

# Trend Micro FY2024 Q3 Results

Mahendra Negi CFO, Representative Director

November 12, 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.Q3 Financial Highlight***

***(Third quarter ended Sep 30, 2024)***

# Q3 Consolidated Results

(unaudited)  
(in million Yen)

<i>Three months ended Sep 30,</i>	<b>3Q2023</b>	<b>3Q2024</b>	<b>YoY growth</b>
<b>Net sales</b>	<b>64,189</b>	<b>68,124</b>	<b>+ 6%</b>
<b>Total Operating expenses</b>	<b>52,764</b>	<b>53,322</b>	<b>+ 1%</b>
<b>Operating income</b> <i>(Margin)</i>	<b>11,424</b> <i>(18%)</i>	<b>14,801</b> <i>(22%)</i>	<b>+ 30%</b>
<b>Ordinary income</b>	<b>13,486</b>	<b>11,959</b>	<b>- 11%</b>
<b>Net income</b> attributable to owners of the parent	<b>950</b>	<b>8,523</b>	<b>+ 797%</b>

<b>Pre-GAAP</b>	<b>64,236</b>	<b>65,108</b>	<b>+ 1%</b>
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<b>Pre-GAAP based Operating Income</b>	<b>11,471</b>	<b>11,786</b>	<b>+ 3%</b>
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(Non-GAAP)

## **(Reference) Comparison of Operating income after adjusting for stock option related costs due to higher stock price**

*Due to the significant rise in our stock price from July to September in 2024 (from 6,531 yen at the end of 24Q2 to 8,486 yen at the end of 24Q3, Up 1,955 yen), stock option related costs in 24Q3 increased significantly.*

*The following is a reference comparison excluding the cost increase due to the stock price rise.*

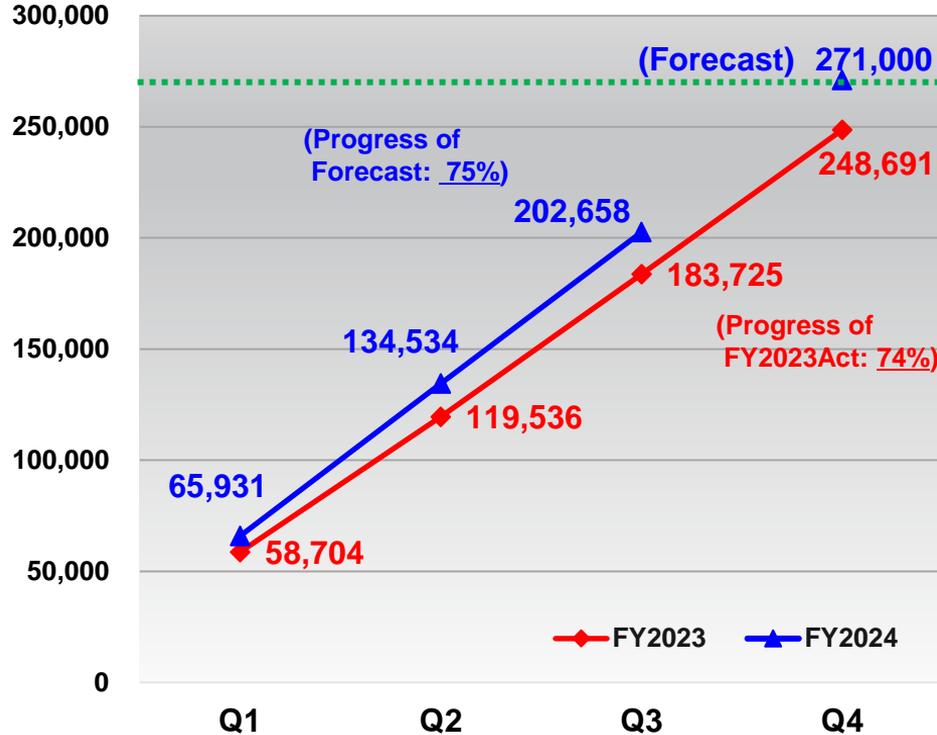
(in million Yen)

	<b>3Q2023</b>	<b>3Q2024</b>	<b>YoY</b>
<b>Reported Operating income</b>	<b>11,424</b>	<b>14,801</b>	<b>+ 30%</b>
<b>Estimated increase in stock option costs due to higher stock price in July-September</b>		<b>+ 1,402</b>	
<b>Operating income excluding impact of stock price rise</b>	<b>11,424</b>	<b>16,203</b>	<b>+ 42%</b>

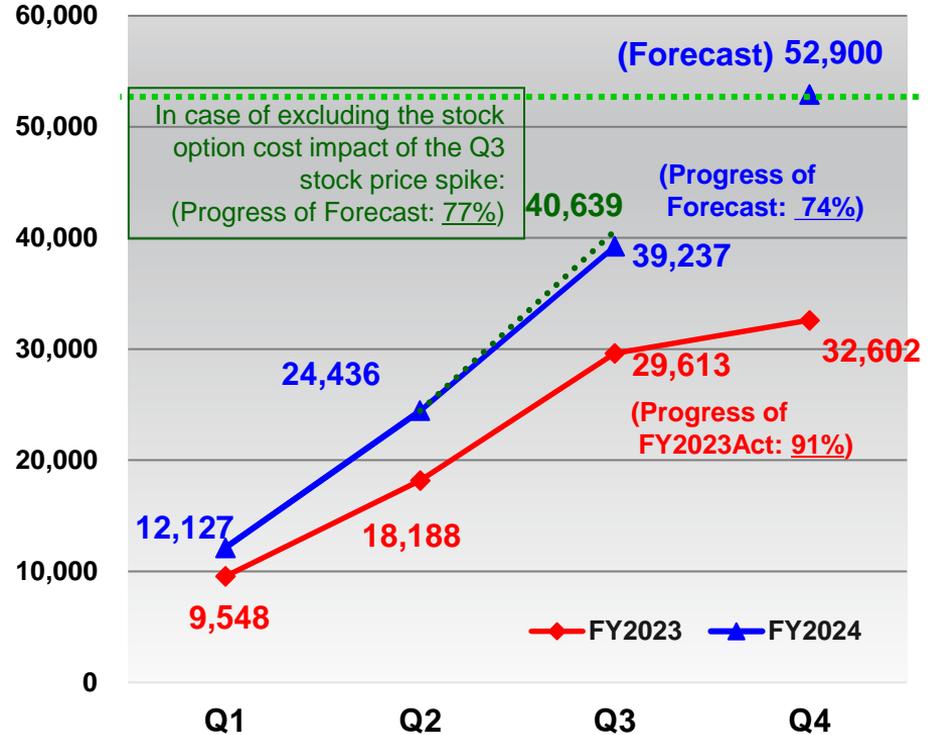
# Progress (9 months)

(in million Yen)

## Revenue



## Operating Income

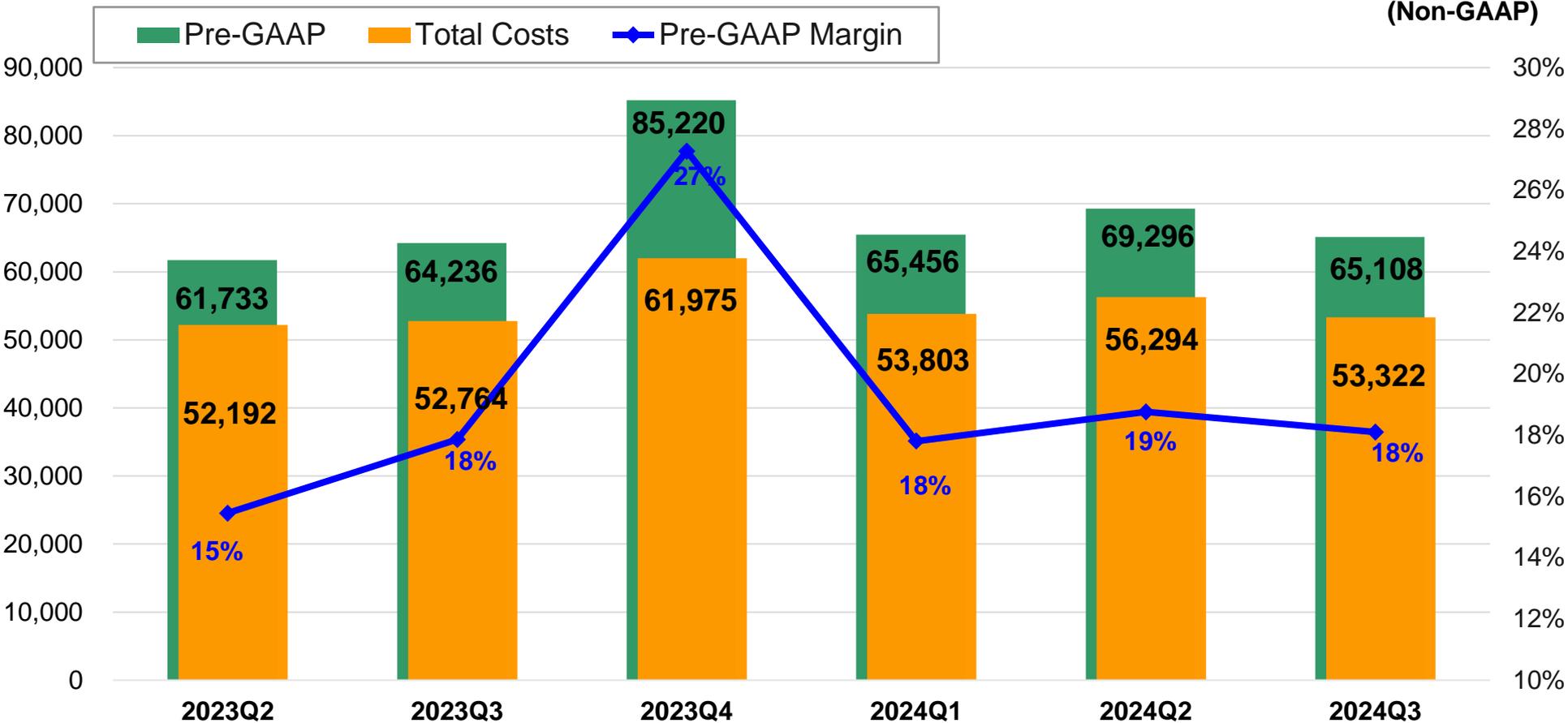


# Pre-GAAP v s Total Costs

(unaudited)

(Non-GAAP)

(in million Yen)

