

Business Briefing

# State of Global Business & Strategic Direction for Vision 2030

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**Nomura Research Institute, Ltd.**

**Shuji Tateno**

Senior Executive Managing Director,  
Member of the Board

**June 29, 2022**



# 館野 修二 Shuji Tateno



## [Career Summary]

- Apr. 1987 Joined the Company
- Apr. 2014 Senior Managing Director  
Deputy Division Manager of IT Platform Services Division
- Apr. 2016 Senior Managing Director  
Division Manager of Systems Consulting Division  
Deputy Division Manager of Services & Industrial Solution Division
- Apr. 2019 Senior Corporate Managing Director  
Division Manager of Services & Industrial Solution Division
- Apr. 2021 Senior Corporate Managing Director  
Head of Industrial IT Solutions
- Apr. 2022 Senior Corporate Managing Director  
Supervising of Industrial IT Solutions  
Supervising of Global Headquarters

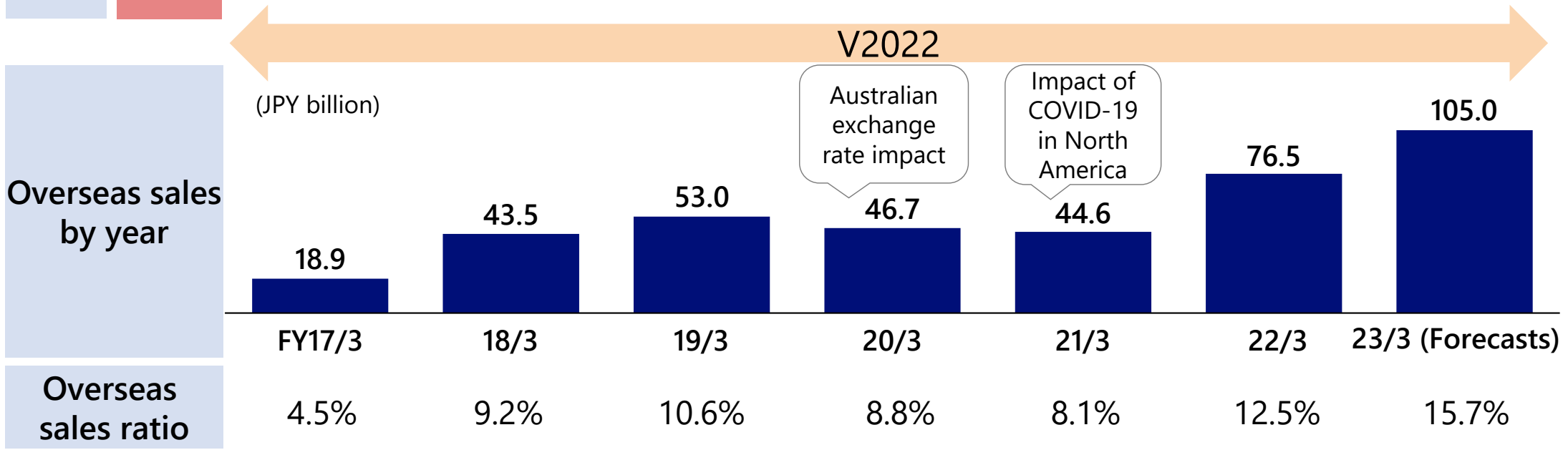
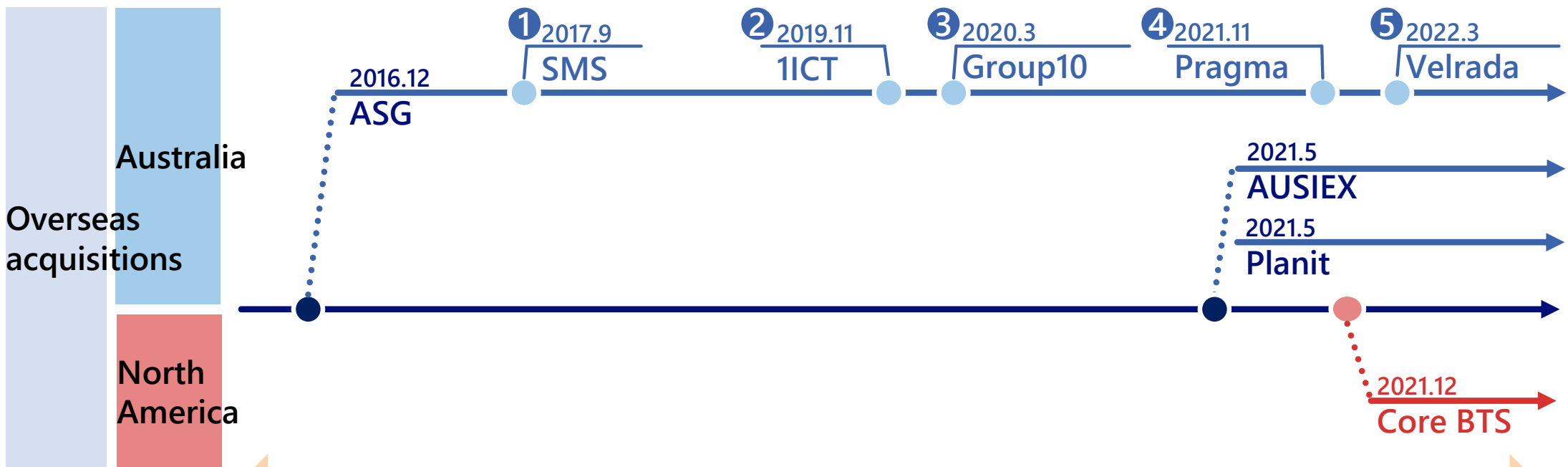
**01** Review of Our Global Business

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# NRI Global Sales during V2022



