AIL/SE/ECT/Q2/2024-25 November 18, 2024

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 second quarter and half year ended September 30, 2024 conducted on November 11, 2024 at 10:00AM IST

Dear Sir/ Madam,

Please find enclosed the detailed transcript of the Earnings Conference Call conducted on Monday, November 11, 2024 at 10:00AM IST to discuss the results and developments for the second quarter and half year ended September 30, 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/Q2 dated November 11, 2024.

Submitted for your information and records.

Thanking you,

Yours Faithfully,
For Affle (India) Limited

Parmita Choudhury
Company Secretary & Compliance Officer

Affle (India) Limited

Q2 & H1 FY2025 Earnings Conference Call

November 11, 2024 at 10:00AM IST

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

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

Analyst: Mr. Ashwin Mehta – Ambit Capital

This transcript has been edited to improve the readability

Moderator: Ladies and gentlemen, good day, and welcome to the Affle (India) Limited Q2 and H1 FY2025 Earnings Conference Call hosted by Ambit Capital. As a reminder, all participants' 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. Ashwin Mehta from Ambit Capital. Thank you, and over to you, sir.

Ashwin Mehta: Thank you, Neha. Good morning, everyone. On behalf of Ambit Capital, we welcome you all to the Q2 and H1 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 Managing Director and Chief Executive Officer of the company; and Mr. Kapil Bhutani, who is the Chief Financial and Operational 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 and may involve some risks and uncertainties. Kindly refer to Slide 25 of company's earnings presentation for a detailed disclaimer.

I will hand it over to Anuj Khanna Sohum: for his opening remarks. Thanks, and over to you, Anuj.

Anuj Khanna Sohum: Thanks Ashwin. Good morning everyone and thank you for joining the call today. I trust all of you are keeping in good health.

In H1 FY2025, we delivered a landmark performance on all fronts. We outperformed H1 as well as H2 of FY2024 and we are confidently on track to deliver 20%+ revenue growth in FY2025 and even higher growth in terms of EBITDA and PAT this year.

In Q2 FY2025, we attained our highest quarterly revenue run rate, highest EBITDA, highest PAT and highest CPCU conversions. We continued to enhance our consumer-centric platform offerings to leverage synergies towards overall operating margin expansion. We delivered stronger than ever quarterly EBITDA of Rs. 1,133 million, a growth of 29.9% y-o-y with robust margin expansion.

We delivered a revenue growth of 25.9% y-o-y and a PAT growth of 37.7% y-o-y in Q2 FY25. Our CPCU business delivered about 95 million conversions during the

quarter, at a CPCU rate of Rs. 57.1 that helped us achieve a CPCU revenue of Rs. 5,416 million, an increase of 35.2% y-o-y and 4.6% q-o-q.

In terms of H1 FY2025, we achieved revenue growth of 26.8% y-o-y and PAT growth of 34.3% y-o-y. Overall for H1 our CPCU revenue increased by 36.1% y-o-y.

Our CPCU business continues to demonstrate strong growth underscoring the strength of our unified Affle2.0 Consumer Platform Stack fully powered by our ConvergeAI Supply Cloud. Together, it enables robust cross-platform efficiencies and elevates our ROI-driven CPCU use cases with strong competitive advantages.

With global digital spending continuously on the rise, we see significant opportunities across all our top verticals and key markets, driven by advertisers' increasing commitment to digital channels. India and Global Emerging Markets, together contributed 73.4% to our revenue in Q2 FY2025, and grew by 25.3% y-o-y.

Developed markets are also experiencing sustained growth momentum. In Q2 FY2025, we saw a robust growth of 27.5% y-o-y in Developed Markets, which contributed 26.6% to our quarterly revenues, affirming the impact of our strategic realignment and platform consolidation efforts achieved over the last few quarters.

