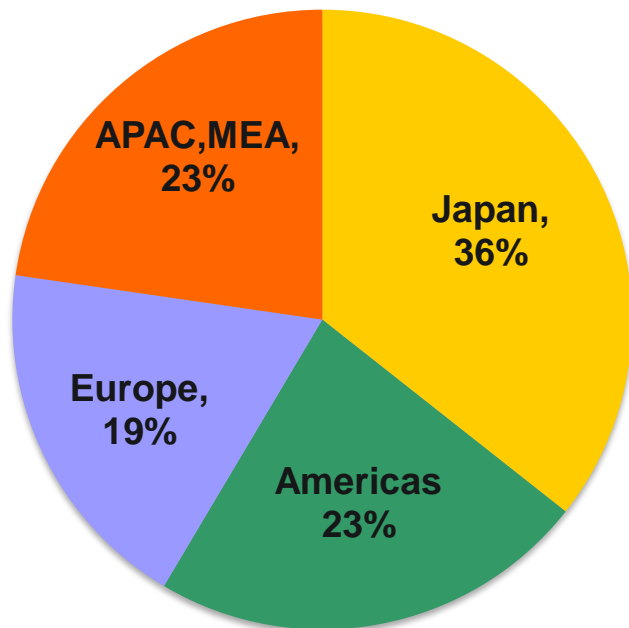
“Notice” As Sales by Segment numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

