AIL/SE/ECT/Q3/2024-25 February 17, 2025

To

BSE Limited **Phiroze Jeejeebhoy Towers,** **Dalal Street, Mumbai 400 001** **Scrip Code: 542752**	**National Stock Exchange of India Ltd** **Exchange Plaza, 5th Floor, Plot No. C-l, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051** **Symbol: AFFLE**

Sub: Transcript of the Earnings Conference Call for the third quarter and nine months ended December 31, 2024 conducted on February 10, 2025 at 10:00AM IST

Dear Sir/ Madam,

Please find enclosed the detailed transcript of the Earnings Conference Call conducted on Monday, February 10, 2025 at 10:00 AM IST to discuss the results and developments for the third quarter and nine months ended December 31, 2024.

The same is also available on the Company's website at https://affle.com/investor-relations.

Please note that the audio recording of the Earnings Conference Call was submitted vide our letter AIL/EC/2024-25/Q3 dated February 10, 2025.

Submitted for your information and records.

Thanking you,

Yours Faithfully,
For Affle (India) Limited

Parmita Choudhury
Digitally signed by Parmita Choudhury
Date: 2025.02.17 20:42:36 +05'30'

Parmita Choudhury
Company Secretary & Compliance Officer

Affle (India) Limited

Q3 & 9M FY2025 Earnings Conference Call

February 10, 2025

Management: 1) Mr. Anuj Khanna Sohum – Chairperson, Managing Director & Chief Executive Officer of Affle (India) Limited

2) Mr. Kapil Bhutani – Chief Financial & Operations Officer of Affle (India) Limited

Analyst: Mr. Rahul Jain – Dolat Capital Markets Private Limited

This transcript has been edited to improve the readability

Moderator: Ladies and gentlemen, good day and welcome to the Affle (India) Limited Q3 and 9M FY2025 Earnings Conference Call hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*', then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Jain from Dolat Capital. Thank you, and over to you, sir.

Rahul Jain: Thank you Aleric. Good morning, everyone. On behalf of Dolat Capital, we welcome you all to the Q3 and 9M FY2025 Conference Call of Affle (India) Limited. I take this opportunity to welcome the management of Affle (India) Limited represented by Mr. Anuj Khanna Sohum, who is the Chairperson, Managing Director and Chief Executive Officer of the Company; and Mr. Kapil Bhutani, who is Chief Financial and Operations Officer of the Company.

Before we begin with the discussion, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve some risks and uncertainties. Kindly refer to Slide 25 of the company's earnings presentation for the detailed disclaimer on the same.

I will now hand over the call to Mr. Anuj Khanna Sohum for his opening remarks. Thanks and over to you, Anuj.

Anuj Khanna Sohum: Good morning everyone and thank you for joining the call today. I trust all of you are keeping in good health. First and foremost, I must share that I feel deeply honoured to be re-appointed as the Chairperson of Affle for the next 10 years. Together with the continuing management role as the MD and CEO of Affle, this would ensure credible and long-term entrepreneurial leadership commitment towards Affle's 10x growth journey and the compounding impact on our shareholders value creation!

In Q3 FY2025, Affle delivered a landmark performance driven by our consistent focus on sustainable growth. For the first time, we surpassed INR 6,000 million in quarterly revenue, INR 1,000 million in quarterly PAT and achieved over 100 million quarterly CPCU conversions at the highest CPCU rate till date. During the quarter, we delivered revenue growth of 20.6% y-o-y and a PAT growth of 30.5% y-o-y.

Our focused execution on higher productivity, operational efficiencies and continuous innovation enabled us to achieve highest-ever EBITDA of INR 1,314 million and a record 245 basis points EBITDA margin expansion on a y-o-y basis. Our CPCU business delivered 103.3 million conversions at a CPCU rate of INR 57.8 and we earned CPCU revenue of INR 5,968 million, an increase of 25.0% y-o-y and 10.2% q-o-q.

In terms of 9M FY2025, we achieved revenue growth of 24.5% y-o-y and PAT growth of 32.9% y-o-y, and our CPCU revenue increased by 31.9% y-o-y.

With global digital spending continuously on the rise, we see significant opportunities across our top verticals and key markets. India and global emerging markets together contributed 73.6% to our revenue in Q3 FY2025 and grew by 19.7% y-o-y.

Speaking of developed markets, our strategic initiatives in the recent past to integrate platforms, teams and operate with a single local entity structure in the U.S. makes us well hedged, and it derisks us from any currency risks or tariff risk, thus ensuring business stability. In Q3 FY2025, we saw a robust growth of 23.3% y-o-y in developed markets, and it contributed 26.4% to our quarterly revenue.

Our consistent business momentum across geographies and industry verticals has strengthened the market position of our tech platforms. We continue to exceed our performance targets and are confident of delivering 20%+ growth in FY2025 and sustaining this growth trajectory ahead.

The global macroeconomic environment has been marked with uncertainty; however, our industry tailwinds remain intact. Return On Advertising Spend known as RoAS, and ROI are more critical than ever before for our customers. Our unified Affle2.0 Consumer Platform Stack and our conversion-driven CPCU business model positions us at the forefront of delivering scalable and profitable outcomes for our customers globally.