Our continued investments in technology and new product use cases are yielding positive results. As we expand our suite of Gen AI-powered capabilities, we are also strengthening our competitive moat through our comprehensive patent portfolio. During the quarter, we were granted two additional patents in the US related to 1) Enabling user interactions with live streams such as a podcast via machine learning; and 2) Optimizing user identification through IDs, thus enabling high-quality consumer engagements.

In line with our commitment to best-in-class ESG practices, Affle's subsidiaries have achieved ISO 27001:2022 certification underpinning our proactive implementation of robust data security controls and excellence in our Information Security Management System. We have also appointed one new Independent Director to the Company's Board in India. With 3 of our 5 Independent Directors completing their tenure next year, we have ensured a phased transition plan to further strengthen our governance.

We continue to innovate and expand our tech offerings & use cases, consistently unlocking new client success stories. This time, we have included five case studies in our presentation. 3 of our case studies cover India, Brazil and Indonesia regions, highlighting our unique capabilities in scaling Fintech services across emerging

markets. The other case studies highlight our success in driving increased e-commerce usage in the US through iOS SKAN-based optimizations and our global success in geo-targeting high-value gamers to drive conversions for gaming advertisers.

Our Affle2.0 Consumer Platform Stack continues to be recognized as the top performer and we recently won the Gold award across 'Mobile Marketing Platform' and 'E-commerce & Q-commerce' categories at the ET Brand Equity's Martech+ Awards 2024.

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

Kapil Bhutani: Thank you, Anuj. Season greetings to all. I hope all of you are keeping safe and well.

Continuing our strong business momentum, in Q2 FY2025, we delivered consolidated revenue of Rs. 5,429 million, a robust growth of 25.9% y-o-y and 4.5% q-o-q. It was a broad-based growth across industry verticals and across our markets. On a standalone basis, India grew by 31.6% y-o-y while on an adjusted basis, India growth was about 19% y-o-y.

EBITDA for the quarter stood at Rs. 1,133 million, an increase of 29.9% y-o-y. Our EBITDA margin was 20.9%, with an expansion of 65 basis points y-o-y and 76 basis points on a sequential basis. In H1 FY2025, our EBITDA increased by 31.8% y-o-y to Rs. 2,178 million with an EBITDA Margin of 20.5%.

In terms of Opex, our Inventory and Data Cost stood at 61.1% of the revenue from operations in this quarter, with a sequential reduction of 53 basis points while a marginal increase y-o-y, as we continue to calibrate our platform offerings on to premium inventories, touchpoints and deeper ecosystem-level partnerships in line with our discussion during previous earnings calls.

Our Employee cost declined by 3.3% q-o-q as our past investments in human resources coupled with integrated team strategies have continued to provide us efficiencies over the last three quarters, thus normalizing our human resource cost.

Our Other Expenses stood at 7.6% of revenue verses 7.0% in Q1 last year, increasing primarily on account of our ongoing investments in business promotion activities & trade events participation, particularly required as we expand our product propositions as well as expand our footprint in newer geographies.

We achieved a Profit Before Tax of Rs. 1,135 million in this quarter, an increase of 55.1% y-o-y and 6.5% sequentially.

Our Profit After Tax (PAT) for the quarter was at Rs. 920 million, marking an increase of 37.7% y-o-y and 6.2% sequentially .

Our Effective Tax Rate stood at 18.9% during this quarter which was in line sequentially. As guided in Q1 FY2025, we see this effective tax rate to be the normalized tax rate for us.

Our Operating cashflows for H1 was Rs. 1,459 million, with an OCF-to-PAT ratio of 81.7%.

We continue to prioritize efficient working capital management and as such there were no material changes in the collection risk.

Our strategic investments in platforms, people and a healthy balance sheet have reinforced our competitive position, supported by strong cashflow generation and robust financial performance. As global digitalization accelerates, we are well-positioned to be sustaining our momentum through FY2025 and beyond.

With this, I end our presentation. Let us please open the floor for Questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashwin Mehta from Ambit Capital. Please go ahead.