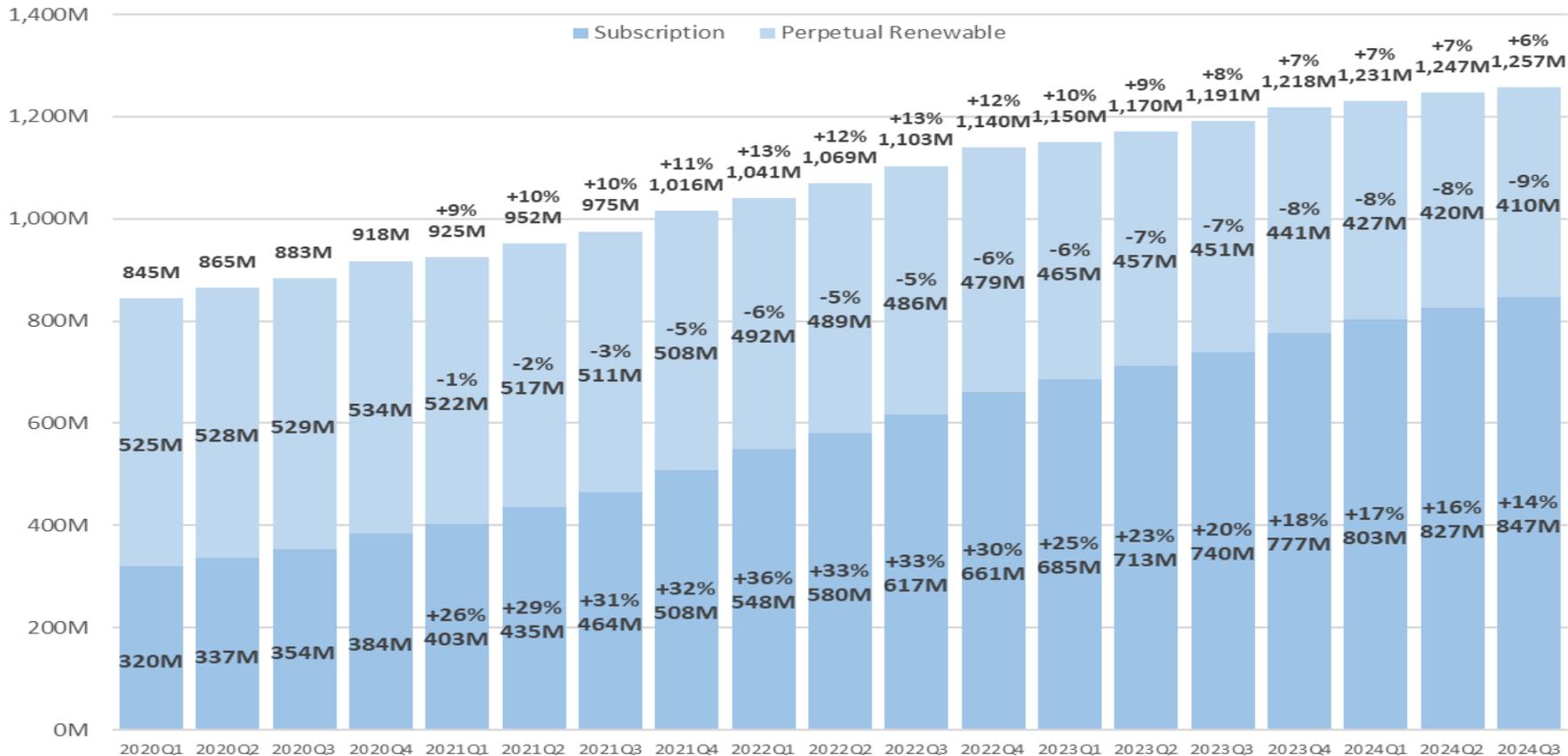


\* "Total costs" means COGS + SGA.

# Enterprise ARR

(USD)

(Non-GAAP)  
(unaudited)



\*ARR at constant currency: (1USD= 147.74 yen as the company internal budget exchange rate for FY2024). Non-GAAP and reference for internal management. Therefore, they may be subject to so changes hereafter.

# Cash flows

(unaudited)  
(in million Yen)

(Main reasons for Operating CF decreasing from last year)

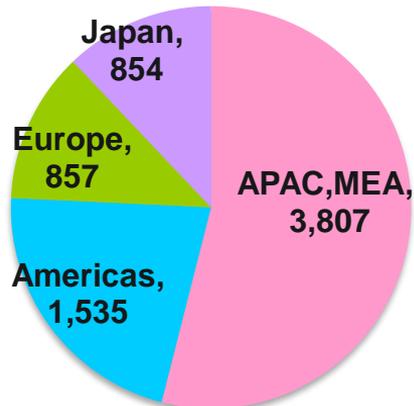
Increase in Payment for income tax: -4.1Bn JPY  
Decrease in accounts payable, other & accrued expenses: -3.0Bn JPY  
Decrease in Net income before taxes: -1.5Bn JPY

	3Q2023	3Q2024	YoY growth
Cash flows from operating activities	13,026	6,771	- 48%
Cash flows from investing activities	- 3,818	- 1,020	—
Cash flows from financing activities	- 2,340	4,643	—
Effect of exchange rate changes on cash and cash equivalents	2,285	- 9,525	—
Net increase (decrease) in cash and cash equivalents	9,152	868	- 91%
Cash and cash equivalents at beginning of this quarter period	209,224	159,534	- 24%
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	—	—
Cash and cash equivalents at end of this quarter period	218,377	160,403	- 27%

# Headcount

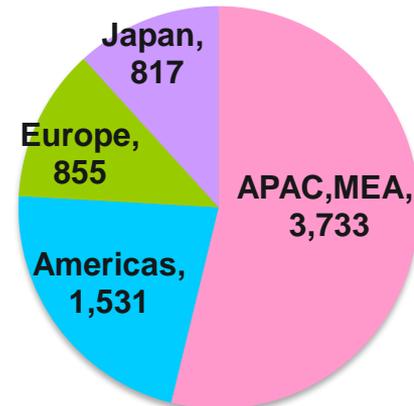
**Jun - 2024**

**7,053**



**Sep - 2024**

**6,936**

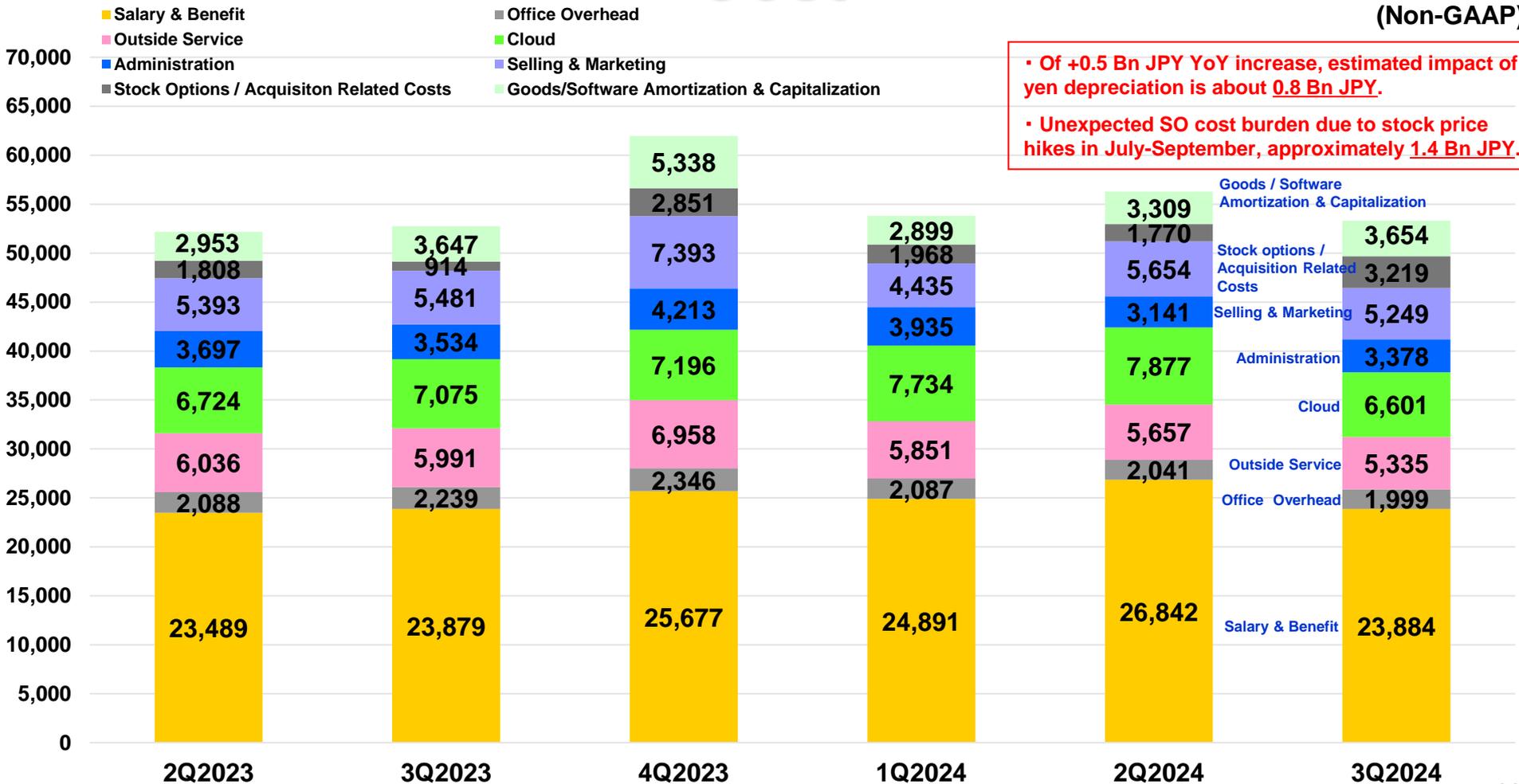


**- 117  
(- 2%)**

(in million Yen)

# Cost

(unaudited)  
(Non-GAAP)



# ***Q3 Highlights***

- ***Highest ever quarterly operating profits***
- ***Double digit growth of subscription business continues***
- ***Operating margin improvement continues***

# ***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>
<b>Net Sales</b>	<b>271,000</b>	<b><u>+ 9%</u></b>
<b>Operating Income</b>	<b>52,900</b>	<b><u>+ 62%</u></b>
<b>Ordinary Income</b>	<b>50,100</b>	<b><u>+ 38%</u></b>
<b>Net Income</b> attributable to owners of the parent	<b>34,600</b>	<b><u>+ 222%</u></b>

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

*“Reference” actual exchange rate up to Q3: 1USD=151 yen, 1EUR=164 yen*

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

**Net Sales**

**+ 6%**

(Non-GAAP)

# ***Notice of “IR Day 2024”***

- **Date: November 20th, 2024 (Tokyo local time)**
- **Time: 10:00 AM ~ 11:30 AM (90 minutes including Q&A session)**
- **Event Format: Online webinar by Zoom**
  - \*Simultaneous Japanese / English interpretation available**
- **Participation: Pre-registration on the website**
- **Participated Speakers: Group management and global senior management**

**If you would like to participate, please contact us at “[ir@trendmicro.com](mailto:ir@trendmicro.com)”.**  
**We will send the invitation mail.**

# *Appendix for FY2024.Q3*

# Q3 USD based Results (Non-GAAP)

(unaudited)