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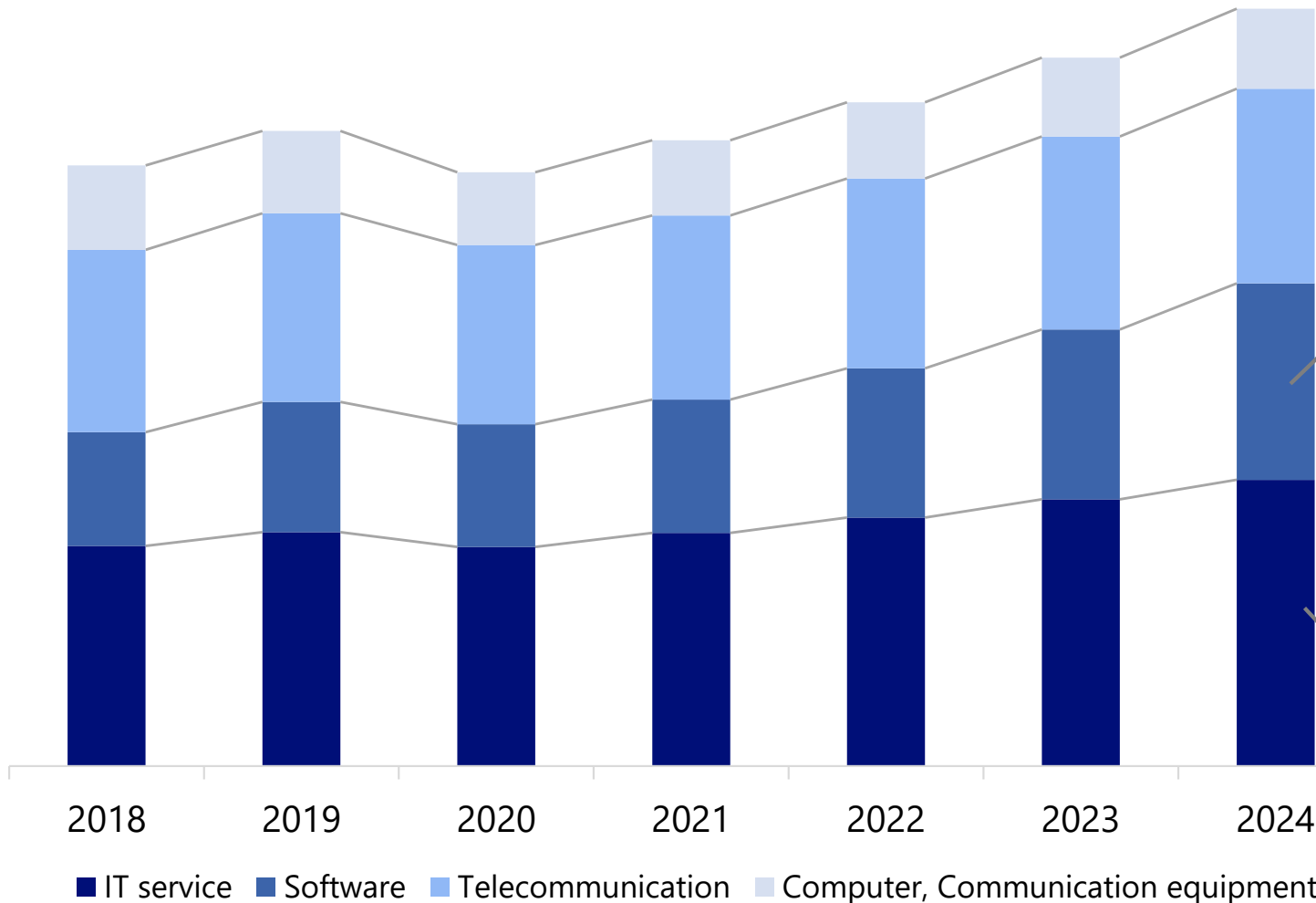
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# Size of North American Information & Telecommunications Services Market

Size of information & telecommunications services market by year  
(IT expenditures by user companies)

Source: Gartner Worldwide IT Spending (2020 Q2), 2020 and after are forecasted values  
\*IT expenditures by users



## Market characteristics

### **The Software field:**

Growth rate is the highest, but business risk is high for reasons including:

- Company valuations are rising
- Competition is fierce, hard to predict which companies will survive