Ashwin Mehta: Congrats for a good set of numbers. My first question is that we have seen equalization of growth in India, Emerging Markets along with the Developed Markets, which is positive. So qualitatively, if you could give us a sense of trends for India versus Emerging Markets? Also, how are you seeing the holiday season panning out in H2 across geographies? Do you expect a similar seasonality in Q4 as we have historically seen or the pace of customer addition is strong enough for the seasonality to not necessarily be there?

Anuj Khanna Sohum: Thank you Ashwin. We have delivered all round performance in Q2 FY2025, be it in India & Emerging Markets overall, as well as in Developed Markets. We remain confident over the long term in terms of sustainable growth momentum across all of our key regions. Especially for this financial year, I have in my commentary clearly mentioned that we expect strong profitable growth for the company, that is stronger than the revenue growth with margin expansion. Even on revenue side, over 20% growth for this whole financial year is where we are headed confidently and convincingly.

With respect to the ongoing festive quarter, the month of October has already gone by where we saw a strong momentum. October, November, December is typically the best quarter of the financial year for us. Last year, we were able to beat our Q3 performance in Q4 and this year again, we are keeping similar outlook that we will have a strong Q3 as well as a robust Q4.

Hence, we are comfortable across all our key regions key verticals. It is a privileged position to be in, that we are a well hedged company with broad-based presence across global markets as well as within those markets, we have good number of verticals that we are addressing.

Ashwin Mehta: That is good to hear. My second question is broader in terms of the key GenAI trends that you see in advertising and how are we preparing for the same, because domains like personalization, content creation, data and insights, all have material implications from GenAI. It would be good to know of the steps that we are taking to be prepared for this?

Anuj Khanna Sohum: Today, a lot of our product use cases have already incorporated GenAI capabilities, whether it is new gen use cases or creating vernacular content including vernacular ads, keyword recommendations, as well as helping the advertisers who may not have such vernacular capabilities to curate these assets, on the fly using GenAI. Our GenAI capabilities are already powering many of these use cases for the advertisers.

We are also seeing a lot of GenAI implementation and optimization of our operating cost. As our revenue grows, we will see some efficiencies of GenAI on our operating expenses as we don't have to increase our operating cost in line to the revenue growth. We will continue to have more productivity from our base of employees and that would lead to margin expansion as we go along. That is another area of positive impact which we are seeing.

When we extrapolate this further into a longer-term vision of how in a GenAI world with all kinds of agents and bots, each one of us might have a personalized GenAI agent representing us as an authentic alter ego, helping us to do certain activities in the digital world on our behalf on an authentic delegation. We think that eventually households will have their own agent, right from dealing with what the refrigerator might order for you or deal with other gadgets in the same household. Every corporation / individual will have a digital agent and a lot of these online interactions would happen between human to agents, agents to agents and so on.

Now as far as one can intellectually map these possibilities, Affle within its context of digital advertising has deeply mapped these possibilities into the future. We have

built the roadmap of what we stand for and what we believe is the best way to curate this future. We have then distilled that into 15 unique intellectual property patent applications related to GenAI which we have already filed.

We are clearly showing demonstrable steps to our shareholders that we are preparing forward, not only using GenAI today in our products, in use cases, bringing it to the advertisers, but also using it deeply in our operations and enhancing productivity of our teams. We are also providing a much longer term, like a 5-year forward road map to what all could happen here. Are we prepared, are we thinking ahead? The answer lies in our patent portfolio. Some of the clues you can find from there as tod what Affle is thinking and planning for. At the moment, as far as we could have prepared ourselves, we have done so and are future-ready.

Moderator: The next question is from the line Deep Shah from B&K Securities.

Deep Shah: Congrats on good set of numbers. The first question is around this antitrust legislation, which is going on in the United States. While it might be sub-judice, I don't expect a comment on the particular legislation per se, but if you could help us understand how does it impact our industry and in which condition we are better off, because the initial hypothesis suggest that should that condition or should that legislation go through, it would be positive for us because the strength of the leader comes down. But that is the initial hypothesis. Is that true? Your comments on that would be useful.