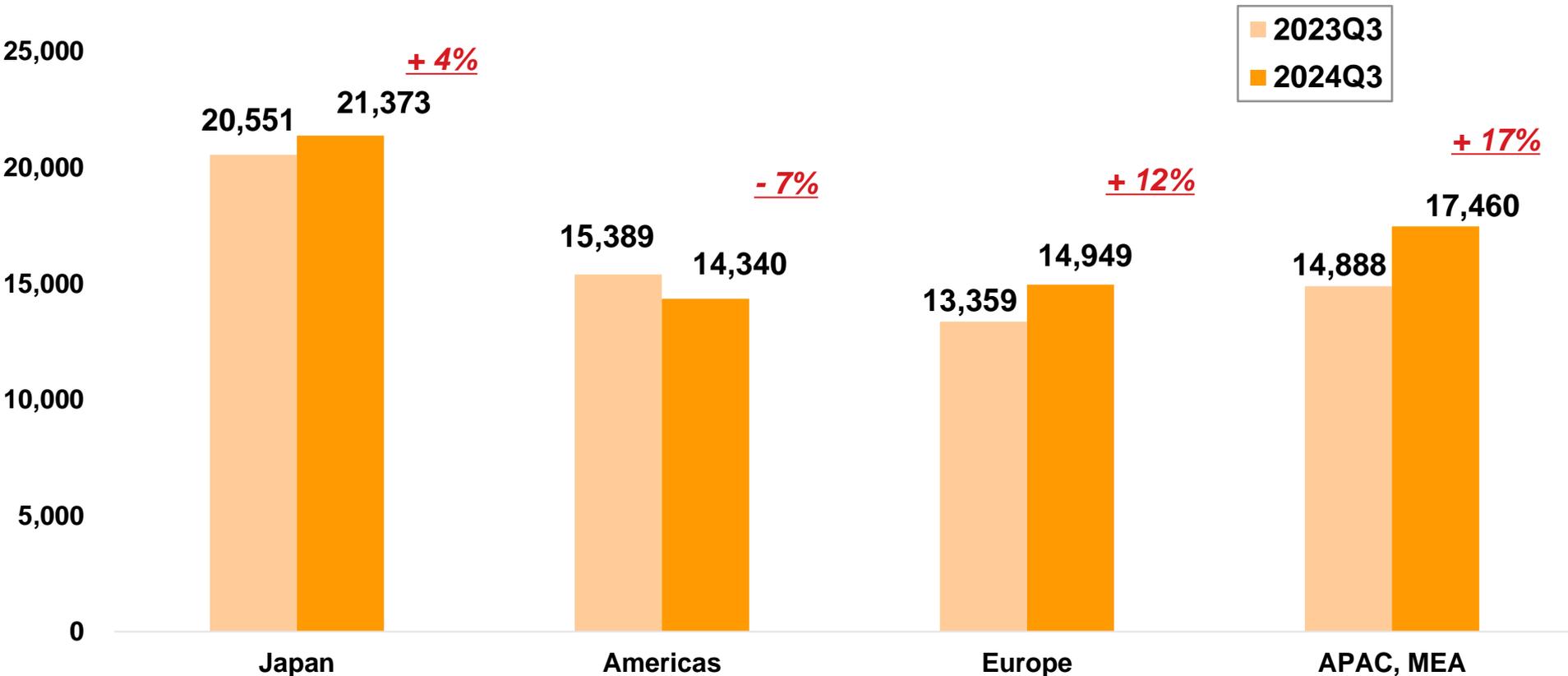
<i>Three months ended Sep 30,</i>	<i>3Q2023</i>	<i>3Q2024</i>	<i>(in thousand USD) YoY change</i>
<b>Net sales</b>	<b>443,297</b>	<b>456,076</b>	<b>+ 3%</b>
<b>Cost of sales</b>	<b>110,026</b>	<b>106,898</b>	<b>- 3%</b>
<b>Operating expenses</b>	<b>254,368</b>	<b>250,084</b>	<b>- 2%</b>
<b>Operating income</b>	<b>78,901</b>	<b>99,093</b>	<b>+ 26%</b>
<b>Ordinary income</b>	<b>93,140</b>	<b>80,064</b>	<b>- 14%</b>
<b>Net Income</b>	<b>6,561</b>	<b>57,060</b>	<b>+ 770%</b>
<small>attributable to owners of the parent</small>			<b>(Non-GAAP)</b>

*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=144.80 JPY for 3Q2023 and 1 USD =149.37 JPY for 3Q2024, 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)

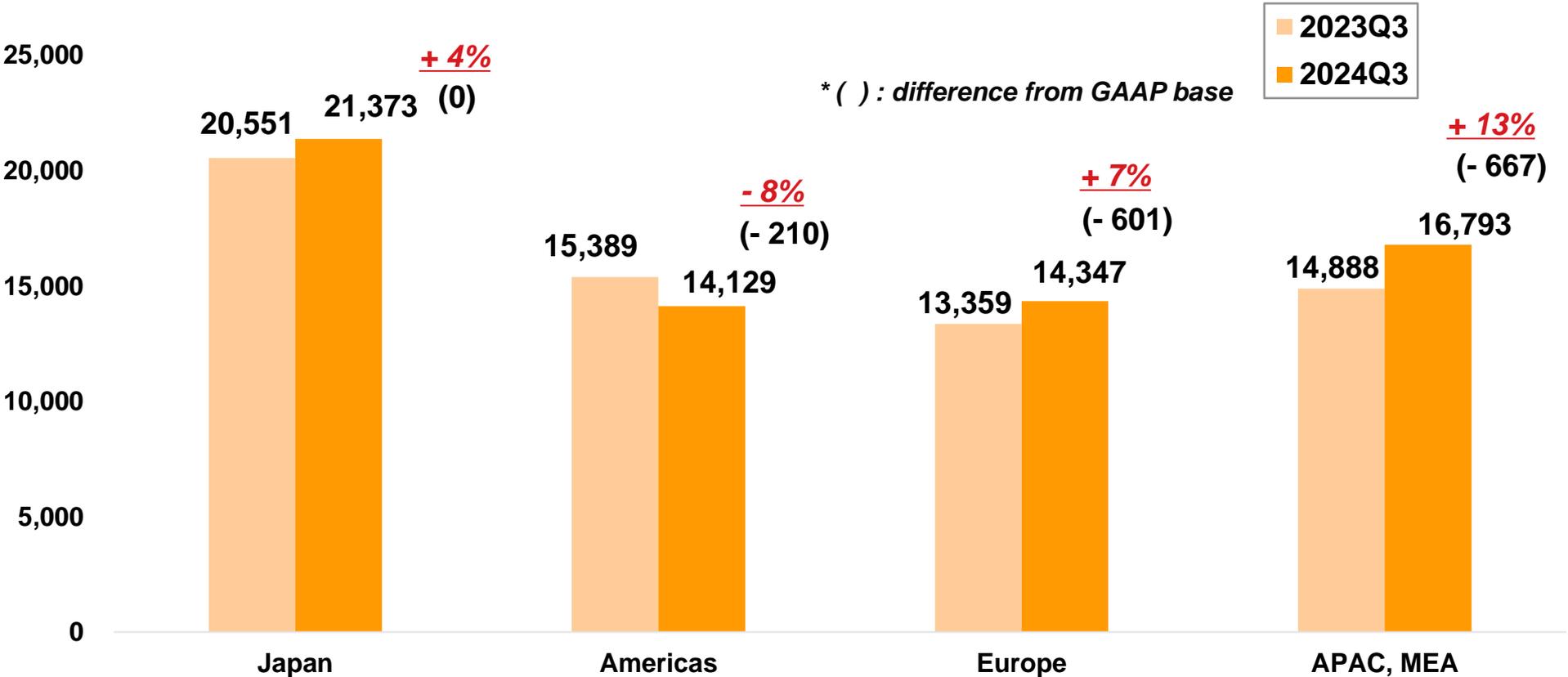


# Net Sales Growth by Region

(in million Yen)

*If currency exchange rates used for 3Q2023 were used for 3Q2024:*

(unaudited)



\* ( ) : difference from GAAP base

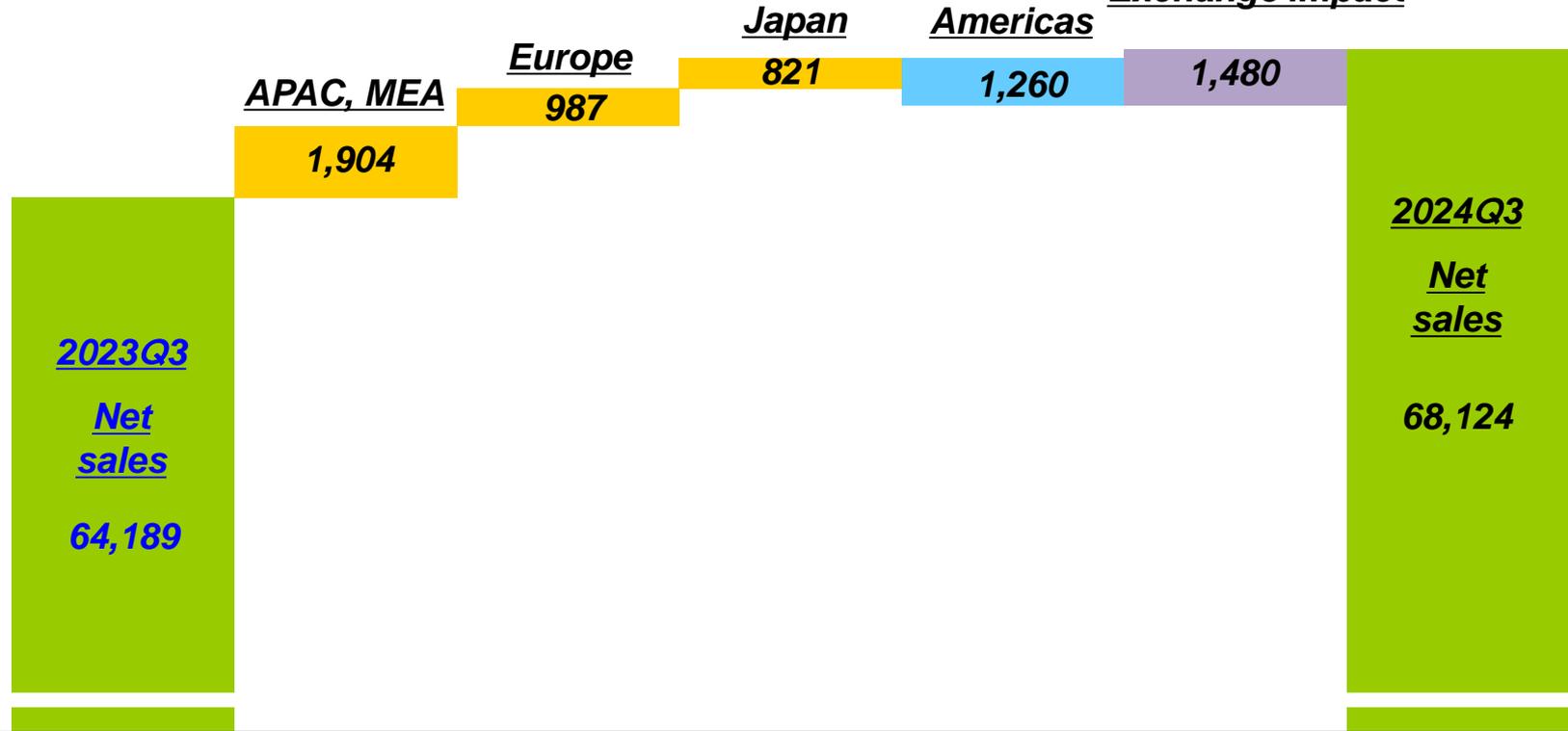
(Non-GAAP)