Our focus on innovation and investment in next-gen technologies, including AI, continues to strengthen our competitive moat. As we expand the use cases of our GenAI tech IP, we are proud to have received a new patent grant in India, further enhancing our comprehensive tech IP portfolio. We received the patent related to - System for switching and handover between one or more intelligent agent conversational agents. Additionally, we received one more patent grant in India that was already granted to us in the U.S. for -

Method and systems to utilize advertisement fraud data for blacklisting fraudulent entities. This underscores our commitment towards responsible adoption of emerging AI tech to drive value for our customers.

This quarter, we have included three customer approved case studies in our presentation. The first case study highlights our unique capabilities in scaling fintech services in India targeting high lifetime value (LTV) iOS and iPhone users. The second case study highlights our success in making urban mobility more efficient in global emerging markets with use of AI-led vernacular strategy and the third focuses on the E-commerce vertical, enabling deep funnel conversions in developed markets.

Our Affle2.0 Consumer Platform Stack continues to be recognized as a top performer and recently won the 'Best Partner Award' at 2024 OPPO Ads Awards, Silver award in 'AI and ML category' at the Maddies 2024, 'Best use of Martech' at India Digital Awards and multiple other awards at MMA's Smarties APAC.

Finally as also discussed in the last quarter's earnings call, to strengthen our governance, we have been onboarding new independent directors progressively since last year as part of the transition plan for some of the directors, who are completing their term this year. We aim to further augment our culture of tech innovations and entrepreneurial leadership with even deeper commitment towards consistent execution and attainment of our long-term 10x growth goals.

With that, I now hand over the discussion to our CFO, Kapil Bhutani, to discuss the financials. Thank you and over to you, Kapil.

Kapil Bhutani: Thank you Anuj. Good morning and hope all of you are keeping safe and well. We have continued to raise our performance bar to conclude Q3 FY2025 with highest-ever quarterly revenue, EBITDA, PAT and CPCU conversions.

In Q3 FY2025, we delivered consolidated revenue of INR 6,017 million with a robust growth of 20.6% y-o-y, led by a broad-based business growth across our key industry verticals and in India & international markets.

It also marks our 7th consecutive quarter of sequential growth with 10.8% q-o-q increase in revenue. This highlights our ability to build success of each previous quarter as we continue to execute our strategic initiatives effectively across our business units.

In Q3, on a standalone basis, India revenue grew by 34.7% y-o-y, while on an adjusted basis, India growth was about 19.8% y-o-y.

We delivered strong growth in operating profit with our EBITDA increasing by 35.9% y-o-y and 15.9% q-o-q. This resulted in EBITDA of INR 1,314 million, reflecting a margin of 21.8% of revenue compared to 19.4% margin in Q3 last year.

As guided in our previous calls, we continue to calibrate our platform offerings on to premium inventories, touch points and deeper ecosystem level partnership. Despite these ongoing calibrations, our unified Affle2.0 Consumer Platform Stack continues to provide us operational efficiencies across our tech platforms, resulting in further decrease in our inventory and data costs, which stood at 60.3% of our revenue in this quarter versus 61.1% in the previous quarter sequentially.

Our employee costs increased by 1.5% q-o-q but declined by 6.5% y-o-y, as our past investments in human resources coupled with integrated team strategies, continue to provide us efficiencies over the last 4 quarters, thus normalizing our human resource cost.

Other expenses stood at 8.3% of the revenue versus 7.6% in the previous quarter, increasing primarily on account of our ongoing investments in business promotion activities to further capitalize on emerging opportunities across markets and maintain our growth momentum ahead.

We continue to deliver higher Profits Before Tax. We achieved a Profit Before Tax of INR 1,237 million in this quarter, with an increase of 48.4% y-o-y and 9.0% sequentially.

Our Profit After Tax for the quarter was INR 1,002 million, marking an increase of 30.5% y-o-y and 8.9% sequentially.

Our operating cash flow for the nine months period was INR 2,837 million.

We continue to prioritize efficient working capital. As such, there were no material changes in our collection risk.

Our robust financial performance supported by a healthy balance sheet and strong cash flow generation has further cemented our competitive position in the Adtech industry. With performance advertising on the rise, we are well-positioned to seize emerging opportunities, driving sustained growth and continued success through FY2025 and beyond.

With this, I end our presentation, let's open the floor for questions.

Moderator: The first question comes from the line of Rahul Jain from Dolat Capital Markets Private Limited.

Rahul Jain: Congrats on strong quarterly execution. My question pertains to how you see the environment both on the developed markets side and the emerging markets side. I specifically want to understand how the holiday season for retail space has played out because the commentary that we are hearing from the IT peers is that this has been a very strong quarter, and it was a strong holiday season.

Similarly, in India, there is a lot of consumption theme buzz right now after the budget announcement. So, what is your view on both the sides? Secondly, how does that should shape up the seasonality for Q4 this time versus last time?

Anuj Khanna Sohum: Thank you for your question. In terms of the overall trend lines, you can see from our commentary and discussion that it is an all-around broad-based growth momentum that we have seen for many quarters and for many years in our company and this year is no different.