Second, when we say 20% growth, you mean for the medium term, right? Because given how well you performed in first half of this year, full year growth could be much higher. I understand that Jampp recovery happened in the third quarter last year, but then we also had the India GST impact on RMG, which shooed away those revenues. So, just a clarification on near term that when you say 20%, it is for the medium term? FY25 growth could actually be higher given how well the first half has been?

Anuj Khanna Sohum: Regarding the antitrust case, it is important to understand that we are navigating in an ecosystem where when we approach an advertiser, i.e. our customer, they are not asking us, "Hey, how do you compete with Google?" They have a separate budget for what they are spending on Google's platform. Typically, they have a separate budget for non-walled pie where we fit in.

The two teams at advertisers' end are different. The team that is looking at non-Google, non-Facebook, non-walled garden platforms, and those budgets, are different teams. So we, in many years, have not been asked this question, why

should we spend with you or why should we not spend with Google. Whereas, when analyst or investors like you would look at it, you would see it as one whole sort of a common space.

Having said that, the spaces are sort of interrelated. If an advertiser is spending less on the walled gardens, then consequently, chances are they would spend more on non-walled garden platforms.

Therefore, the thesis is clear that we are net-net seeing a more bullish outlook towards the non-walled gardens. It is not only the antitrust issue, which is challenging these larger players, but also the data privacy laws across jurisdictions. The data privacy laws are not as worried about Affle as they are perhaps worried about what Meta, Twitter, Google and platforms like these are going to do in their respective countries.

A lot of these antitrust or data privacy related regulations are strengthening the non-walled gardens. Platforms like Affle would actually benefit much more. It is also evident in the performance of some of the other public listed companies in US and their trading multiples are an indicator of that. Because people are seeing that in the adtech space, all these macro trends are providing long-term tailwinds to platforms like Affle. Therefore, we are quite bullish and excited about the global possibilities, including developed market opportunity that lies ahead of us.

Regarding your second question, as a DNA of our company, we are an aggressive growth-oriented company with strong focus to defend our bottom-line financial fundamentals. Having said that, we are a little conservative when giving forward growth outlook. So, 20%+ growth guidance on revenue for this financial year is an important message, and the plus (+) here is also very important. Not jus that, we are convincingly looking at providing greater growth percentage on EBITDA and PAT in this financial year.

In terms of long-term outlook, if you do a 5-year modelling for our company and look at it on an annual compounding of top line at around 20% and bottom line at around 25%. This kind of an annual growth compounding is a sensible modelling to do for our company. Given what's happening in GenAI, with respect to antitrust, data privacy laws, all of that taken into account, I believe this is achievable, it is realistic and that is what is exciting about leading this business.

Moderator: The next question is from the line of Swapnil Potdukhe from JM Financial Limited. Please go ahead.

Swapnil Potdukhe: I had a question related to your cost. On a q-o-q basis, if you see last 2 quarters, we have seen some decline in your employee benefit expenses. I understand that you had taken some cost reduction effort decisions over there, so that is okay. What I am not able to understand is in the balance sheet, your other intangible assets seem to have increased meaningfully over the last couple of quarters? If you could just address that, that would be my first question.

Kapil Bhutani: I will take this question. When we added YouAppi in last year Q1, we had started integrating that tech stack and developing newer models on YouAppi for a greater integration platform. The investment in the YouAppi platform started in quarter 2 last year, hence you would have seen the spike there.

With regards to our preferential issue, which we raised last year, we had clearly mentioned that we will be putting additional effort on the GenAI side. We had marked about 50% of our capital raise in the preferential capital towards developing the GenAI technology over a period of time.

At the moment, we are not pushing larger budget on the AI side, but development of AI technology is taking shape, and we are gradually increasing our investment. You can say that there is an increase of over 10% on a y-o-y basis on the intangible assets.

Swapnil Potdukhe: Okay. Would you like to provide any forward guidance on the capital allocation

Kapil Bhutani: For the next 2-3 quarters, this is the go-to trend. What you have seen in H1 is going to be a trend for next 2-3 quarters.