% share by region

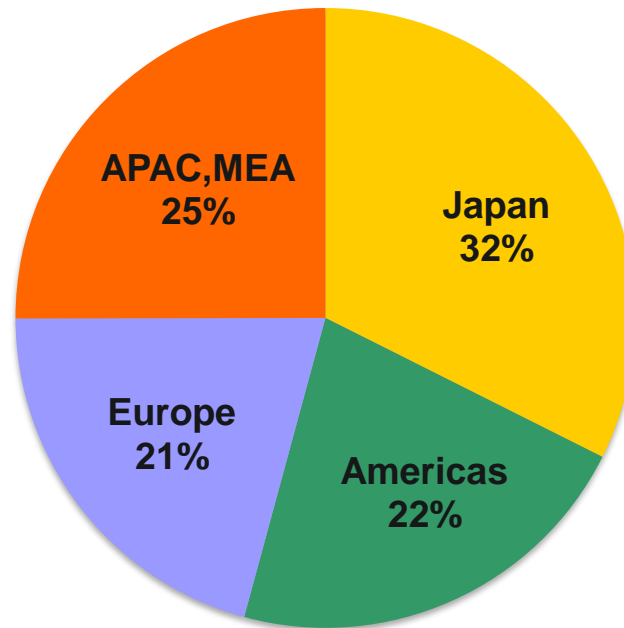
1Q2023

58,704 million Yen



1Q2024

65,931 million Yen

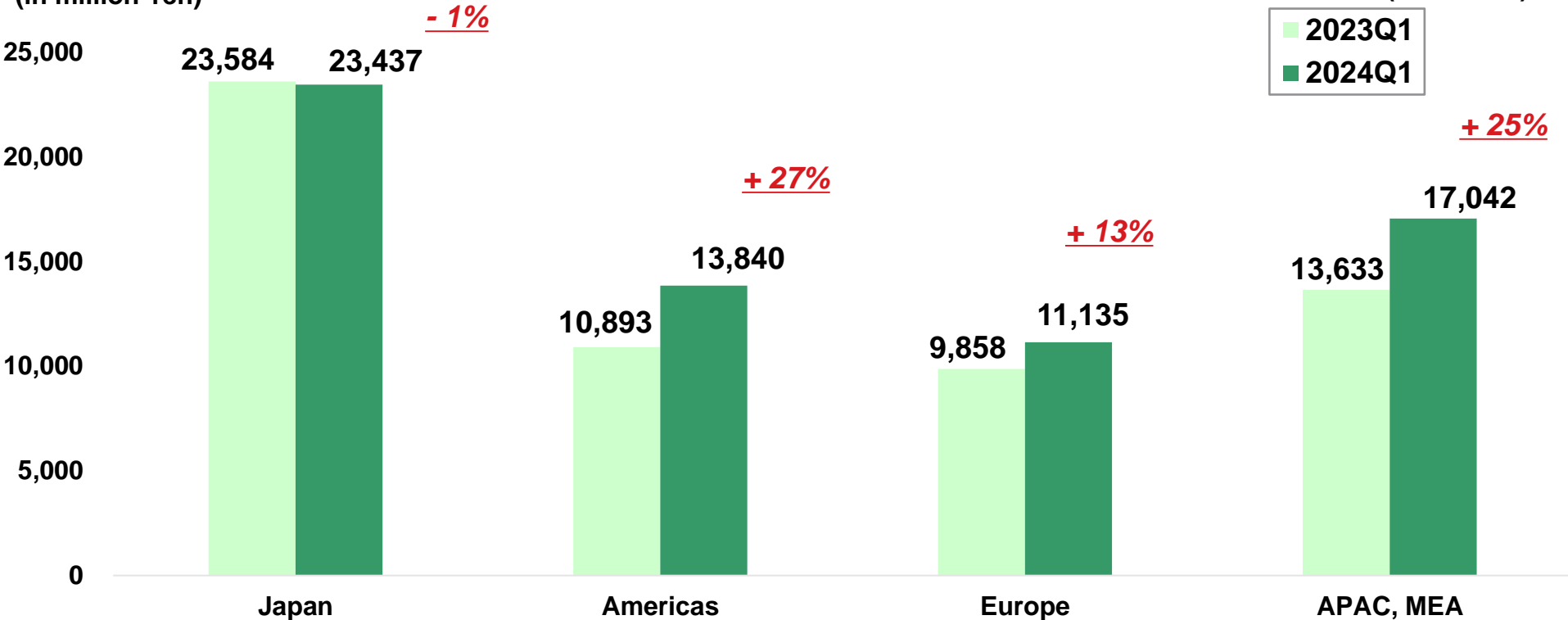


“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

(unaudited)



“Notice”

**Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.
As these numbers are just for internal use, they may be subject to some changes hereafter.**

(Non-GAAP)

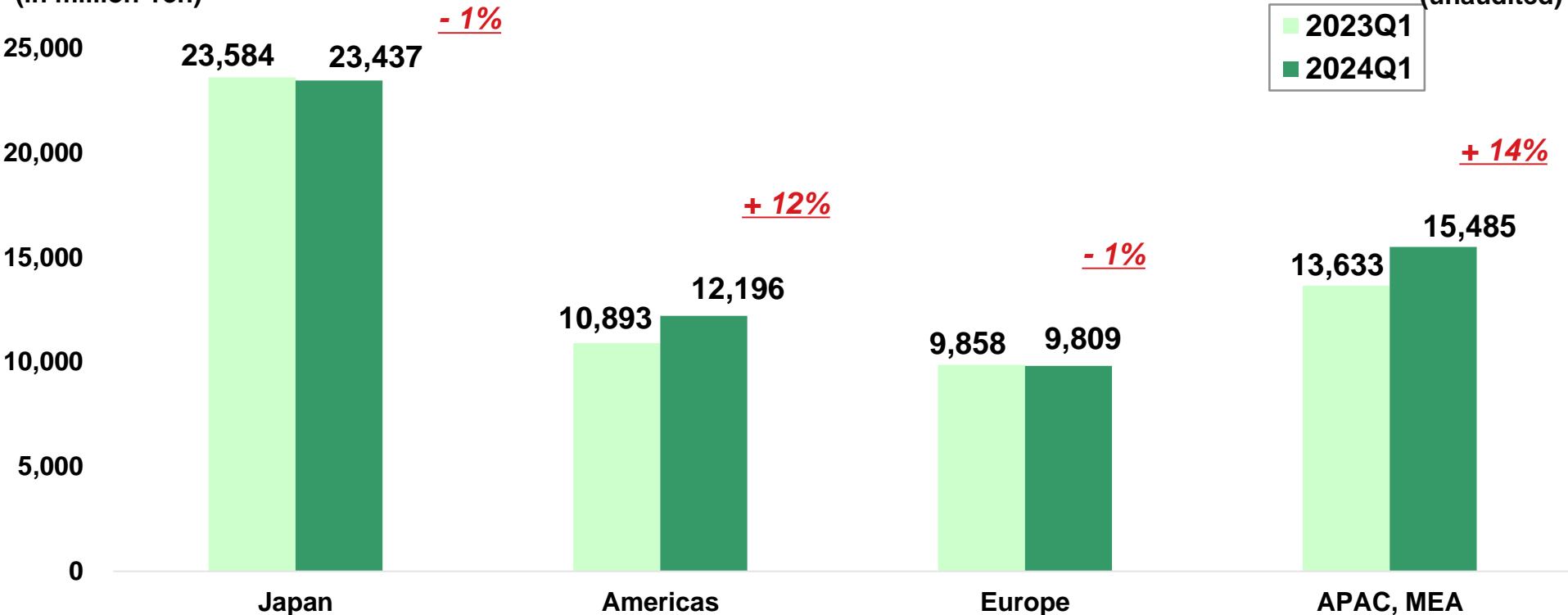
“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 1Q2023 were used for 1Q2024:

(in million Yen)

(unaudited)



“Notice”

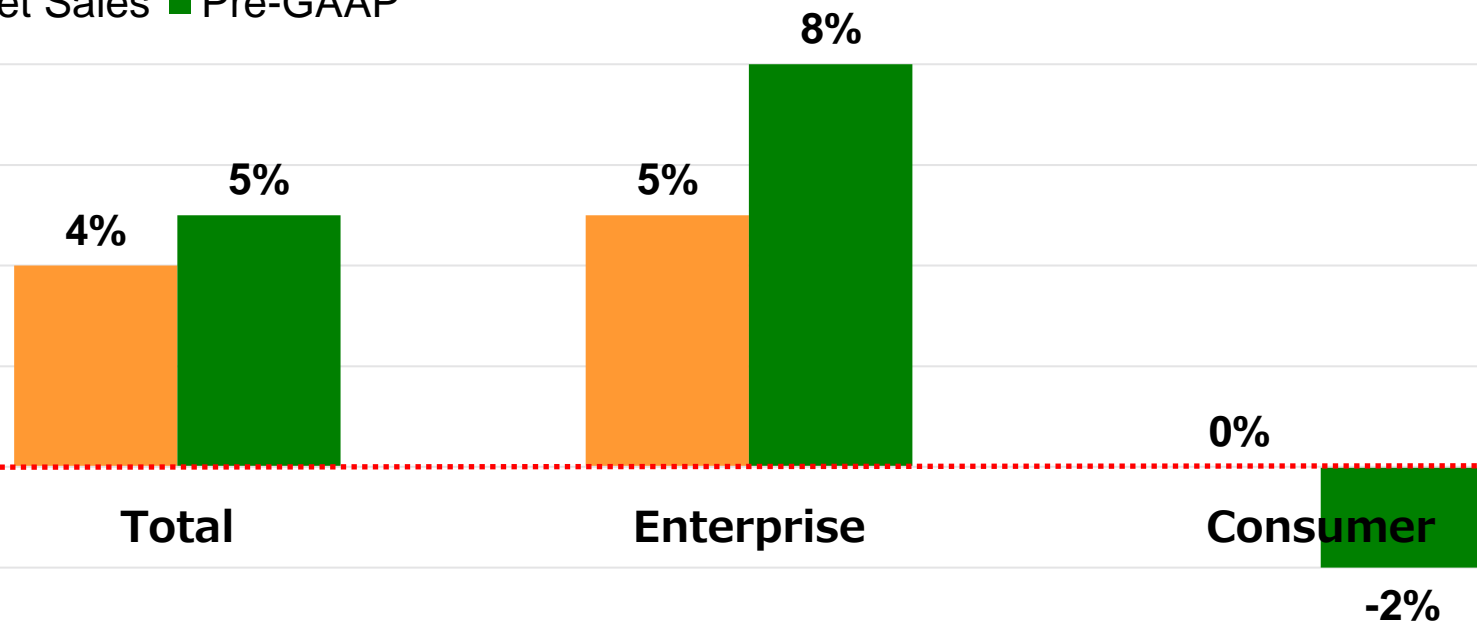
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.
As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