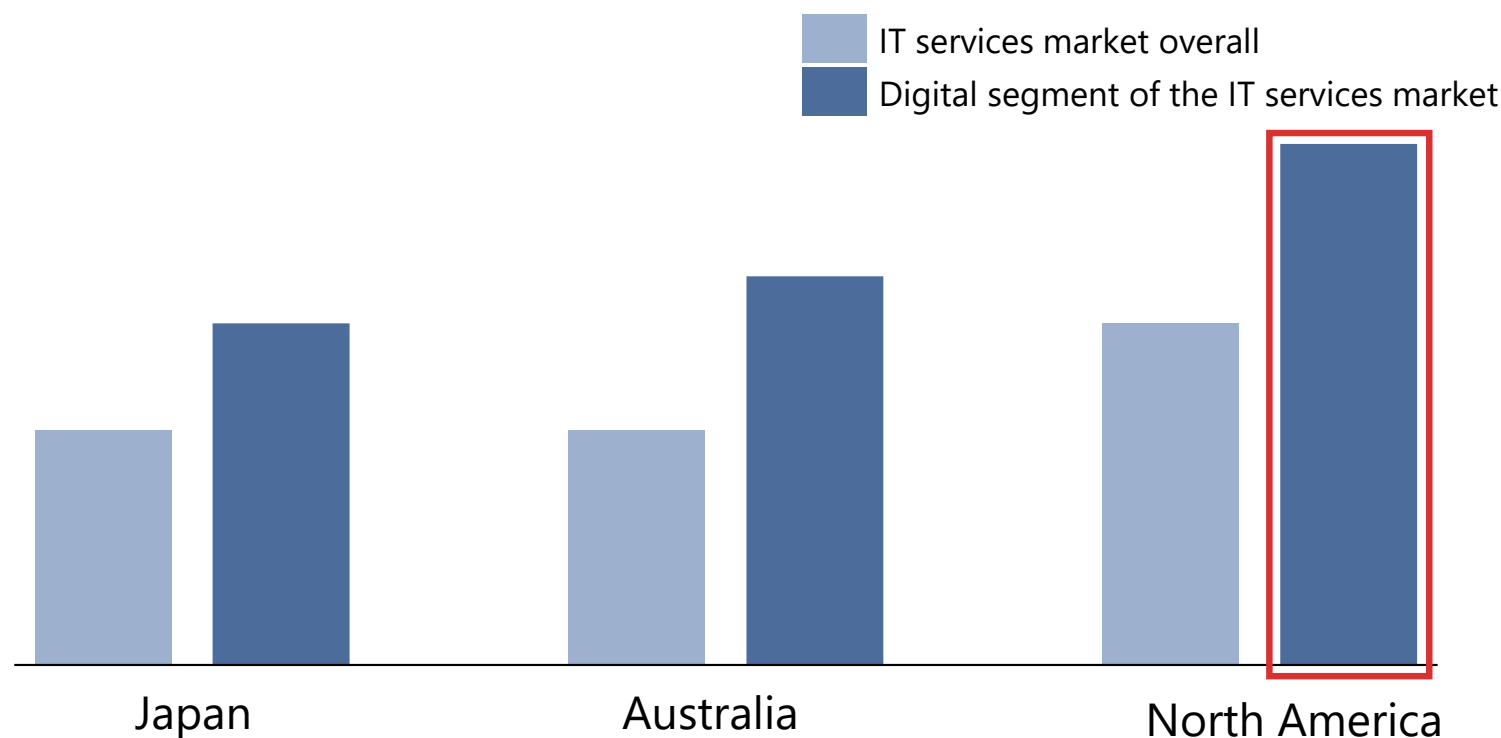
### **The IT Services field:**

Generally similar to the business NRI does, and benchmark multiples are more logical than in software

# Growth Potential of the North American IT Services Market

- The North American IT services market (the digital field) is expected to grow at an approximately 50% higher rate than in Japan. For global business expansion, it is essential to enter the North American market.
- Starting in 2020 we also launched full-scale exploration of North American DX companies to acquire, believing it also necessary to establish business infrastructure in the fiercely competitive North American market in order to stay competitive in our domestic business.

## Forecasted growth rate of the IT services market (end user spending) from 2020 to 2025



Source: Created by NRI based on Gartner Market Statistics “Forecast: IT Services Worldwide, 2019-2025, 4Q21 Update”  
- End-User Spending by Service Type in Constant Currency, 2019-2025 (Millions of Constant U.S. Dollars)”

# Breakdown of Vendor Types in North American IT Services Market

- While major global players handle IT consulting, staffing of systems engineers, and BPO for large companies, there are also large numbers of community-based players with mid-sized companies as clients.
- Among these, high-growth companies characterized by advanced cloud architecture and digital development capabilities have been appearing from 2000 onward.

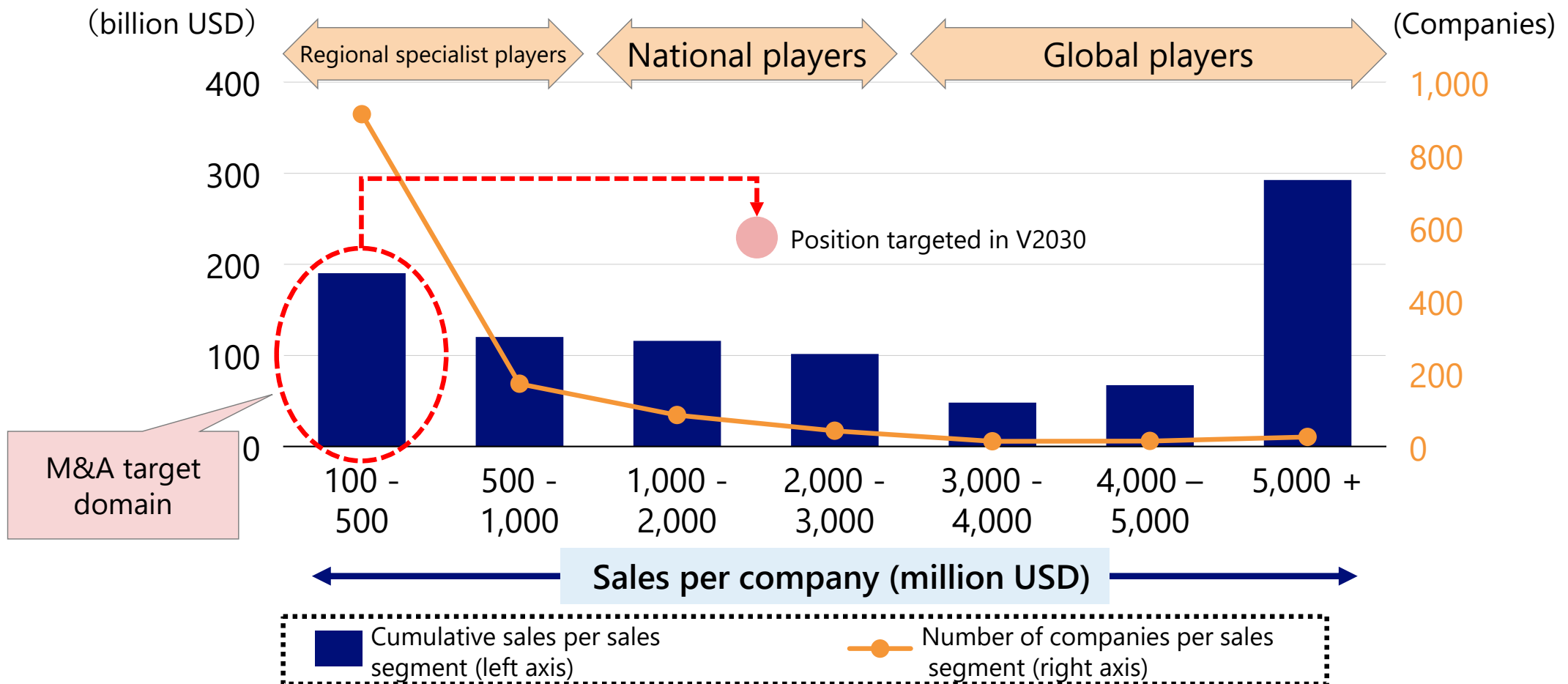
Vendor type	Examples of vendors	Characteristics