This year, we are also seeing a lot of operating efficiencies coming into play, and that is because of the successful integrations and strategies that we put in place as well as our very good adoption of AI technologies across the board, helping our customers to get higher ROI and RoAS so that we can defend our prices.

While the volume is going up and the business is growing, we are able to also increase our pricing. That is showing the strength and the premium nature of our business and that applies across verticals, across markets, be it India, emerging markets and even in developed markets. That momentum should definitely support our trajectory.

Of course, in any advertising business, there is some seasonality. If you look at the historical track record of our company, we have always seen Q3 being the highest quarter and Q4 being flattish or sometimes a little bit lower than Q3. But given where we are today, our goal is to stay inspired.

What we did in Q4 last year was we had beaten Q3 even though it was still flattish, and that seems a long-term trend that we are able to beat or meet Q3. So yes, seasonality plays an effect in Q3, but we have an overall growth momentum that is also helping us.

When we go ahead and we get more budgets from our advertisers, it's not only about seasonality, it's about delivering performance, giving them ROI, RoAS and that becomes a strong case for winning new customers & getting more budgets from existing customers. We are hoping that Q4 will continue to be in line with what we have seen with Q3 and hopefully expecting more bottom-line efficiencies as we execute.

We are optimistic. It's not only about Q4 but also going forward into the next financial years ahead, our commitment to deliver long-term 10x growth kind of goal that we have set for our company is intact. The thesis is intact and we are confident that we are on the right trajectory.

Moderator: The next question comes from the line of Vijit Jain from Citi.

Vijit Jain: Anuj, if you could broadly talk about how the overall ads ecosystem outside the big guys (walled gardens), has changed over the course of last 1 year. Any interest from your side in acquiring any supply side platforms or businesses now that it's been about 2 years since you last did acquired and integrated YouAppi?

I asked that question because I keep seeing all these commentaries which suggest that having more first-party data or having more end-to-end offerings is attracting a lot of ad dollars, especially in the developed markets? Do you see that overall theme playing out? If you can give an overview from your vantage point? That will be very helpful.

Anuj Khanna Sohum: Sure. One of our key unique aspects is that we offer a unified platform. It's an end-to-end unified platform and where we highlight a specific point that we are unifying and simplifying an otherwise fragmented and complicated digital ecosystem.

What are we offering to our advertisers – It is end-to-end ROI-driven conversions with consumers, which includes not just the demand side, but also the supply side and all the other technology components that go within the system to deliver the end conversions.

We are clearly a unified end-to-end platform. Of course, the revenue comes from the advertisers. Hence, the demand-side platform typically gets a lot of attention. But when you look at our whole structure, the Affle2.0 Consumer Platform Stack, that is an end-to-end platform and its is a complete platform.

Should we still look for an acquisition, whether on demand side or on supply side? Well, that depends on many factors. Typically, if you look at all our acquisitions, we have had a long gestation period. You may have seen a lot of acquisitions done since IPO, but we are very selective. We always wait for the right time. We look at the targets carefully. We integrate them fully, maximize them fully and then we look at what's next. We are going to be careful in terms of what we do in terms of acquisitions next, but there is no particular gap in terms of our existing platforms capabilities or the comprehensive end-to-end capabilities that our platform today offers into the market.

You talked about it highlighting the developed markets, where it's slightly different. I believe the fundamental thesis is the same. When we are going out and executing in developed markets, we are looking at premium touchpoints. We're looking at CTV, iOS devices, giving a CPCU-led conversion model, differentiating verticalization of our platforms and going into different industry verticals, serving those customers with ROI-oriented outcomes, and that is holding us in a good stead.

Also, the customers are looking at learning from us. We are a thought leader in the market. We are going out there and sharing with them how we can deal with the new age GenAI use cases, whether it is in creative creation, content creation or even on Governance. How do you fight digital fraud where GenAI could be used in a good way or could some people, some actors out there use it in a bad way. Affle is not only creating patents but also creating use cases demonstrating that we do responsible adoption of AI.

All of these factors, when you put that together, we have a strong competitive moat and a competitive advantage as we go out and execute. This is not something that we are now pivoting towards. We have always maintained this position of our platform since a very long time.

Since our DRHP or the draft presentation roadshow, from 2018 to 2025, we are consistently talking about being an end-to-end platform, and these capabilities are inherent in our approach to the market. I hope that answers your question .

Vijit Jain: Yes Anuj, that's helpful. My second question is just on the employee cost side. I believe the expectation at least I had here was there were going to be wage hikes in some geographies this quarter, but I see that the employee costs are down 7% Y-o-Y. So if you can just explain, is that just ongoing integration efficiencies and those kinds of things? Or is there more to it?

Anuj Khanna Sohum: Absolutely. When you compare last year to this year, we have completed the full integration of all our platforms. Across markets, we have unified the teams, the entities and so on & so forth. There are some efficiencies that have also come from there.

Of course, people have got appraisals. That's why you see sequentially, our cost has gone up. We do take care of our teams well. We also have a comprehensive stock option plan which many employees are a beneficiary of. Overall, we have a comprehensive structure.