Net sales & Pre-GAAP growth trend (on a constant currency basis)

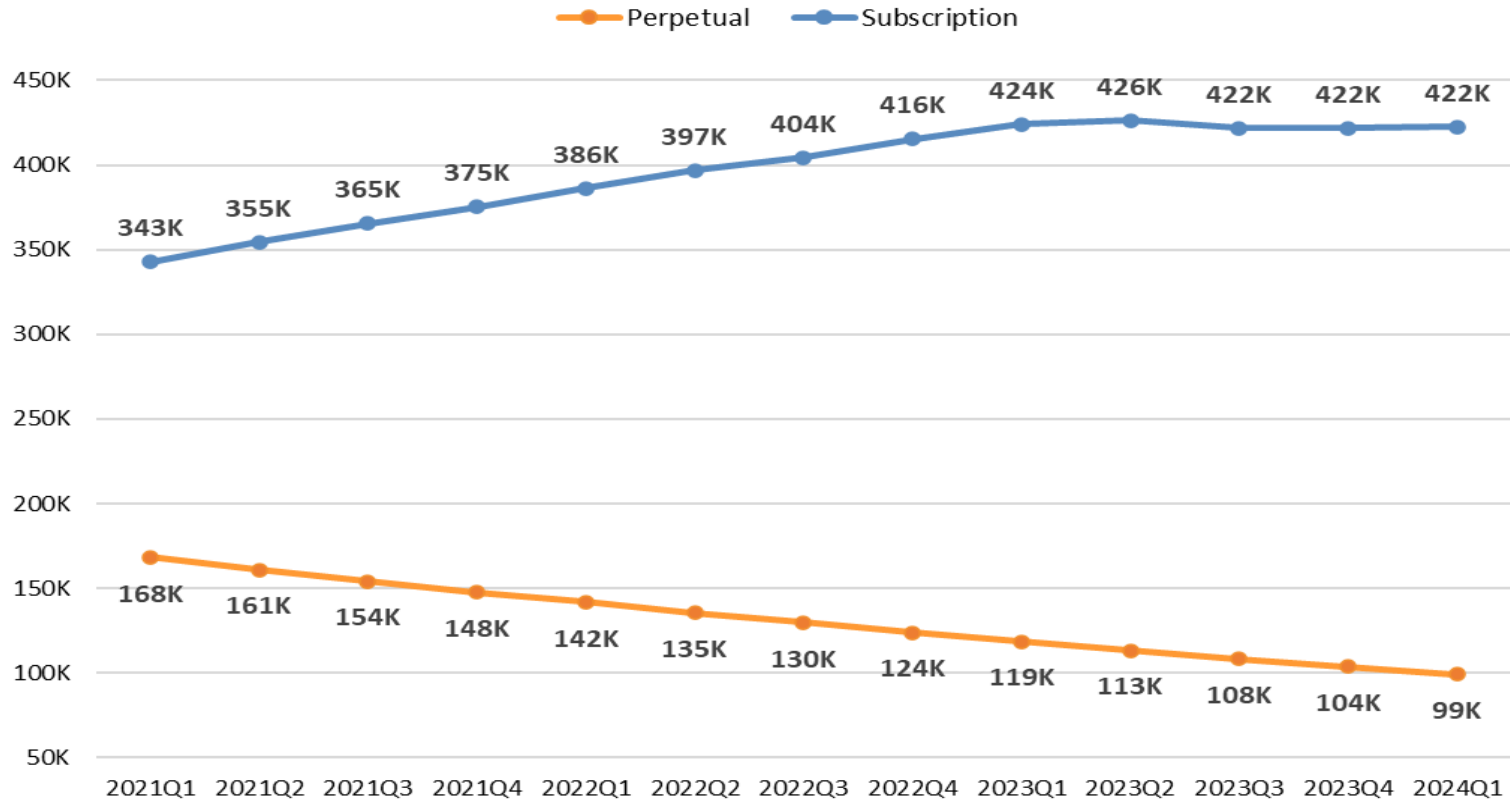
(unaudited)