Major manufacturer	IBM	<ul style="list-style-type: none"> <li>• Initiated IT consulting and systems integration business as services to connect to business in hardware, data centers, and middleware products</li> <li>• Growth focus has shifted to cloud and AI/analytics in recent years</li> </ul>
Major IT consulting	Accenture Deloitte Capgemini	<ul style="list-style-type: none"> <li>• Business model to start with proposals for operational reforms and IT organization changes, and lead to ERP implementations and large-scale BPO</li> <li>• Acquiring design and digital marketing-related companies in recent years</li> </ul>
Large-scale outsourcing	Infosys Cognizant Wipro	<ul style="list-style-type: none"> <li>• Business model to start with low-cost systems migrations, and lead to development outsourcing and high-volume staffing of systems engineers</li> <li>• Expanding scale of business to regions around the globe by acquiring companies</li> </ul>
Industry type specialized services (Finance, government agencies, etc.)	Fiserv, FleetCor Broadridge	<ul style="list-style-type: none"> <li>• Expanding intra-industry market share through strength in individual areas such as banking, brokerages, payments, and defense</li> </ul>
Community-based services, etc.	EPAM, Presidio, Slalom, AHEAD	<ul style="list-style-type: none"> <li>• From mid-sized community-based companies to large companies with sales of around 300 billion yen</li> <li>• High-growth companies that leverage characteristics such as advanced cloud architecture and digital development capabilities have appeared</li> </ul>