# Decomposition of Revenue (vs. last year)

(in million Yen)

(unaudited)

Exchange impact

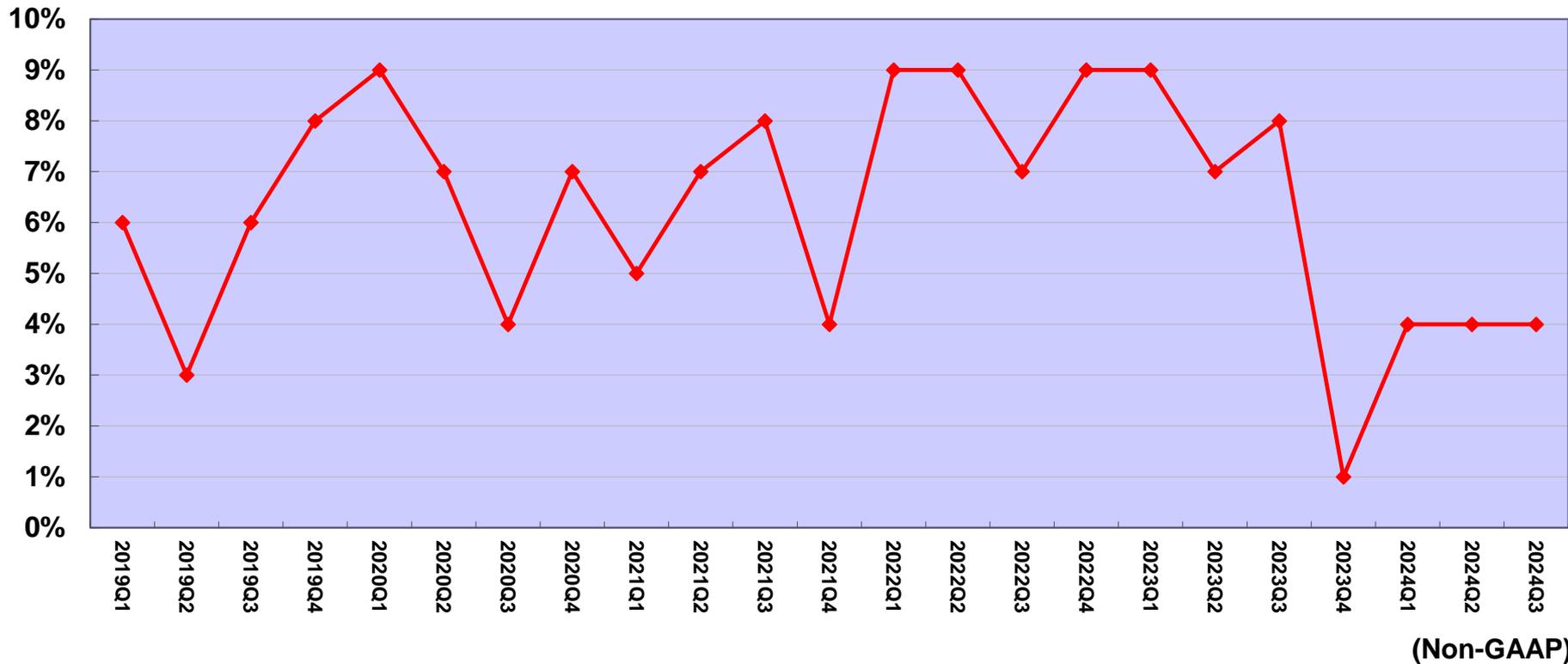


(Non-GAAP)

# 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

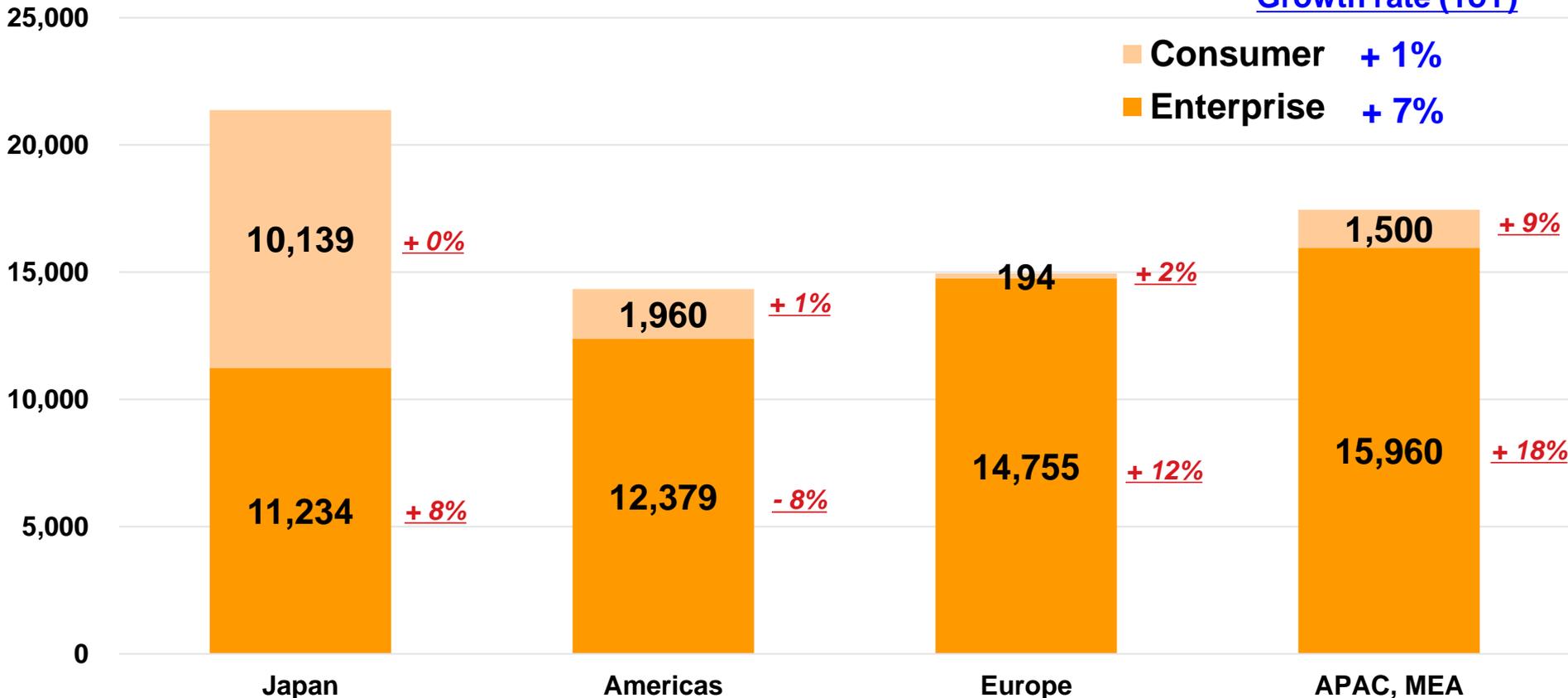
(in million Yen)

# Net sales by Segment

(unaudited)

Growth rate (YoY)

- Consumer + 1%
- Enterprise + 7%



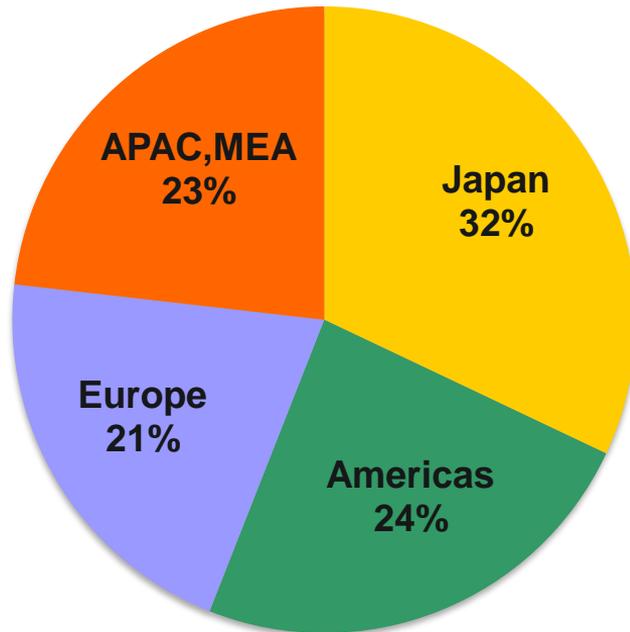
*“Notice” As Sales by Segment numbers are just for internal use, they may be subject to some changes hereafter.*

(Non-GAAP)