Net Sales Pre-GAAP



(Non-GAAP)

Active Customer Count

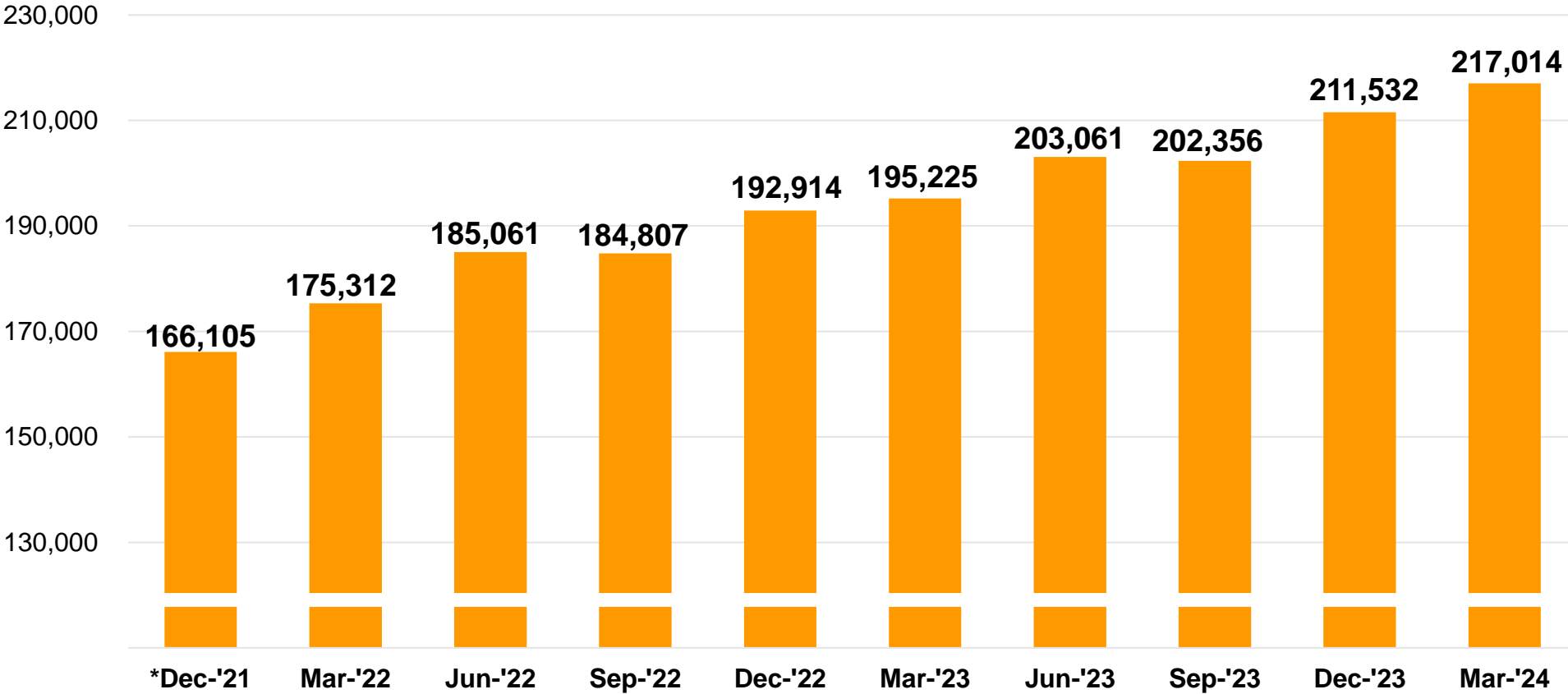


****Active customers using both perpetual and subscriptions products will be counted in both customer counts
*As these numbers are just for internal use, they may be subject to some changes hereafter.***

Deferred Revenue

(unaudited)

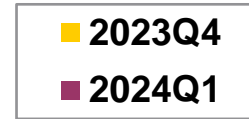
(in million Yen)



Deferred Revenue by Region

(in million Yen)

(unaudited)



+ 4%

+ 3%

+ 1%

+ 1%

64,731

66,813

32,332

32,604

49,898

50,307

64,569

67,289

Japan

Americas

Europe

APAC, MEA

(Non-GAAP)

Deferred Revenue by Region

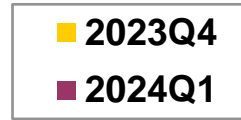
(unaudited)

If currency exchange rates used as of the end of 4Q2023 were used as of the end of 1Q2024:

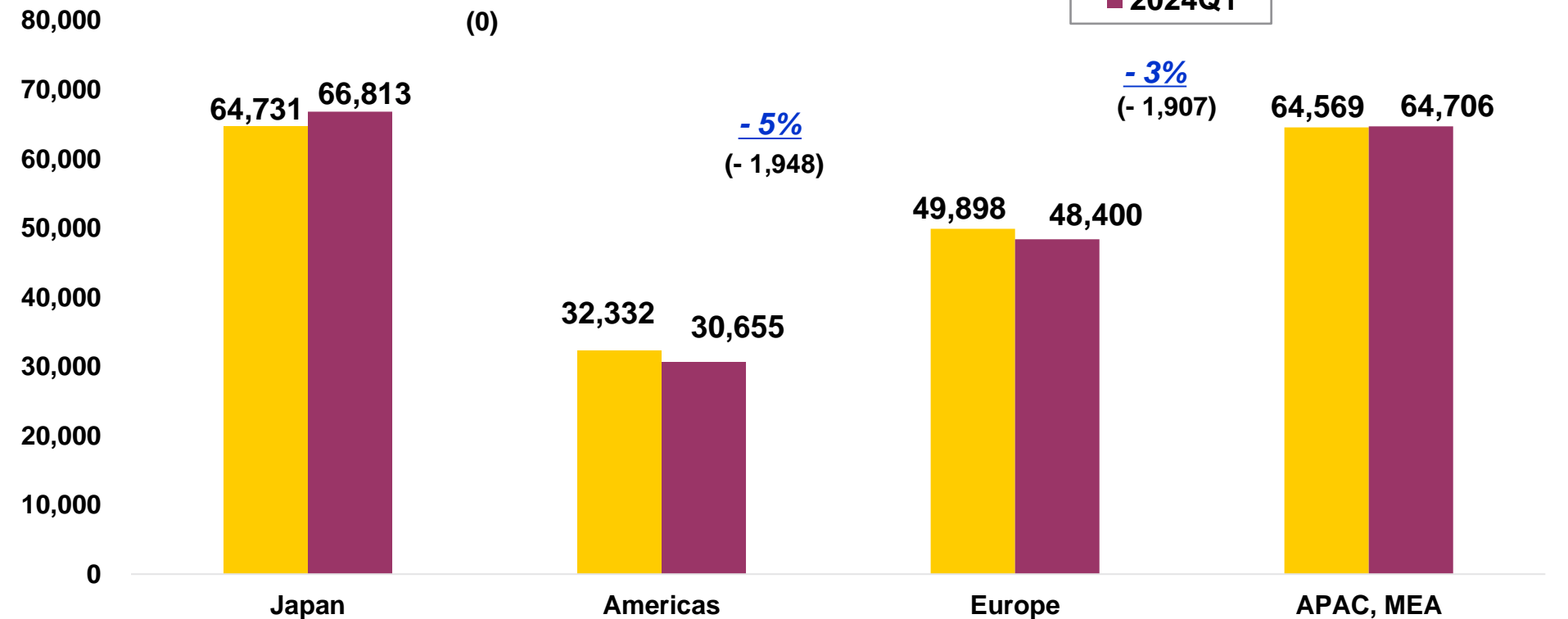
(in million Yen)