# Company Size Distribution and Acquisition Targets in the North American IT Services Market

- Select the companies to be our bases for entry in North America from among regional specialist players.
- Expand the scope of our bases through multiple M&A transactions and become a national player by 2030.

## Size of sales segments in North American IT services market and number of companies in each



Companies with head offices in North America from among those in Owler Inc.'s database of companies were tabulated by NRI

# Guidelines for Selecting M&A Target Companies

- Primarily explore companies doing business with a similar trajectory to the NRI Group (Japan, Asia, Australia) to successfully generate synergies after the acquisition.

Guideline for selecting companies	Emphasis
<b>Capabilities</b>	Do they have concentrated specialization in areas where growth is expected in DX (cloud, security, e-commerce, logistics, IoT, etc.) and aspire to obtain capabilities to achieve differentiation from other companies?
<b>Business model</b>	Do they aspire to a business model based on building long-term relationships with clients as opposed to just a product focus? Do they hope to pursue a high added-value service provider business model? (areas such as IT consulting or DX development)
<b>Approach to business growth</b>	Do they aim to expand their geographic coverage and capabilities through M&A?
<b>Governance management system</b>	Is their upper management governance-minded? Do they have fundamental management systems such as management accounting, order pipelines, and human resources management in place?

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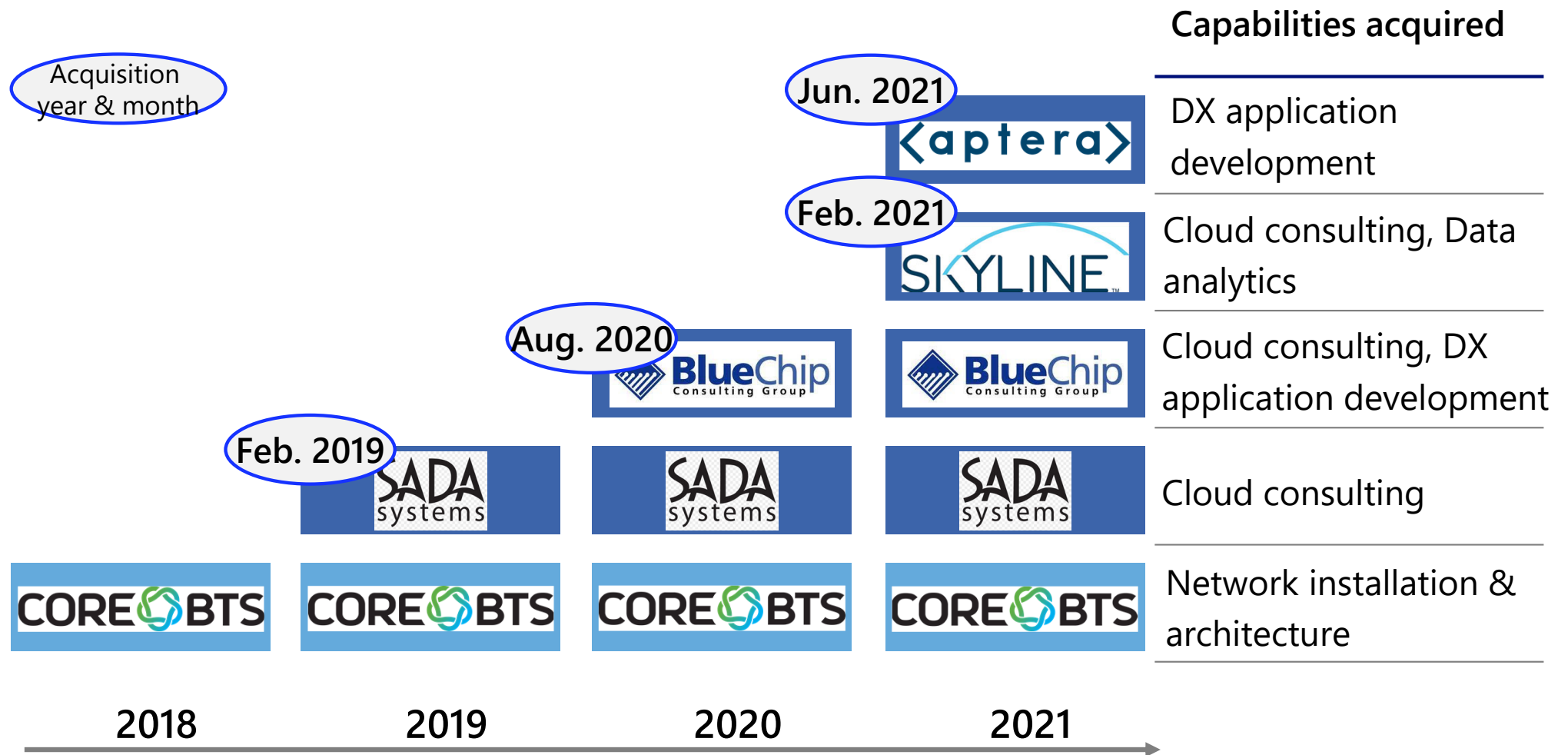
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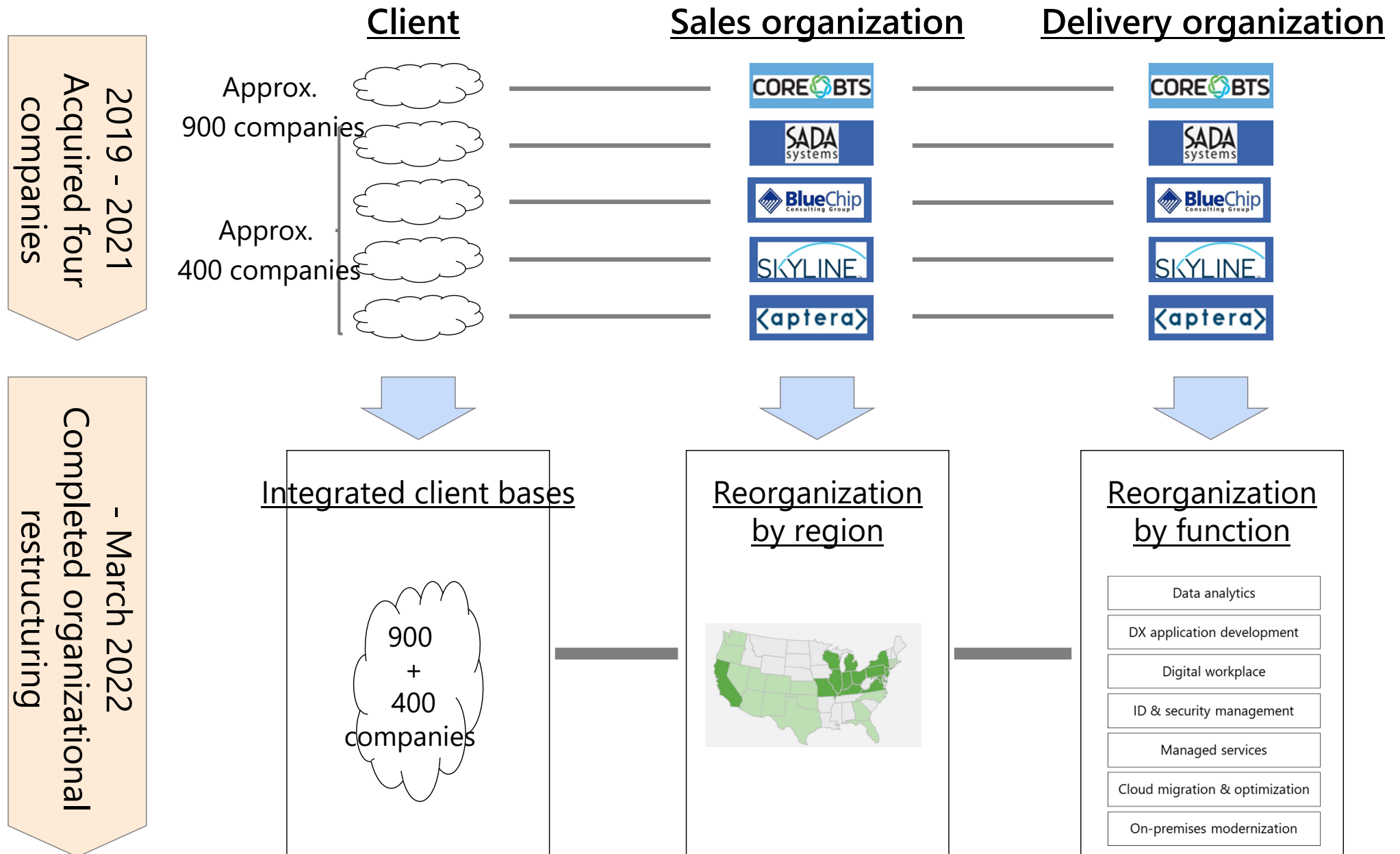
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# Core BTS Overview – Acquiring Capabilities via M&A

- Acquired four companies by M&A in three years since a new management team took over in 2018.
- Built a two-pronged business structure of networks and cloud consulting (Microsoft Azure) in 2021.



# Core BTS Overview – Organizational Restructuring to Generate Synergies from Business Integration



# Core BTS Overview – Reorganization to Significantly Bolster Competitive Strength

- Integrate solutions obtained through acquisitions and put together an organizational structure capable of building everything the client needs, from infrastructure to DX application development.
- Ascend to the rank of top-level solution partner in the US by bringing together highly skilled individuals.