The team is super motivated and aligned. We are also enhancing the internal operating efficiencies because almost all the teams and departments are leveraging, not just the assistance, but the automation and the autonomy that we are deriving from using GenAI capabilities internally.

Hence, we are able to do a lot more, a lot faster with the same number of people. So people can get paid more, they can be even more productive. We don't need to increase our workforce dramatically. We can keep growing our revenues and our productivity without increasing headcount. I believe that you will continue to see, especially in tech platform-driven scalable companies and businesses.

We are certainly one and we are realizing the full power of it. It's quite a fantastic thing that has have happened to us. We are unlocking new use cases and new ways to drive even higher productivity. Everybody is way more productive and therefore, that leads to employee satisfaction and the value creation.

Moderator: The next question comes from the line of Swapnil Potdukhe from JMFL.

Swapnil Potdukhe: My questions are mainly growth related, and I will start off with your emerging markets growth. My back of the analysis says that there has been some tapering of growth in Other emerging markets in this particular quarter.

Just want to understand, is there any particular reason for that? Or is it macro related?

I mean it would be great if you can just help us understand how does your growth stack up versus the underlying market growth in other emerging markets? Also follow-up to that, a similar analysis to your 19.8% growth in India for this quarter versus the broader digital Ad tech market growth in the country?

Anuj Khanna Sohum: All right. First of all, I am satisfied with the broad-based growth and performance of our company. The emphasis for us this year consistently has been on deriving not just growth, but growth together with deeper profitability and better pricing.

It is not just to be seen in one dimension of growth. It has to be seen as premium growth, premium conversions, better price conversions and better profitability. We are choosing the business that we want to do in order to achieve the growth that we have, while attaining all of those metric points leading all the way down to positive free cash flows.

When we work across emerging markets, it's extremely important to know how you are pricing the customers. Generally, the willingness of a customer to pay or how promptly they eventually pay to us; all of these factors are considered when dealing with customers and we have a very disciplined execution.

The sales team can bring an order, but until we go through the check on all of the fronts, whether the pricing is right, whether the payment terms are right, we make sure all of that is taken care of and then we onboard the business or a campaign.

I am satisfied about this approach because that shows disciplined, sustainable cash flow positive and profitable growth for our company, and that's what we are achieving across markets.

This discipline is important because our company is running across so many countries and therefore, the process to ensure that we are achieving each of these metrics well and therefore, delivering sustainable and sensible growth is what you are seeing in the results. There is no other factor to that.

If we look at it from one quarter to another, I suggest you should probably do the analysis back of the envelope even on a broader sense and you would find that it is sustainable, sensible growth, and there is no real trend of tapering off or any particular concern on that front.

I, as a CEO don't have that concern that we have any area of tapering of growth. It's a sensible execution that I am pushing for in the company.

The same goes for India. We are always making sure that just because our business volumes are growing, there should be no customer coming out and saying, "Can I get a discount? Or can I get a lower pricing and so on?" We keep it competitive, premium and that has been our approach.

Swapnil Potdukhe: Okay. I get your point on the sustainable profitability improvement as well while pushing for growth, which is evident on your gross margin. You have been able to maintain or slightly improve the gross margins. But if I were to just extrapolate that, are you suggesting by any chance that gross margins will keep on improving, and henceforth, we are close to around 39% right now. Should we see that improvement going ahead? In pursuit of that, you are okay with slightly less growth versus the broader market growth?

Anuj Khanna Sohum: No, I wouldn't say that. We are an aggressive company. We are not saying less on anything. It is not always a trade-off. We have a business plan of achieving long-term 10x growth for our company. On that business plan, you have to calibrate and say how much growth at what parameters.

For each of those parameters, revenue growth, margin percentage, operating efficiencies, profit, cash flow, we are monitoring all of those metrics in an integrated fashion. Therefore, it is important for us to make sure that we must achieve all of them, it's not just one of them. It's not okay to say that let's go for margin and okay, let's go for lesser revenue. No, it's not like that. We can get all of it.

But we need to be positioning ourselves right. If we position ourselves for right kind of customers who will continue to increase their spends, who will pay us well, who themselves make enough ROI from those consumer transactions that they don't mind paying us what we ask for earning for ourselves. Now that's where we are going.

So give the clients premium conversions, high LTV consumer conversions. Then you can extract the right kind of margin, the right kind of execution and then internal efficiencies come into place. We are looking at it holistically. I don't think it's a necessary trade-off. So far, we have not reached that place in terms of a trade-offs.

We have a plan and we stick to it. If we are achieving that plan with all metrics achieved, that's the outcome we look for in every result that we're aiming for.

Moderator: The next question comes from the line of Arun Prasath from Avendus Spark.

Arun Prasath: Anuj, my first question continues with the previous participant's discussion. So what I infer was that in emerging markets, probably there are some pockets of challenges in collecting money and hence you let go of those business or chose not to take the business, and hence, in the emerging markets, growth is lower than the developed markets. Is this the right takeaway from your explanation?