+ 3%
(0)

* () : difference from GAAP base



+ 0%
(- 2,583)

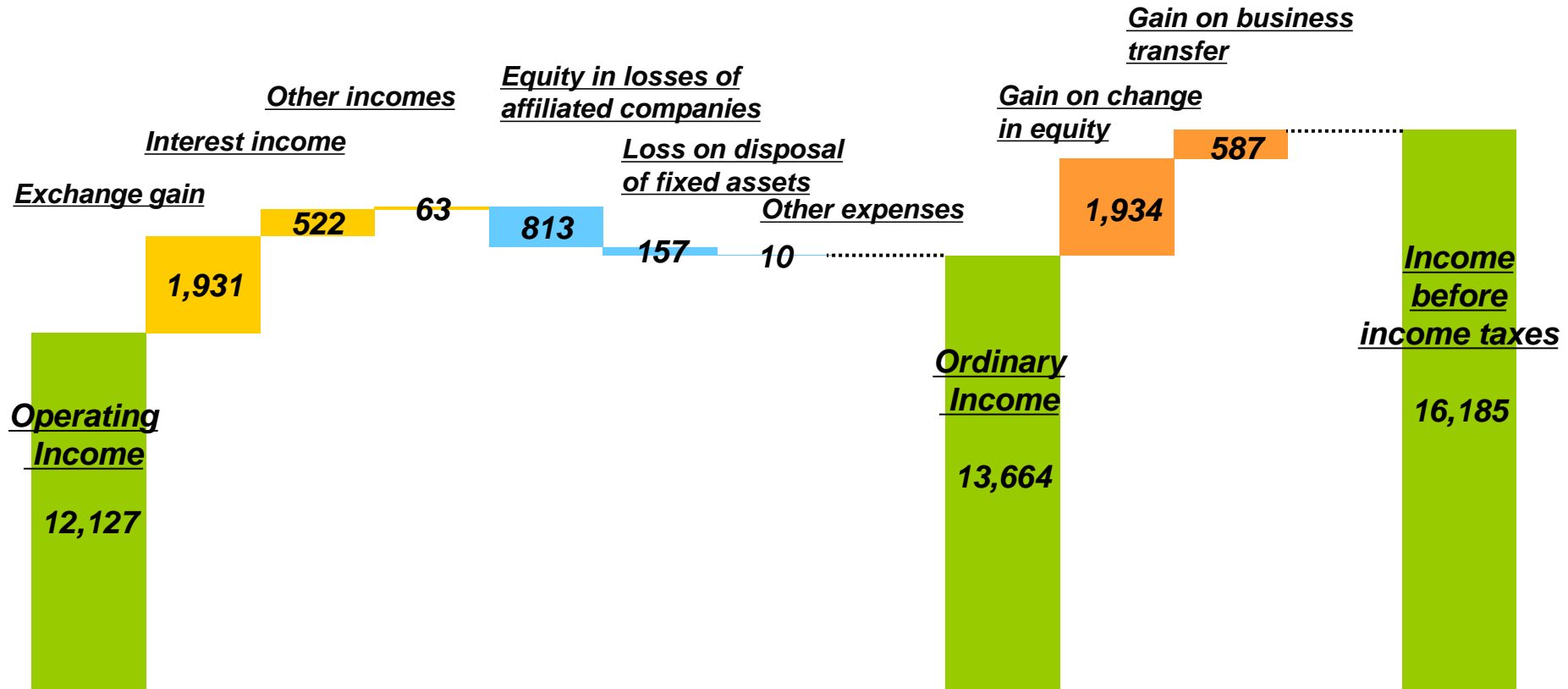


(Non-GAAP)