## Significantly bolstered competitive strength by consolidating skills

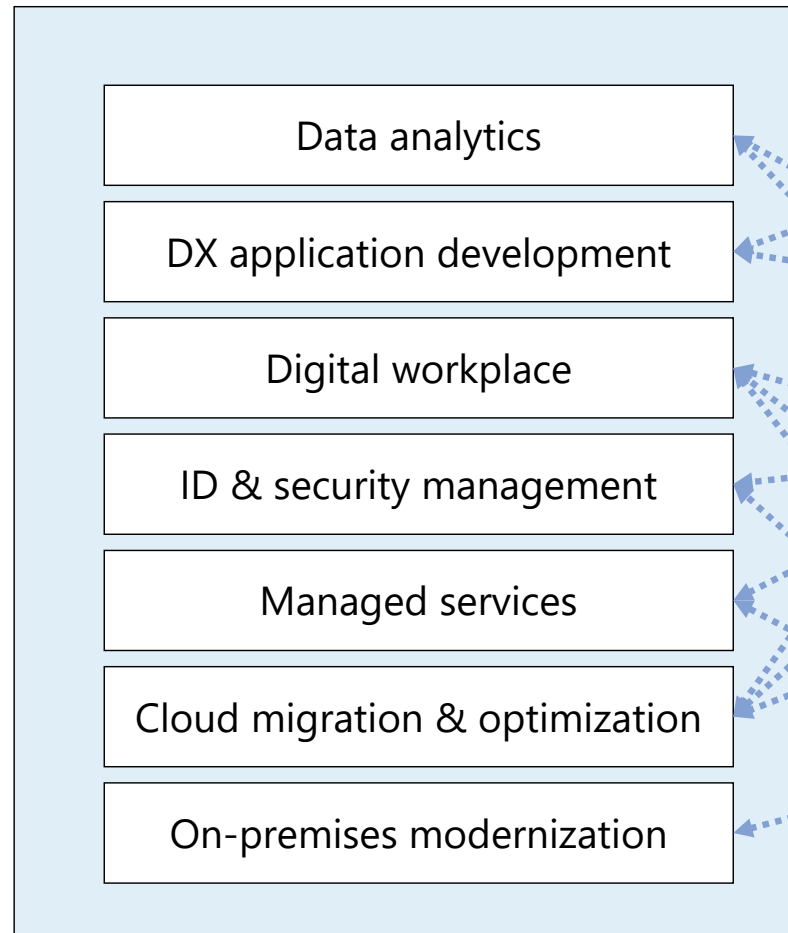


One of only 67 companies in the US recognized as Azure Expert MSP  
Employs 5 of the 39 recognized Azure MVPs in the US



Ranked among the top 25 channel partners in the US  
One of 15 Gold Partner companies holding multiple qualifications

## Functions reorganized to offer an improved lineup of solutions

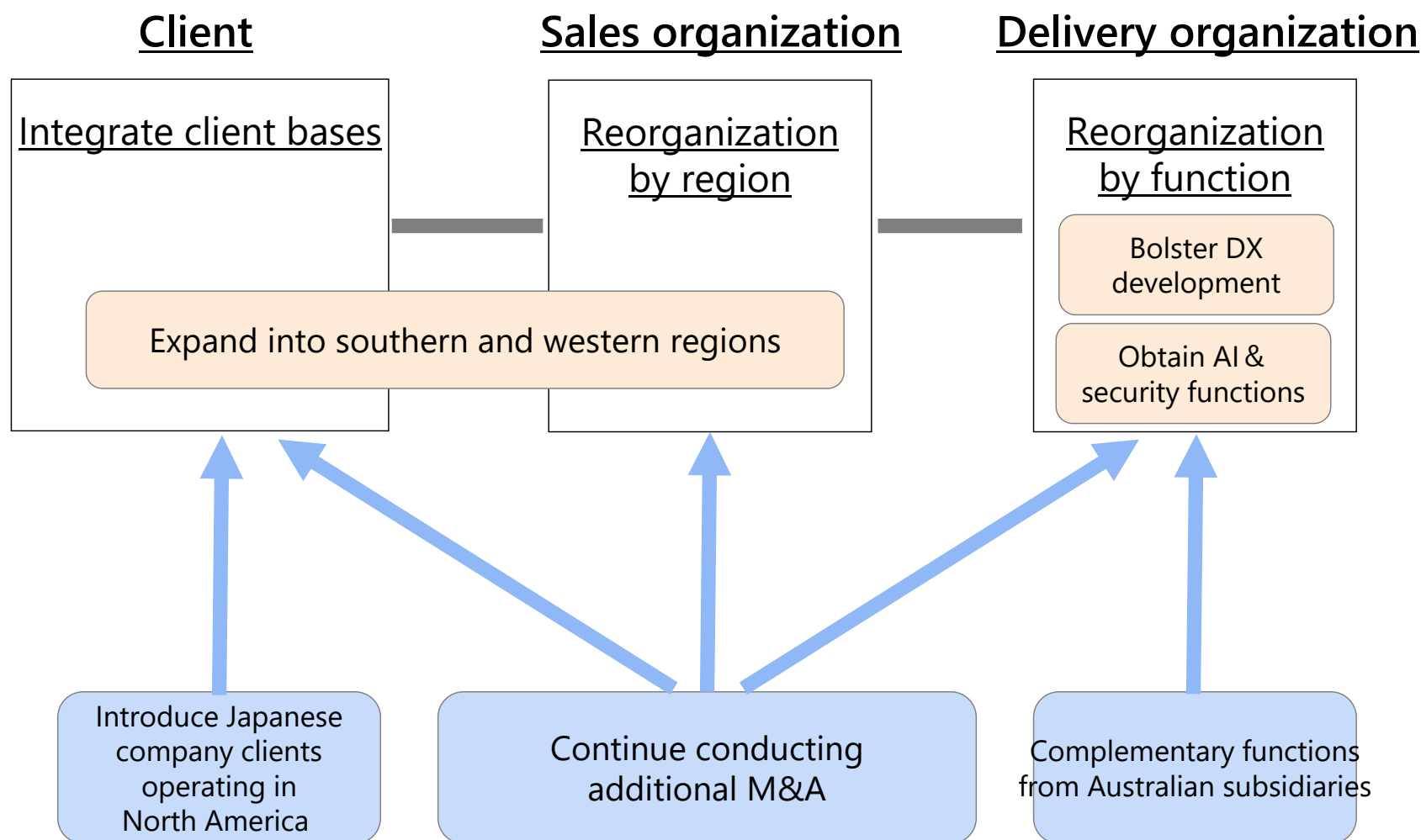


## Acquired mid-sized companies with separate specializations




# Core BTS Overview – Future Developments

- Continue to generate synergies from both client bases and better solutions through additional acquisitions and integrations of mid-sized DX companies.
- Also aim for synergies between Japan, America, and Australia by doing business with Japanese companies operating locally, adding complementary functions from Australian subsidiaries, and more.



# Core BTS Management Team


- They successfully merged and integrated management of the four companies in a short period of time, and they will continue handling management with sights set on additional acquisitions.
- From NRI, the executives in charge of global business (Tateno) and head office global (Ueda), as well as the CFO (Sunaga) joined as board members and began discussions on governance and strategy.