# *% share by region*

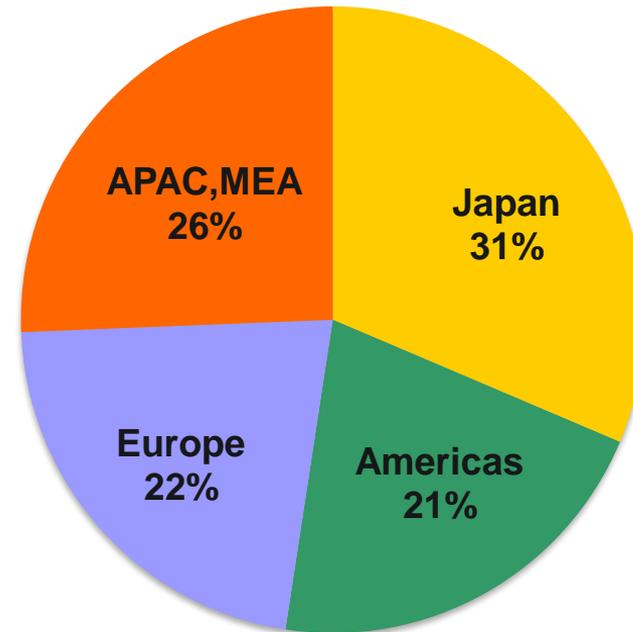
**3Q2023**

**64,189 million Yen**



**3Q2024**

**68,124 million Yen**

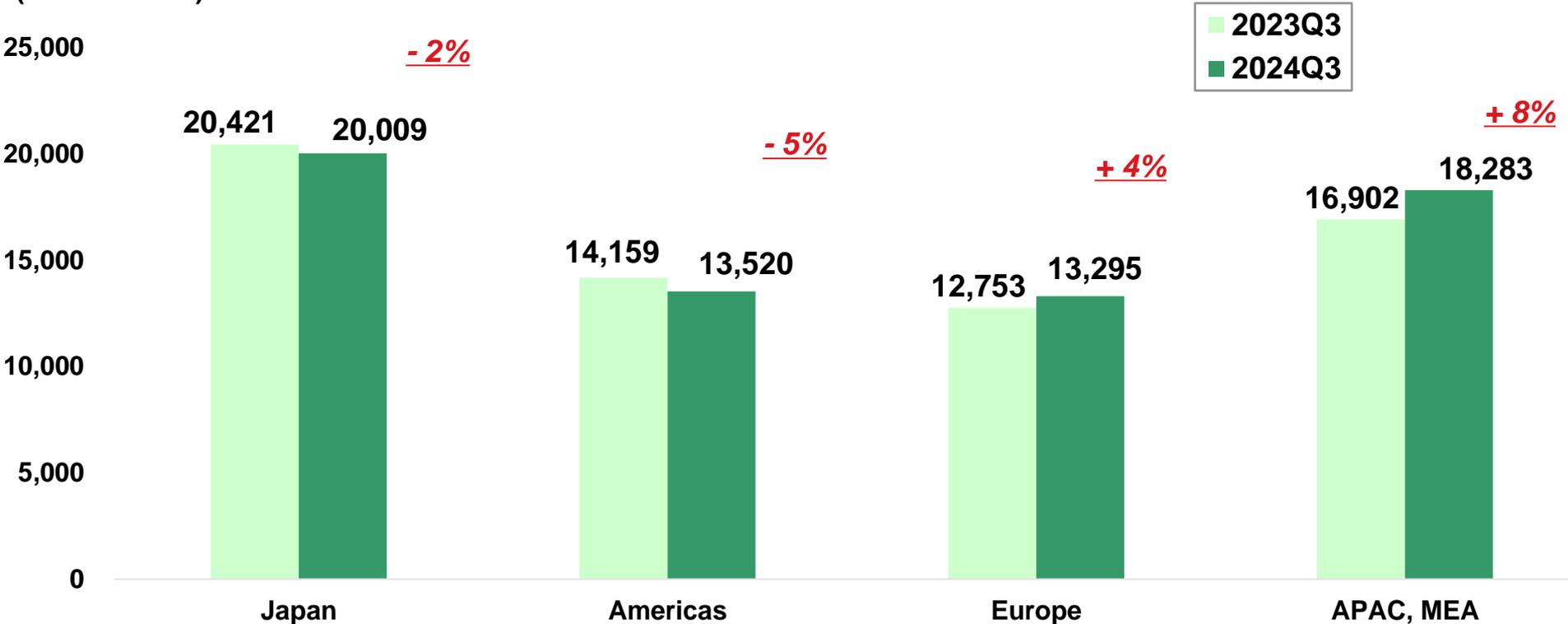


**“For reference”**

# 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)

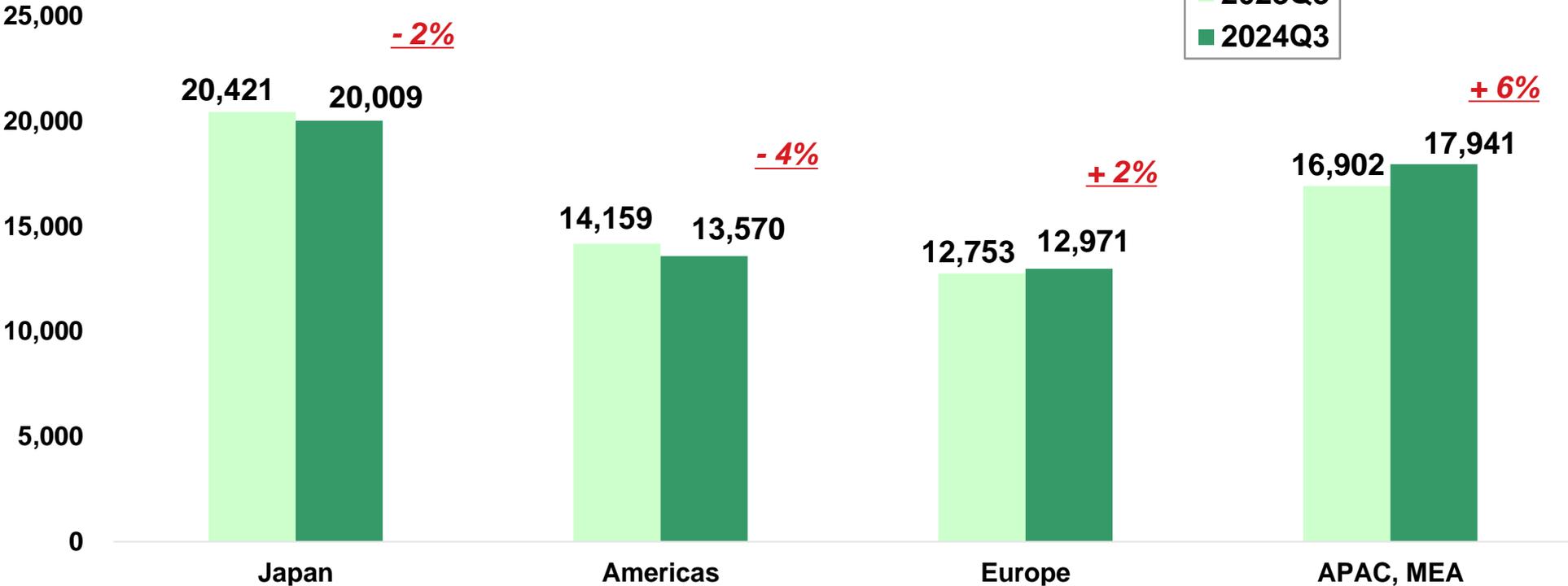
# “For reference”

## Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 3Q2023 were used for 3Q2024:

(in million Yen)

(unaudited)



### “Notice”

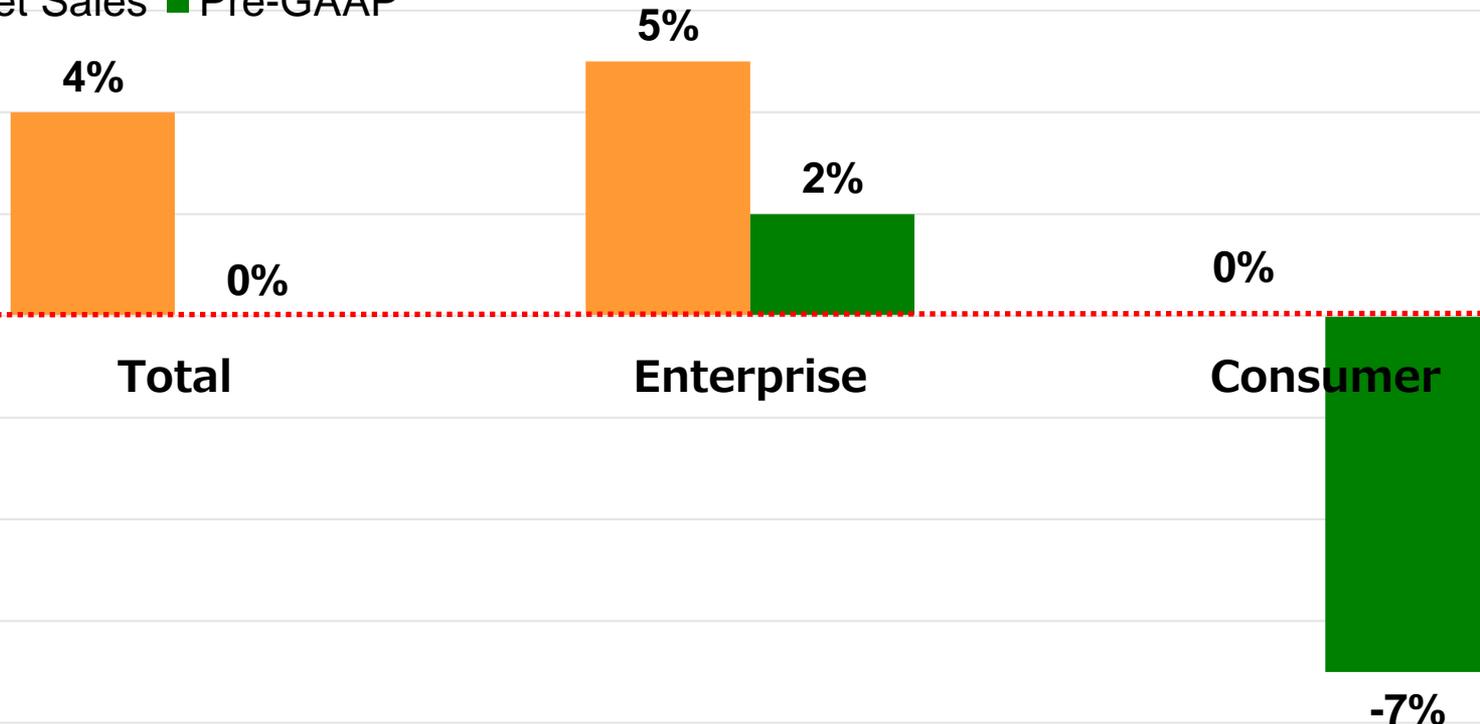
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.  
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(Non-GAAP)

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

(unaudited)

Net Sales Pre-GAAP



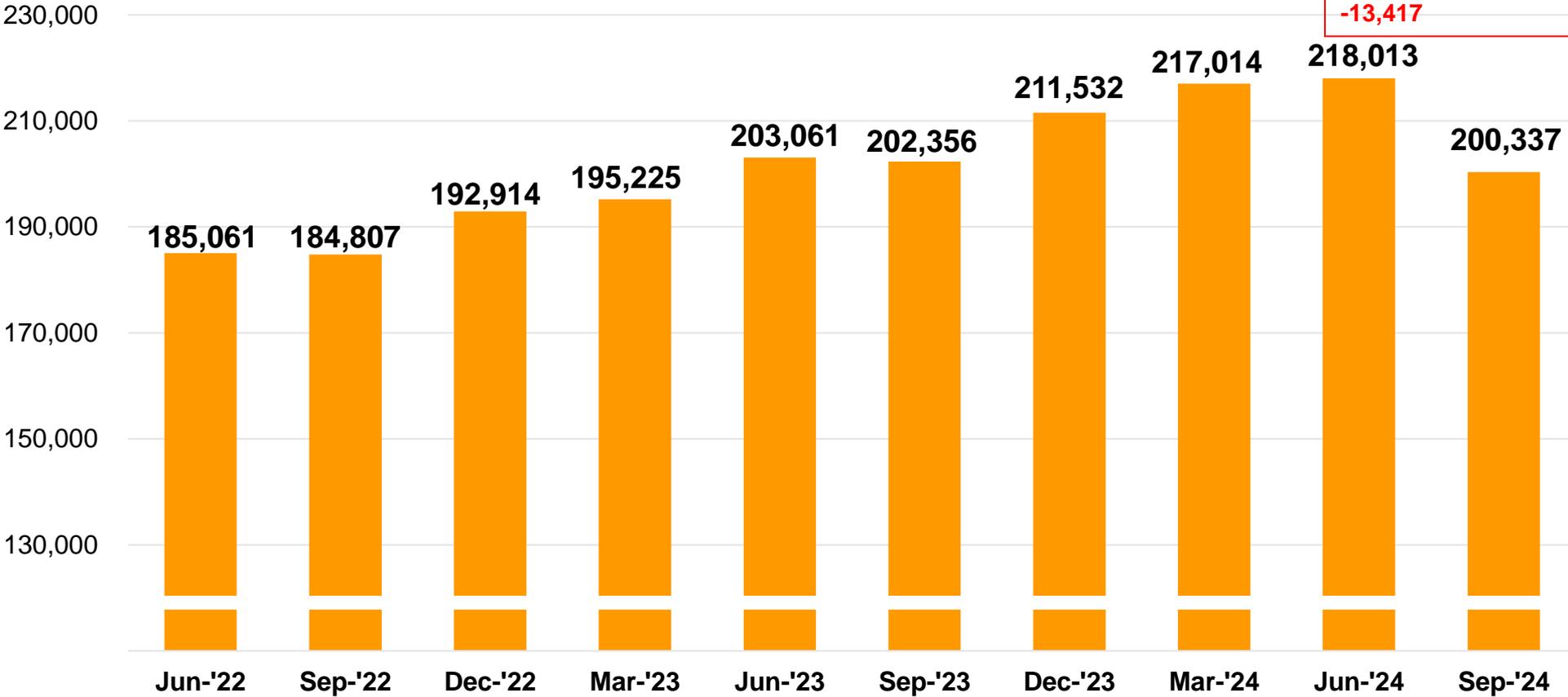
(Non-GAAP)