Anuj Khanna Sohum: No, I don't think that is correct. What is the right way to understand what I said earlier is to say that we are not looking at it only at one dimension. What we are saying is that there are many kinds of organizational cultures. There are some companies where sales is king. Anybody brings an order, okay, let's just take it on, even if it means there is lesser margin or even if people think they can solve the problem later on.

Affle's culture is not that way. The DNA of the company is that we will look at all the metrics to be achieved successfully in all campaigns in all markets across all customers. That's disciplined execution should not be seen as there is a certain element of risk.

Let me give you a simple example. At any given moment when, let's say, you are using your device and we can show you one ad. Now to you as a consumer, we will show you, say, one ad at any one given moment, which ad should we show?

The decision-making algorithm that is working on this is saying, what is the probability of getting the conversion from this person? Therefore, let's show a particular advertiser's ad. But then you would also look at which advertiser is bidding at a higher price for that moment.

If we get a higher price, is that going to translate to higher margin? If it translates to higher margin, will we also eventually get the collection? The whole risk management algorithm from first consumer decision-making to conversion decision-making to profitability and margin and cash flow decisions, is all seeded as part of the algorithmic decision-making, which is made in split seconds.

When there is a moment of truth, when are you on your device, you're using an app, the algorithm that's working behind is doing all of this calculation in every split moment of decision-making. It's not like Kapil and Anuj are sitting there and just saying, okay, let's not take this or take that.

Even if we take all the business on board and without putting the necessary checks and balances, the technology stack as well as the DNA of the organization will insist otherwise because even the salespeople, they earn commissions only on collections. Even the salesperson is going to check themselves and the algorithm will check.

This is a sensible, sustainable profitable growth plan and execution DNA of the company. That's all that I'm saying. Now I'm not sure why you would want to interpret it as a trade-off between revenue or collections or something. This is the algorithm. This is the DNA of the company.

Arun Prasath: Anuj, thanks, that's already a broad explanation, but I just wanted to double check on the disparity - I mean slightly better growth in developed markets versus emerging Markets. Is there any single driver that you would like to point out, say, a certain verticals doing well or certain geographies doing well, which is not doing well probably in emerging Markets?

Anuj Khanna Sohum: I would just say that in terms of the organizational emphasis, you would have seen that we were last year turning around developed markets. Therefore, there is a certain momentum that it creates in terms of where are you attending more marketing events, where are you investing a bit more effort in terms of thought leadership and so on.

It's just a case of organizational momentum. I don't think it has to be read into anything. We are constantly calibrating towards maximizing growth in all regions, but there could be an effect of the fact that we were so deeply focused on turning around North America, we are seeing a natural momentum carryover effect of that, and I think that should continue.

I wouldn't read into it as if there is any weakness in one or there is any unique carved out strength in any vertical in developed markets. But what I am seeing it is broad-based growth across all markets. To me, the trend lines look fairly sensible on a broad basis.

Arun Prasath: Yes. Understood. My second question is on our past acquisitions, especially Jampp and YouAppi. Now would you say that in terms of what you can control and what they can do, you have done completely all of that. I am sure you would have done that. But in terms of output, that is in terms of let's say, margins or profitability levels, do you think we have reached the levels satisfactory to you? Or is it still some way to catch up from the rest of the portfolio?

Anuj Khanna Sohum: I am satisfied with what we have done so far in integrating, turning around. Acquisitions are not always straightforward, but the kind of conviction with which we have done the integration and the outcomes that we have seen, I would say that our team has done a fantastic job of making sure that each of our acquired businesses has been integrated properly.

Of course, there were many challenges, but also in terms of margin expansion, optimizing for greater growth or cross-selling, upselling opportunities, the technology stack efficiencies. I wouldn't change too much in terms of what we are looking out as outcomes.

But going forward, there are some new opportunities of greater scalability and better efficiencies. We are still work in progress on that as an organization. We will keep tapping into that and hopefully deliver better results as we go along.

Arun Prasath: Just that in terms of profitability gap, do you think still you can close the gap? Or this is the kind of a steady-state level for those acquired platforms like Jampp and YouAppi?

Anuj Khanna Sohum: The integration is complete. Now, I would no longer go and look at it on a piecemeal basis that, okay, let's optimize this or that. Because once you integrate everything over a period of 3 to 5 years, it becomes harder to separate it out and measure it or optimize it like that.

But as a holistic, one whole cash flow generating unit, there are efficiencies to be extracted, and that has to do with various things that I already talked about in my comments that we are working on and optimizing & making sure that we can be even more efficient than we have been. There are certain initiatives that are still underway that will extract better efficiencies going forward.

Arun Prasath: Understood. Finally, if I can squeeze in one bookkeeping question for Kapil. Kapil, can you share what is the proportion of our revenue which is fully invoiced, billed and received in U.S. dollars or the currencies which catered to the U.S. dollars?

Kapil Bhutani: The international market business that is our non-India business is predominantly in USD.

Arun Prasath: Including in emerging markets, we bill it in USD?

Kapil Bhutani: Yes. Most of our entities, except in India, work on USD as our functional currency.

Arun Prasath: So, roughly 2/3 of our revenue is billed in U.S. dollars?

Kapil Bhutani: Yes approximately. You can say that approximately 2/3 of that can be in U.S. dollars. However, as our cost of operations are also in USD, it's all naturally hedged.