**Paul Lidsky**  
CEO

- Assumed role of CEO starting with involvement at the time NRI acquired Core BTS from its previous shareholder Tailwind Capital
- Previously CEO at Datalink, a listed company


(2018-)



**Kevin Thimjon**  
CFO

- Worked at PwC (Auditor) then served as CFO of various companies


(2020-)



**Dylan Pure**  
EVP & GM of  
Solution Delivery

- Previously director at PwC
- Four-company integration strategy leader

(2019-)



**Adam Davis**  
EVP & GM of Sales

- Has been an executive at Core BTS since its founding
- Previously head of network business, head of sales starting this year

(2004-)



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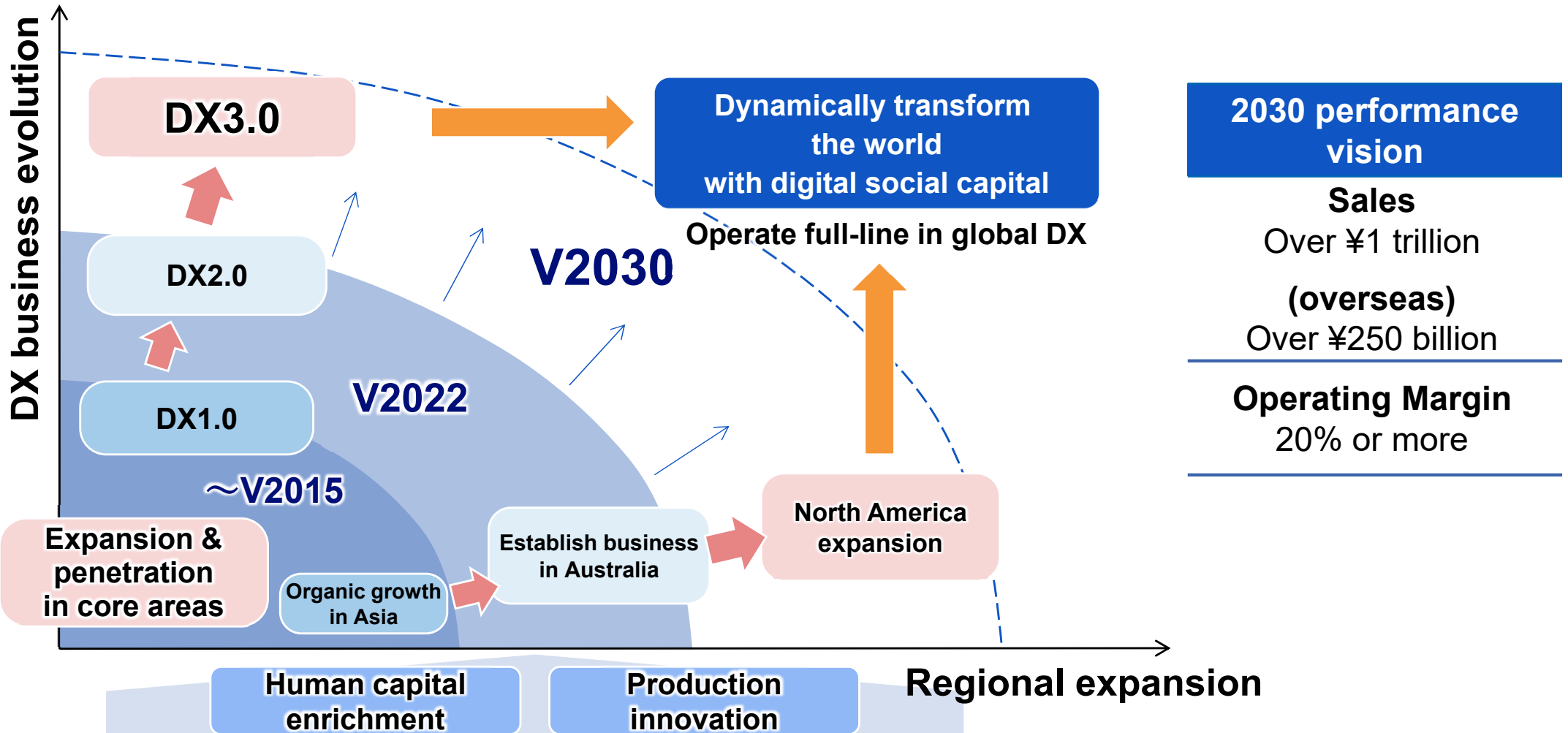
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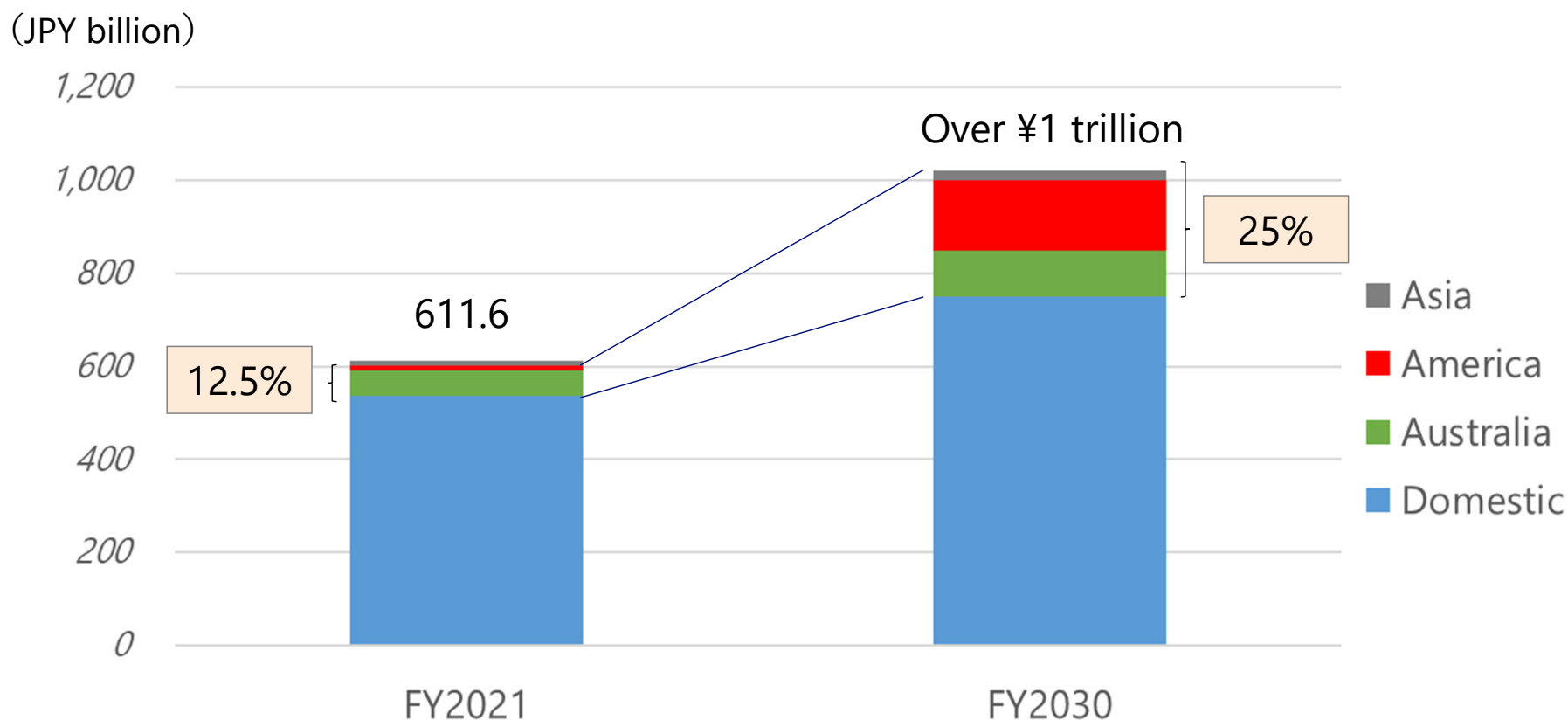
# Group Vision 2030 (Outline) Growth Story from Now until 2030