# Deferred Revenue

(unaudited)

• Forex impact from the end of Q2  
-13,417

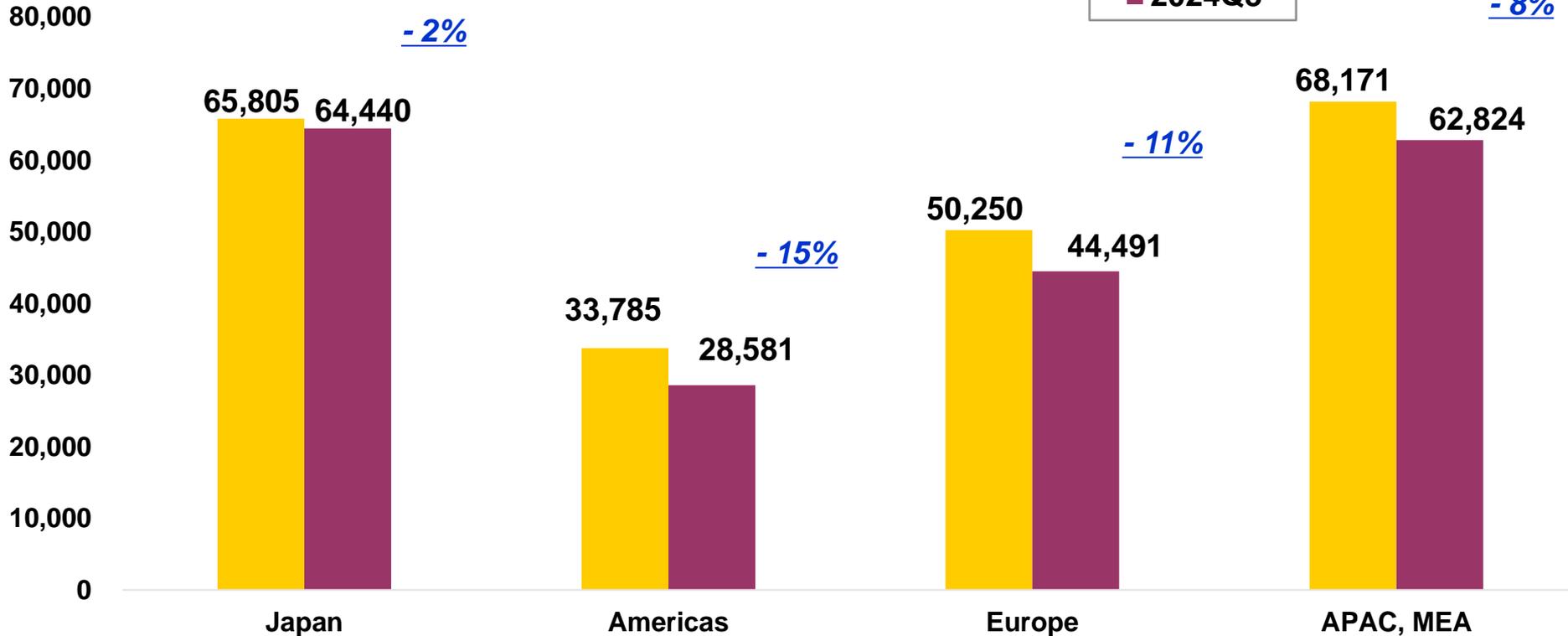
(in million Yen)



# Deferred Revenue by Region

(in million Yen)

(unaudited)



(Non-GAAP)

# Deferred Revenue by Region

(unaudited)

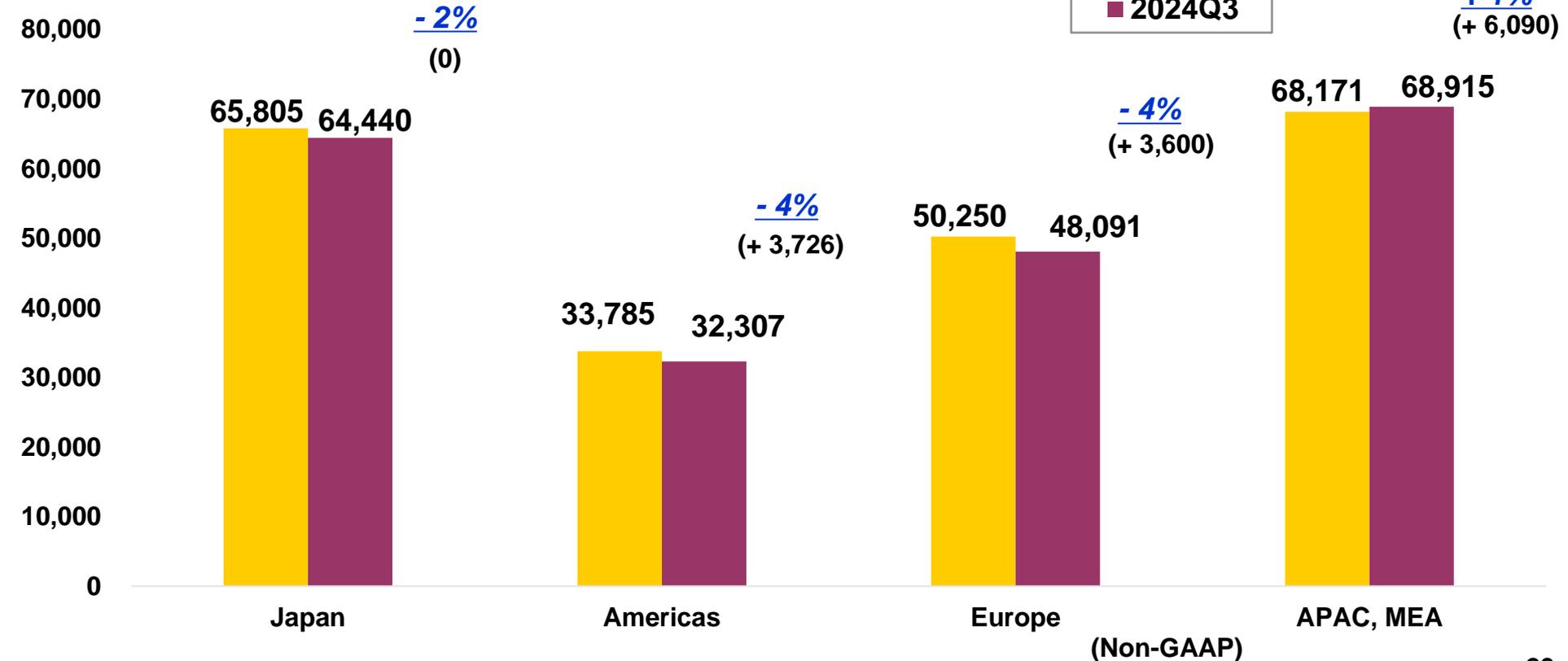
*If currency exchange rates used as of the end of 2Q2024 were used as of the end of 3Q2024:*

(in million Yen)

\* ( ) : difference from GAAP base

■ 2024Q2

■ 2024Q3

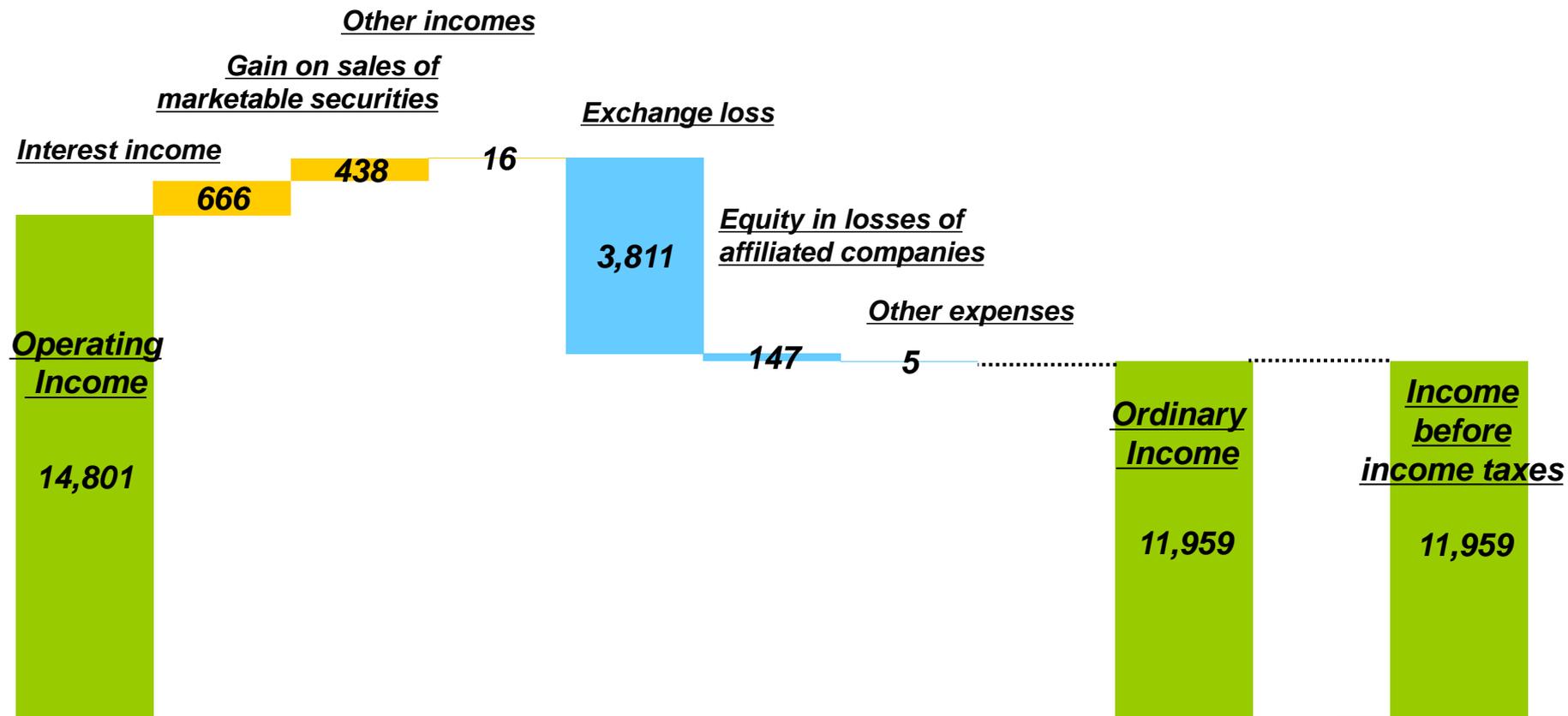


(Non-GAAP)