Arun Prasath: So, our costs and revenue are both in USDs at a margin level. With rupee depreciation, should that help us at the margin level?

Kapil Bhutani: As I mentioned while answering your first question, our cost of inventory and data costs are also in USD predominantly. So if my revenues are 60% in USD, then 70% of my cost is in USD. That's naturally hedged for us. There are no major exchange gains or losses, which we confront.

Moderator: The next question comes from the line of Deepak from Sundaram Mutual Fund.

Deepak: Congratulations on good result and crossing 100 million converted users. If I look at your CPCU rate, now this is the highest CPCU rate we have delivered in this quarter. You have indicated that in the past also that as we go more premium, this is likely to inch up further, which is showing in the numbers. But those premium inventory come at the premium cost as well. But if I look at your inventory cost per converted user, it has largely remained flattish Q2 to Q3. We have managed it well. I wanted to understand how did we do that? Is it because we are doing more OEM-level partnerships where we are able to negotiate better ad placements? Or is it less to do with experimenting with marketing campaigns? What is that which is helping us maintain our inventory cost lower, but our CPCU rate going higher?

Anuj Khanna Sohum: I would attribute that completely to the strength of our platform and algorithm and not to some one-off here or there partnership or cases or a particular category of execution. End of the day when our platform operates, it looks at consumer conversions without being biased by a particular category of inventory. We are talking about billions and trillions of data points being processed and decisions being made on the fly. The only reason for us to do that efficiently is by not just targeting premium consumers, but also knowing that premium consumers means that you can't bombard them with ads.

You just want to make sure that you show the minimum number of ads to get the maximum number of conversions and that's the job of algorithm, and we are doing it well.

Deepak: Okay. Second question is to Kapil. What I could see is that whatever cost we are saving on the inventory front, we are investing back into the business. That is why our other expenses is kind of elevated. It was 20% Q-o-Q growth. I understand that because Q3 is a seasonally strong quarter for us. So going ahead, what could be the quarterly run rate of these Other expenses? Will it come down because it was more to do with seasonality?

Kapil Bhutani: As mentioned in our previous calls, we have been focusing on attending a lot of events from last 5 quarters. You would have seen increase in this line item steadily. We expect that this line item to stabilize or grow a little as our focus to reach out to or convince the customers is going to be there for the next 4 quarters. We want the customers to get more understanding of how to get more RoAS or ROI from the campaigns they run with us and how to compare us with other clients.

Deepak: Okay. Then, sir, what would be our margin target, let's say, going forward in FY26?

Kapil Bhutani: We are expecting EBITDA to stabilize at around 23% in the medium-term, and PAT to be around 17% to 18% in the medium-term.

Anuj Khanna Sohum: Medium term doesn't mean the next year, it just means that over the course of the business growth plans of the company, we will obviously keep inching up as we go along.

Kapil Bhutani: Just one line, if you will see last 3 quarters of the previous year and these 3 quarters, this is where our emphasis is to reach out to and educate more clients on our business on how we are delivering better than the other competitors of ours.

Moderator: The next question comes from the line of Lokesh Manik from Vallum Capital.

Lokesh Manik: Anuj, congratulations for being the appointed Chairperson for the next 10 years, alongwith continuing as the MD and CEO. We hope we will have the similar journey what we have seen in the last 6 years as well and maybe more. Anuj, my question was on the Facebook coming out with Advantage+.

Now it seems that they are enabling their own users or their own advertisers to optimize their campaign. Does this become a competitive threat for us in the sense that they have been thrown to not share data, but through AI, they can solve that problem for advertisers? Do you see that as a threat in the long term with the walled gardens?

Anuj Khanna Sohum: Look, the fact that each of these platforms have to adapt to the needs of the advertisers seeking higher ROI and higher RoAS and to open up a bit more. That is a good trend line and that's the trend line that will help us a lot more because still a lot of the advertisers have the inertia of spending for impressions and clicks versus going for deeper funnel conversions or paying for deeper funnel conversion.

This is a positive trend line. As far as the advertisers' budgets are concerned, at least in the last two decades, we have seen that the advertisers' budgets have been earmarked separately for some of the walled gardens and then a separate bucket for dealing with the non-walled gardens. We have seen that the spends on the non-walled garden side are growing. The thesis is clear that it should grow more because the advertisers are over-calibrated on how much they have been spending on Facebook or Google. So, going forward, I expect the balance of power to shift. As the advertisers become better aware of what's out there as well as with automation and AI, we would see a greater amount of budget spends moving out from the organizational inertia because the advertisers today have big teams just working on Google, big teams just working on Meta or Facebook.

So a lot of times, the budget allocation is because of the internal organization structure that we have these big teams, we have to give them that budget. I believe over the next few years, we will see a transformation, where budgets will balance out more in favour of the non-walled gardens platforms, and we think that we will be significant beneficiaries of that.

I don't see a threat with respect to what Meta is doing at the moment. What we see instead is an opportunity that we could go to the advertisers and educate them and say, "Hey, open it up. Open up the budget, and let's see, let the optimization algorithms dictate where the end goal will lead to better performance."