Non-operating & Extra-ordinary Items

(in million Yen)

(unaudited)



Balance Sheet

(unaudited)

(in million Yen)

	<i>Dec-2023</i>	<i>change</i>	<i>Mar-2024</i>
<u>Assets</u>			
<i>Cash & cash equivalents</i>	247,856	- 93,653	154,203
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	68,924	- 9,672	59,252
<i>Marketable securities & Securities investments</i>	68,079	+ 1,048	69,127
<i>Software</i>	16,101	+ 1,920	18,021
<u>Liabilities</u>			
<i>Deferred revenue</i>	211,532	+ 5,482	217,014
<u>Shareholders' Equity</u>			
<i>Common Stock & Additional paid in capital</i>	48,094	+ 53	48,147
<i>Retained earnings</i>	156,299	- 89,363	66,936
<i>Treasury Stock</i>	- 33,836	- 11,234	- 45,070



Thank You

Appendix

Quarterly Chart (1)

(unaudited)

(in million Yen)

	FY2023				FY2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	58,704	60,831	64,189	64,965	65,931			
Cost of sales	14,395	15,107	15,931	18,226	16,015			
Operating expenses	34,759	37,084	36,832	43,749	37,788			
Operating income	9,548	8,639	11,424	2,989	12,127			
Ordinary income	8,979	9,470	13,486	4,245	13,664			
Net income attributable to owners of the parent	6,374	5,482	950	-2,074	10,754			
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	1,772	2,953	3,647	5,338	2,899			
Stock option cost	1,136	775	-127	1,814	946			
Acquisition related costs	704	1,033	1,041	1,037	1,022			
Selling & Marketing	4,271	5,393	5,481	7,393	4,435			
Administration	4,396	3,697	3,534	4,213	3,935			
Cloud	6,331	6,724	7,075	7,196	7,734			
Outside service	6,049	6,036	5,991	6,958	5,851			
Office overhead	2,076	2,088	2,239	2,346	2,087			
Salary & Benefit	22,415	23,489	23,879	25,677	24,891			
Total	49,155	52,192	52,764	61,975	53,803			
The number of employees	7,624	7,582	7,540	7,432	7,183			
Applied rate to yen (US\$)	132.40	137.61	144.80	147.84	148.58			
Applied rate to yen (Euro)	142.06	149.56	157.30	159.02	161.29			

Appendix

Quarterly Chart (2)

(unaudited)

(in million Yen)

(Sales by region)	FY2023				FY2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	20,914	20,689	20,551	20,846	21,361			
Americas	13,446	14,065	15,389	14,742	14,388			
Europe	11,012	12,440	13,359	13,831	13,679			
APAC, Middle East and Africa	13,330	13,637	14,888	15,544	16,501			
Total	58,704	60,831	64,189	64,965	65,931			
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	45,120	47,218	50,563	50,853	52,056			
Consumer	13,583	13,613	13,625	14,111	13,875			
Total	58,704	60,831	64,189	64,965	65,931			
(Pre-GAAP by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	23,584	20,163	20,421	20,703	23,437			
Americas	10,893	13,288	14,159	17,044	13,840			
Europe	9,858	13,044	12,753	25,684	11,135			
APAC, Middle East and Africa	13,633	15,236	16,902	21,788	17,042			
Total	57,970	61,733	64,236	85,220	65,456			

“Notice”

**Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.
As these numbers are just for internal use, they may be subject to some changes hereafter.**