# Non-operating & Extra-ordinary Items

(in million Yen)

(unaudited)



# Balance Sheet

(unaudited)

(in million Yen)

	<i>Jun-2024</i>	<i>change</i>	<i>Sep-2024</i>
<b><u>Assets</u></b>			
<i>Cash &amp; cash equivalents</i>	144,282	+ 5,051	149,333
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	54,760	- 7,023	47,737
<i>Marketable securities &amp; Securities investments</i>	63,395	- 11,547	51,848
<i>Software</i>	18,432	- 1,198	17,234
<b><u>Liabilities</u></b>			
<i>Deferred revenue</i>	218,013	- 17,676	200,337
<b><u>Shareholders' Equity</u></b>			
<i>Common Stock &amp; Additional paid in capital</i>	48,238	- 371	47,867
<i>Retained earnings</i>	74,077	+ 8,524	82,601
<i>Treasury Stock</i>	- 73,788	+ 6,248	- 67,540

# ***FY2024 9months Financial Highlight***

***(January ~ Sep, 2024)***

# Consolidated Results (9 months)

(in million Yen)

9 months ended Sep 30,	2023 (1-3Q)	(Progress vs. last year's annual result)	2024 (1-3Q)	YoY growth	(Progress vs. current year's annual forecast)
Net sales	183,725	(74%)	202,658	+ 10%	(75%)
Total Operating expenses	154,112		163,420	+ 6%	
Operating income (Margin)	29,613 ( 16%)	(91%)	39,237 ( 19%)	+ 33%	(74%)
Ordinary income	31,935	(88%)	38,331	+ 20%	(77%)
Net income attributable to owners of the parent	12,806	(119%)	26,418	+ 106%	(76%)

*“For reference”*

Pre-GAAP 183,940 199,861 + 9%

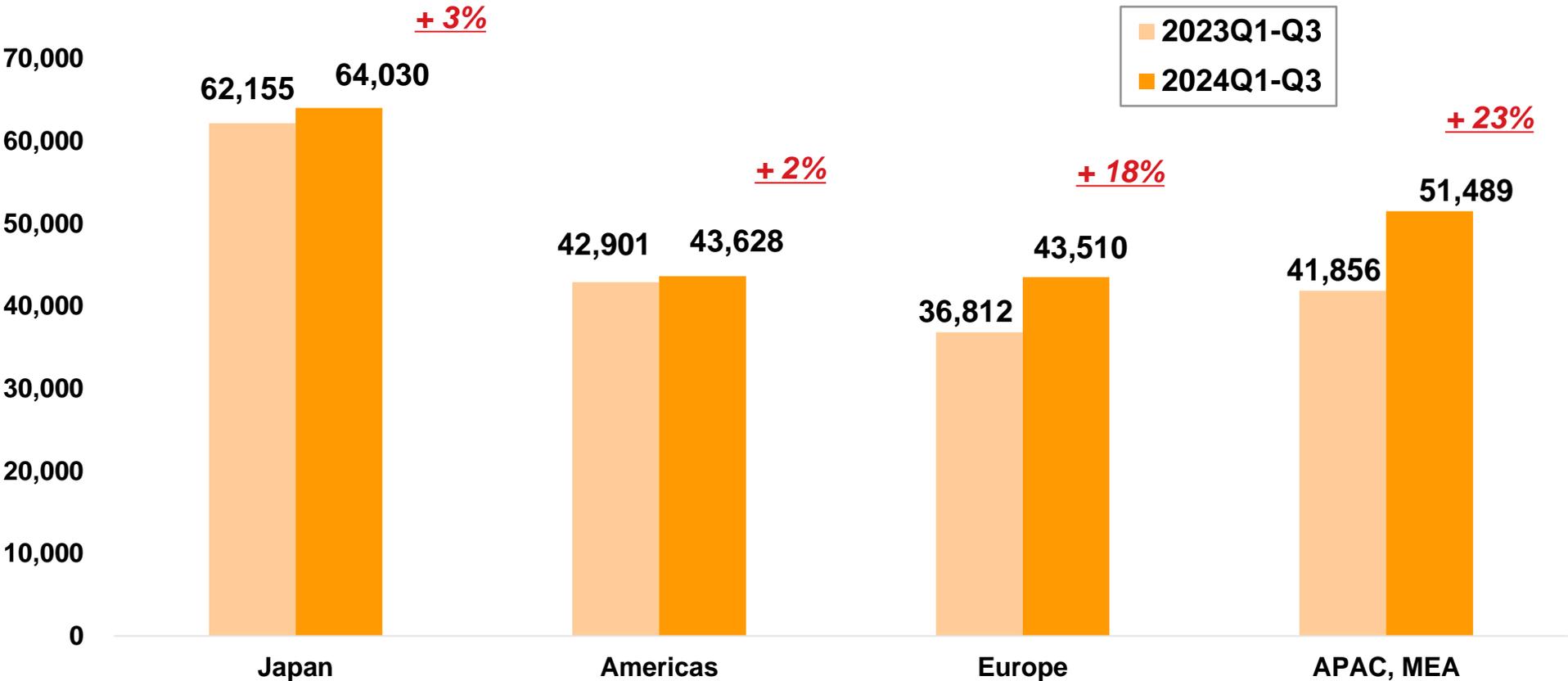
Pre-GAAP based  
Operating Income 29,828 36,440 + 22%

(Non-GAAP)

# Net Sales Growth by Region

(unaudited)

(in million Yen)



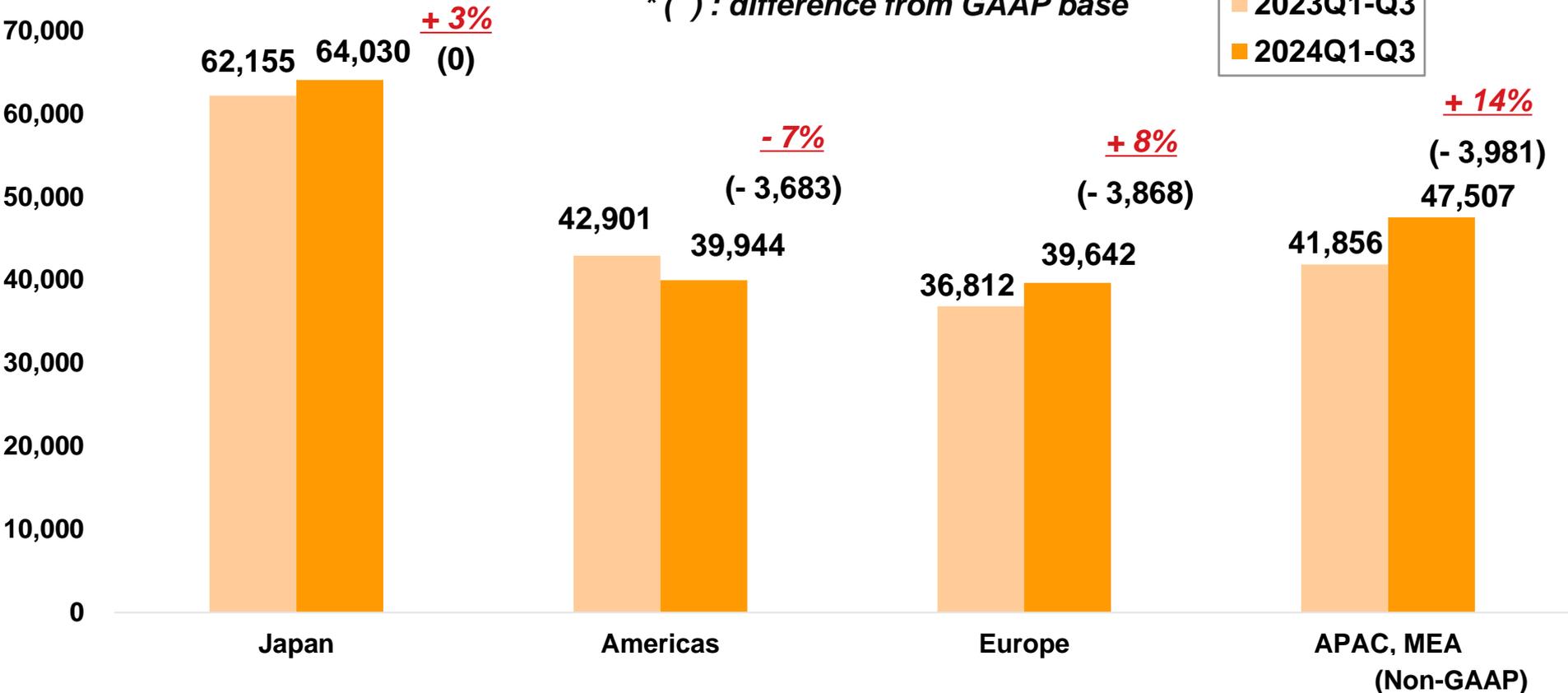
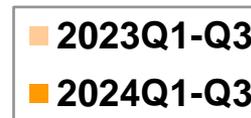
# Net Sales Growth by Region

(in million Yen)

*If currency exchange rates used for 2023 (Q1-Q3) were used for 2024 (Q1-Q3):*

(unaudited)

\* ( ) : difference from GAAP base

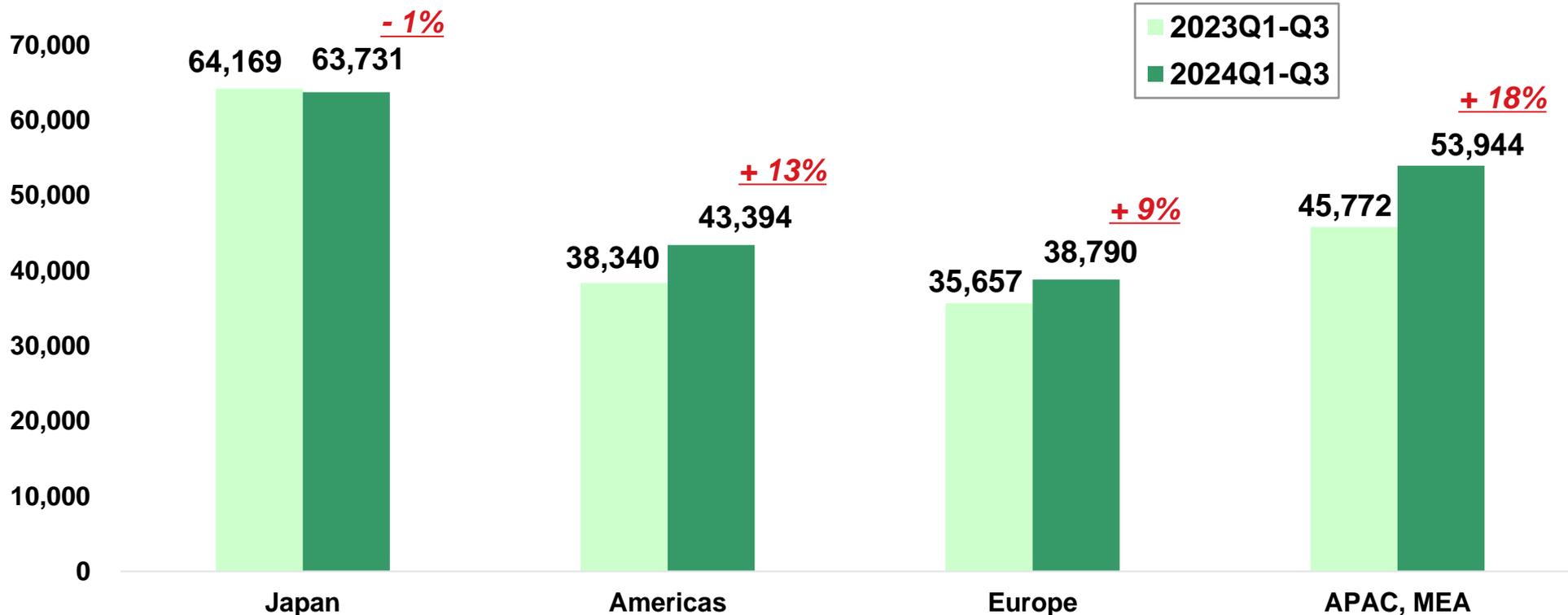


**“For reference”**

# **Pre-GAAP (Revenue before adjusting Deferred revenue)**

(unaudited)