Now let me give you one insight. If you talk to the teenagers today, I believe most of them would tell you that they are not using Facebook as much. That's a challenge, at least in the markets where I have direct connect, or even in my own family, I see no young teenager using Facebook. Facebook has a very our generation kind of a usage pattern, but the youth is not on it. That's the problem, because the advertisers know that they will go after this particular segment.

If you look at emerging markets where there are new rural to urban users who are new smartphone users, who are emerging in India, Indonesia or Africa or Brazil and all of these markets, again, those guys are not having that affinity that, hey, I am going to go to social media and post something on Facebook. The trend lines are shifting and a lot of the government regulations clipping the power of some of these bigger platforms for various reasons, regulatory or otherwise, is actually working to our advantage. I am not seeing it as a threat at the moment at all.

Lokesh Manik: Understood. But even from the point of view, these tools basically enable the internal team of advertisers to become more competitive versus you where you have that edge today to deliver better ROI based on your tech stack. From an enabler point of view, for these walled gardens to enable the internal team, does this increase the competition for you between the advertisers' internal team and you to allocate budgets?

Anuj Khanna Sohum: Not exactly. We also give our platforms and tools to those advertisers and the teams, and we are also educating them that it's competitive bidding. For example, Advertiser A is competing with Advertiser B to drive conversions on Affle's platform. Those teams have the tools and the ability to say, "I want to bid higher because I want higher volume." Otherwise, they are not getting enough conversions from Affle's platform if they don't bid high enough.

That is how we are able to maintain our premium pricing. We have around 1,000 advertisers campaigns live at any given time, and we have to show one ad. For a platform like ours, we also empower the advertisers and we believe that this is not a scenario where the internal teams should not be empowered.

We have to bid and optimize for how much conversions they are looking for, and it's competitive bidding. If they price themselves for conversions too low, Affle platform and algorithm will not serve out their ad campaign because the other advertisers are willing to bid higher and get it. It is very competitive and we as a company, have always gone out and empowered our customers. About 75% of our revenue is direct with customers and about 25% of it through agency platforms. We are very much advocating to the agencies as well as the advertisers, that their teams need to be empowered, educated, given the tools to see in real-time what is happening in their campaigns with full transparency.

In terms of the model, if they want higher volume, they have to pay more, and that is how we are keeping it aligned. I don't see that as a threat. The kind of users that Facebook can convert for these advertisers versus the kind of users that we can convert for these advertisers might be very different. There is no apple-to-apple comparison.

Moderator: The next question comes from the line of Ashwin Mehta from Ambit Capital Private Limited.

Ashwin Mehta: Anuj, congrats on a good set of numbers. One slightly futuristic question in terms of - we were in an era where we used to separate out non-genuine machine traffic and focus on human conversion, but with Authentic AI, you will have machines driving conversions. How are we preparing for that? How soon can this emerge as one more mode of conversion?

Anuj Khanna Sohum: Thanks for asking that question. For benefit of everybody else, let me be a bit more descriptive. What is being asked here is that when we talk about fraudulent entities, we fundamentally, in the past, could simplify it and say that these are non-human entities or fraudulent bots. Going forward, there will be a new entity, which is, let's say, authenticated bots or agents acting on behalf of entities which could be organizations, could be individuals. Some of those entities might also do some conversions online.

For example, your refrigerator might be empowered to place an order for certain groceries up to a certain price limit based on a refrigerator home agent, which is acting on a delegated behalf, where it says, okay, it's INR 1,000 every week you can spend on buying groceries. Now, how do you sort of see whether that is an authentic agent or is it a non-human interaction.

The wild visualization of the future all of us can do, but in terms of adoption curve, the adoption of AI and the adoption of such intelligent agents is today faster than the adoption that we saw of Internet and the adoption that we saw of PCs prior to that.

If you look at the technology innovation landscape, and in that, you see how quickly personal computers were adopted. How quickly in an organization everybody must have a personal computer. How quickly everybody must have a smartphone to how everybody should be connected to Internet. Now the adoption curve of AI or GenAI by end consumers is clearly faster than all of what we have seen in the technology world. These possibilities are real, and they will certainly happen. If you look at our patent portfolio, how we are talking about verticalized, specialized agents, conversational agents, switching of context from one to the other, how do we take care of fraud in these kind of context where there could be impersonalization, where somebody is acting, or you have an authenticated agent and where other agent is acting as if it's your agent - all these complexities will certainly come in.

We have to the largest extent built that into our roadmap and it's already indicated in the IP portfolio. Some of the patents are already granted, as I talked about earlier, but we are clearly on that path and keeping ourselves future proof and future ready.

Ashwin Mehta: Okay. Sure. Just one bookkeeping question for Kapil. What was the intangible's capitalization for the nine month period?

Kapil Bhutani: It's about USD 12 million for the nine months. We are broadly in line for the last 3 quarters.

Moderator: The next question comes from the line of Chirag Kachhadiya from Ashika Institutional Equities.

Chirag Kachhadiya: I just have one question. The pace of development and innovation in AI is moving at rapid scale. Do you think any way it will impact our business model going forward? The way cost curve is falling in developing LLM and AI that we have witnessed in past 1 month. Your thought on the same thing?