- **Core areas** : Lead **clients' value creation** through expansion and penetration
- **DX** : Evolve to **DX 3.0** with social impact transcending companies and industries
- **Global** : Deliver NRI-style DX **globally** while synergistically enhancing IP in each region



# Global Business Goals in V2030 (Concept)

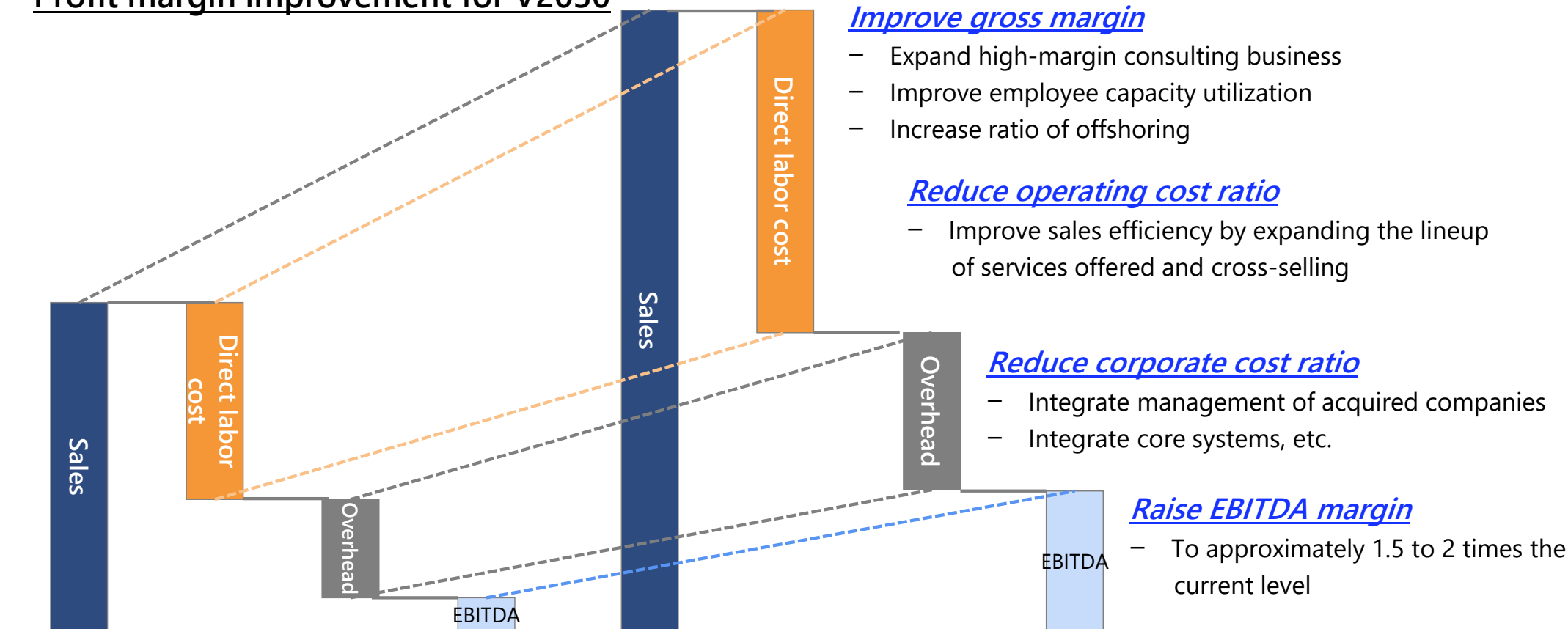
- Our goal for Australia is around 7% annual growth through additional smaller acquisitions and organic growth.
- We will build a business portfolio in which global business comprises approximately 25% of the total, aiming for 120 to 150 billion yen in 2030 in North American business via external growth through additional acquisitions of midsized to large companies.  
(Approximately 2.5 times the amount specified as the goal for global business in V2022)



# Approaches to Increasing Global Profit Margin for V2030

- Aim to raise EBITDA margin significantly by improving gross margin and reducing selling, general & administrative expense (SG&A) ratio.
  - In Australia, we plan to begin consolidating corporate functions and integrating core systems starting in FY 2023, while also raising the proportion of high-profit margin consulting business.
  - In North America, we aim to reduce the operating cost ratio by expanding our services lineup through additional M&A, and by cross-selling.

## Profit margin improvement for V2030



This document contains statements that constitute forward-looking statements. These statements include descriptions regarding the intent, belief or current expectations of the Company or its officers with respect to the consolidated results of operations and financial condition of the Company.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors.

The Company does not undertake to revise forward-looking statements to reflect future events or circumstances.

Figures given in the reference data related to the financial results forecasts are figures which are only intended to convey the Company's current circumstances and outlook. The Company does not undertake to revise the forecasts to reflect new information or circumstances.

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