(in million Yen)



**“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.**

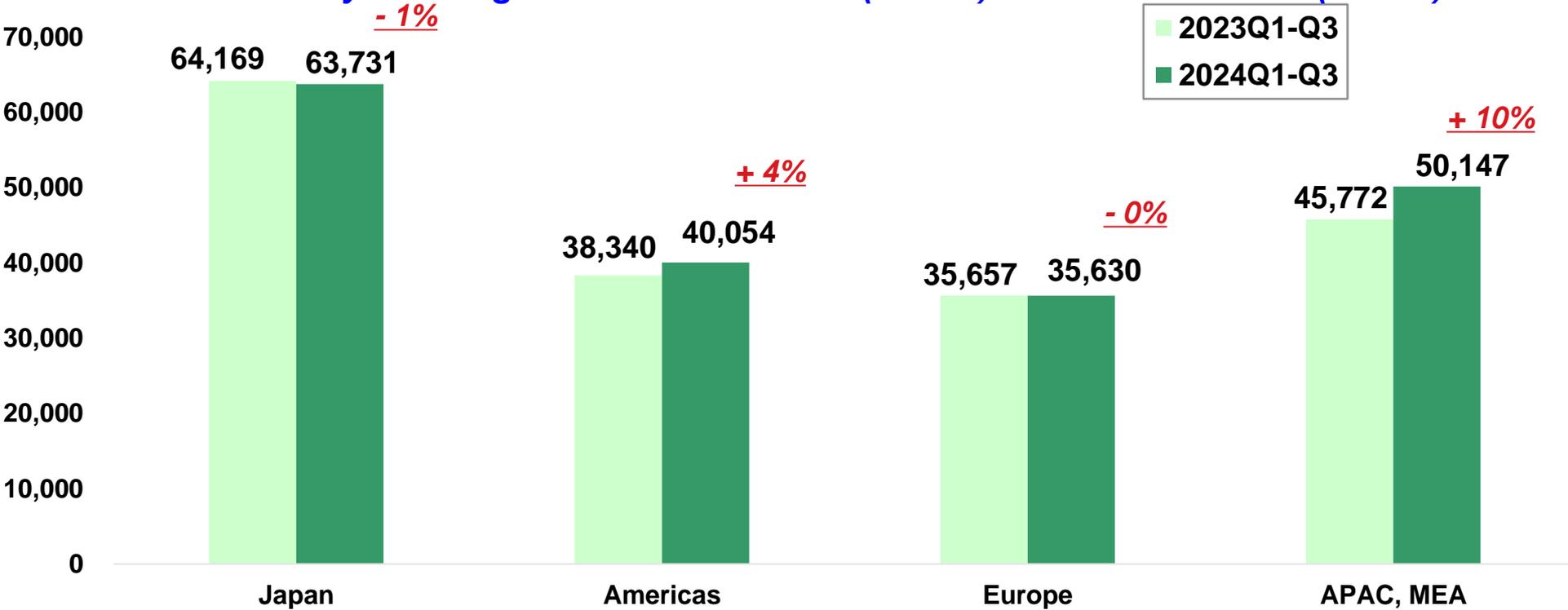
(Non-GAAP)

# “For reference”

## Pre-GAAP (Revenue before adjusting Deferred revenue)

(unaudited)

If currency exchange rates used for 2023(Q1-Q3) were used for 2024(Q1-Q3):



### “Notice”

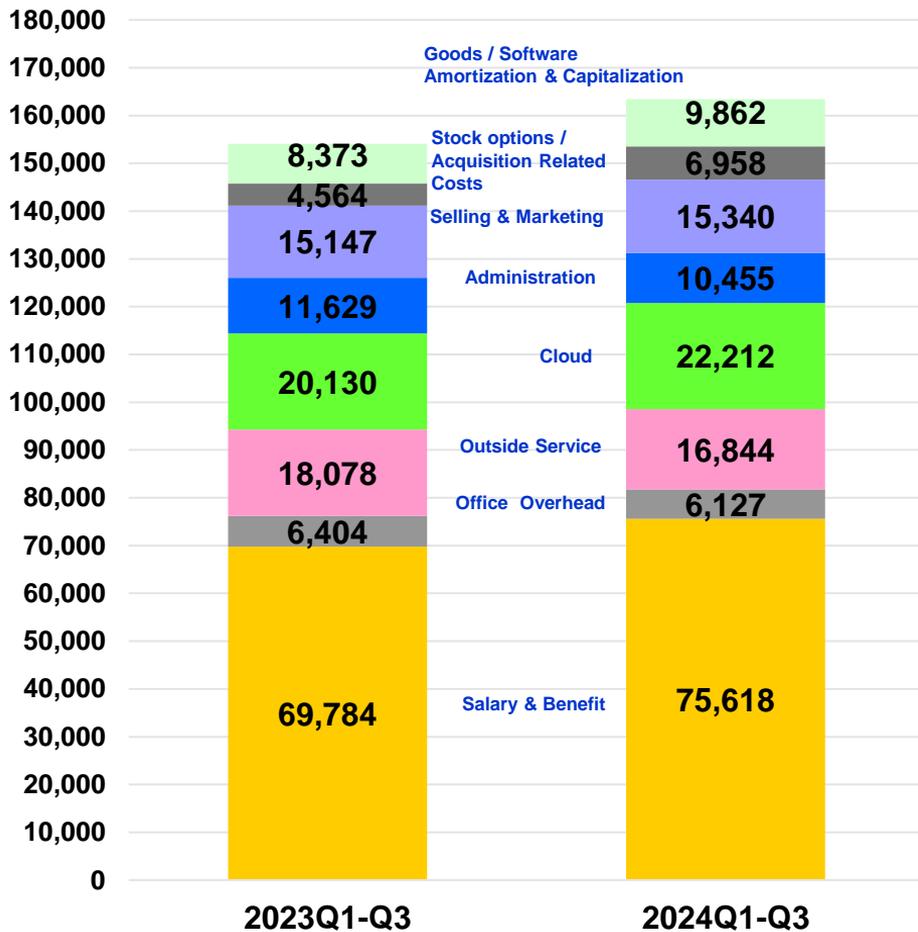
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.  
As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

# FY2024 Cost (9 months)

YoY Growth (unaudited)

(in million Yen)



Salary & Benefit	+ 8%
Office Overhead	- 4%
Outside Service	- 7%
Cloud	+ 10%
Administration	- 10%
Selling & Marketing	+ 1%
Stock Options / Acquisition Related Costs	+ 52%
Goods/Software Amortization & Capitalization	+ 18%

**Total** + 6%

**Headcount** - 604 (- 8%) (Non-GAAP)



# Thank You

# Appendix

## Quarterly Chart (1)

(unaudited)

(in million Yen)

	FY2023				FY2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Net sales</b>	58,704	60,831	64,189	64,965	65,931	68,603	68,124	
<b>Cost of sales</b>	14,395	15,107	15,931	18,226	16,015	16,492	15,967	
<b>Operating expenses</b>	34,759	37,084	36,832	43,749	37,788	39,802	37,355	
<b>Operating income</b>	9,548	8,639	11,424	2,989	12,127	12,308	14,801	
<b>Ordinary income</b>	8,979	9,470	13,486	4,245	13,664	12,707	11,959	
<b>Net income attributable to owners of the parent</b>	6,374	5,482	950	-2,074	10,754	7,141	8,523	
<b>(Costs)</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>Goods / Software Amortization &amp; Capitalization</b>	1,772	2,953	3,647	5,338	2,899	3,309	3,654	
<b>Stock option cost</b>	1,136	775	-127	1,814	946	742	2,234	
<b>Acquisition related costs</b>	704	1,033	1,041	1,037	1,022	1,027	985	
<b>Selling &amp; Marketing</b>	4,271	5,393	5,481	7,393	4,435	5,654	5,249	
<b>Administration</b>	4,396	3,697	3,534	4,213	3,935	3,141	3,378	
<b>Cloud</b>	6,331	6,724	7,075	7,196	7,734	7,877	6,601	
<b>Outside service</b>	6,049	6,036	5,991	6,958	5,851	5,657	5,335	
<b>Office overhead</b>	2,076	2,088	2,239	2,346	2,087	2,041	1,999	
<b>Salary &amp; Benefit</b>	22,415	23,489	23,879	25,677	24,891	26,842	23,884	
<b>Total</b>	49,155	52,192	52,764	61,975	53,803	56,294	53,322	
<b>The number of employees</b>	7,624	7,582	7,540	7,432	7,183	7,053	6,936	
<b>Applied rate to yen (US\$)</b>	132.40	137.61	144.80	147.84	148.58	155.91	149.37	
<b>Applied rate to yen (Euro)</b>	142.06	149.56	157.30	159.02	161.29	167.89	163.91	

# 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	21,295	21,373	
Americas	13,446	14,065	15,389	14,742	14,388	14,899	14,340	
Europe	11,012	12,440	13,359	13,831	13,679	14,882	14,949	
APAC, Middle East and Africa	13,330	13,637	14,888	15,544	16,501	17,526	17,460	
Total	58,704	60,831	64,189	64,965	65,931	68,603	68,124	
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	45,120	47,218	50,563	50,853	52,056	54,654	54,329	
Consumer	13,583	13,613	13,625	14,111	13,875	13,948	13,794	
Total	58,704	60,831	64,189	64,965	65,931	68,603	68,124	
(Pre-GAAP by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	23,584	20,163	20,421	20,703	23,437	20,284	20,009	
Americas	10,893	13,288	14,159	17,044	13,840	16,032	13,520	
Europe	9,858	13,044	12,753	25,684	11,135	14,359	13,295	
APAC, Middle East and Africa	13,633	15,236	16,902	21,788	17,042	18,619	18,283	
Total	57,970	61,733	64,236	85,220	65,456	69,296	65,108	

### “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.**