Anuj Khanna Sohum: There are two three sort of aspects to looking at, when you look at technology progression. There is technology progression at fundamental scientific level, where people are still building the underlying layers of science to power AI. Initially, the cost of doing that is very high. Then with every incremental change, the cost becomes lesser and lesser. What we have seen with computing earlier, those computers were quite expensive to make and then became cheaper and cheaper, more power inside the hands of the consumer at a much more affordable cost.

From core scientific progression to what we call applied science, once it goes into an application level, and you start seeing more applications coming, so those becomes more bite-size, more usable and even a layman can start sort of using that. That's sort of one dimension of the technology curve that we are talking about, and that's linked to the earlier question from Ashwin as well.

The second part of it is in terms of business model. The business model that we are offering is a fundamental business model. The fundamental business model, meaning that we are taking the risk off the table from our advertisers while giving them full power, transparency, trackability as well as their ability to decide their budget and pricing. But we are taking the risk factors out of them in the sense that once they get a conversion, that's when they pay.

For example, when Ashwin asked, what if there is a fraudulent conversion? So when there's a fraudulent conversion that the chances of a non-authentic bot paying on behalf of you to deliver something to you is highly unlikely. But if it does happen, as far as our advertiser is concerned, they would only pay when they receive the ROI.

The point that I am making is that we are taking the risk off the table from our advertiser side and therefore, ability to command premium pricing, conversion-led pricing, taking the onus of technology innovation and dealing with that in comprehensive ways is a defensible and long-term business model. When you do outcome-led pricing, that is actually the holy grail of business, where you are telling somebody I am going to deliver you X value and when you get that X value, then you pay me a proportionate justifiable appropriate value from it. That is a strong business model.

The business model will hold good going forward, especially when the complexities and technology go up, the need for a tech platform like ours, in between to bridge that, to simplify that and to unify that for the advertisers, while keeping them derisked and saying you pay when you make money, is, I believe, defensible, but I will still watch it closely.

If along the way we see that any fine-tuning is required to the business model, then we will keep the market and the stakeholders proactively informed. But at the moment, our business model is robust and defensible. It is based on financial fundamentals that shouldn't change.

The need for our tech stack and platform and to de-risk the advertisers is only going to increase. The complexities are going to increase. There is a need for a tech platform like ours and therefore, the dependence of advertisers on a platform like ours and willingness to pay for it, should only become better going forward in my opinion. But let's wait and see how the world unfolds.

Moderator: The next question comes from the line of Rucheeta Kadge from I-WEALTH.

Rucheeta Kadge: Sir, most of my questions are answered. My only question is on the taxation rate. Going forward, what should we assume?

Kapil Bhutani: Our long-term tax rates will be in the range of 19%, plus / minus a few basis points on a long-term basis.

Moderator: The next question comes from the line of Onkar Ghugardare from Shree Investments.

Onkar Ghugardare: My question was actually a follow-up to the earlier questions asked about tapering of growth. If you see the percentage growth, it has been coming off, even though you mentioned that you are choosing the growth which is favouring operational efficiency. So just wanted a thought on that because earlier, it was around, say, 28%-30%. Last quarter, it was around 24%-25%. This quarter is closer to 20%. Just wanted a thought on that and your guidance on that.

Anuj Khanna Sohum: I am very satisfied with the kind of growth that we have seen. It is exceeding the growth guidance or targets that we have defined for ourselves, whether it is our internal business plans, which are approved by the Board or whether it is the commentary that we have shared with our investors and stakeholders.

That clearly shows that we are in control of what's happening. We are able to realistically predict the trajectory and to deliver on that. The fact that we have exceeded on all those expectations, whether it's on revenue growth or on profitability growth or on cash flows, it's a clear trend towards sustainable long-term growth. So our base of business has grown, but we are still in a large addressable market.

For many years ahead, we can see this kind of a broad-based, all-round, sensible, sustainable, profitable cash flow positive growth for our company. If you are feeling that it is tapering off and you are feeling that it's not sufficient, I would request you to recalibrate that based on what you have heard today.

Onkar Ghugardare: Okay. You maintained the upwards of 20% kind of growth with expanding margin on a medium-term basis?

Anuj Khanna Sohum: Yes, absolutely. That's how we should be modelled. If you are modelling us on a long-term basis, model us towards the direction of 10x growth for the company and consistent long-term sensible execution, balanced execution in terms of revenue growth and defending margins, improving operating efficiencies and delivering better than revenue growth on bottom line growth. That's who we are and that's what we will deliver.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing comments.

Anuj Khanna Sohum: Thank you everyone for joining the call today, and I hope this conversation continues. I look forward to our next quarter call which will mark the end of this financial year. We hope that the emerging technology trends as well as the commentary and the case studies that we are providing are helping you build a deeper understanding and appreciation for the fundamental moat and the business model that we have. This has been a good discussion. I wish all of you well and I look forward to the next opportunity to present to you. Thank you.

Moderator: Ladies and gentlemen, on behalf of Dolat Capital Markets Private Limited, that concludes this conference. You may now disconnect your lines.

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