Swapnil Potdukhe: Okay. Got it. The second question is on your gross margins. How do you see your gross margins moving in the medium term? The Inventory & data cost has been around 61% for a decent period of time. If you can just guide us, will we see some improvement over there? Or we should build the current levels of gross margins?

Kapil Bhutani: You can build us on the same model as the current quarter as we have mentioned in the last few calls that we are integrating and going deeper with our premium placements across OEM inventories. Our efficiencies are coming in into the bottom line from other line items. We are happy with the current proportion of the medium margin and other margins we earn, as we are delivering the efficiencies on EBITDA and PAT.

Also, we believe that in the next 2-3 quarters onwards, you might see some efficiency in inventory & data cost also. At the moment, you can model us for medium term on the same basis.

Moderator: The next question is from the line of Vijit Jain from Citigroup. Please go ahead.

Vijit Jain: My first question is - In India, if I look at the e-commerce, fintech and possibly even the entertainment space now with Zomato probably launching District, we are starting to likely see a bigger uptick in push to acquire new customers or retarget dormant customers, etc., right? So, do you especially benefit from that also in Q3 ahead with q-commerce and foodtech space in general? My question is likely near term as well as more longer term because I can see e-commerce, fintech, entertainment, all these categories kind of heating up.

Anuj Khanna Sohum: You may ask your second as well. I will answer both of them together.

Vijit Jain: Yes, sure. My second question is - In U.S., if I see some of the other digital advertising platforms like Applovin, they have seen some pretty solid growth in the current quarter, and the outlook that they have given is also positive. So, outside of the walled gardens in US and digital ad market, could you give a sense of where you are growing relative to the rest of the industry or what you would consider your comps in general? That is my second question.

I also had a last question, which I will just throw in here. In terms of strategic partnerships that you do, are there any OTT apps as such that you think you could do a strategic partnerships with and that would be beneficial from expanding your ability to serve ads in general? Those were my three questions.

Anuj Khanna Sohum: Thank you for your questions. Regarding India, e-commerce, fintech, entertainment, gaming, all of these are important verticals that you have named, which cover our E,F&G categories or verticals, and even hospitality where travel finds its place there or even health care.

We are seeing that in most of the emerging markets, not just India, look at Indonesia, Brazil, Africa, etc. all of these emerging markets have similar trend lines in these verticals, and it is all about growth. Now, what is fuelling this growth? New smartphone users, existing smartphone users upgrading to higher income levels, higher quality of devices and so on, each consumer is doing more volume of conversion and they are also increasing the average value of these conversions. So the digital transaction space is growing and going up.

The digital consumption, like the bread and butter consumption, has become a basic lifestyle, with e-commerce, fintech, entertainment, gaming, healthcare, education, etc. evolving as a fundamental consumption, which will be there on a broad basis over the long term.

Having transactions from digital platforms leading to user acquisition use cases, leading to retargeting such users for repeat conversions through the lifetime of their journey not just driving conversions through online devices, but also trying to drive footfalls of these important consumers to the physical stores or locations of these brands and advertises, all of these 3 use cases will continue to thrive for the long term in the emerging markets, and we will continue to benefit from it.

Talking about US, and we talked about some macro trends earlier, which we are bullish about. We also asked about what the comparable companies are, who do we benchmark, who do we follow, track and see what's happening, certainly Applovin, certainly the Trade Desk. One is more focused on gaming, the other one is more focused on CTV. What is unique about Affle is that we are way more anchored on India and emerging markets at the moment, and we are entering into developed markets in a stronger way with more calibration on that dimension.

We have also strengthened our gaming credentials. You will see the case study that we have introduced in our earnings presentation. Several times, we have shown gaming case studies. If you look at Applovin, they are talking about their focus areas as gaming. They talk that they are a gaming company, and then they talk about adtech, and now they are starting to talk about e-commerce. Trade Desk, very focused on agencies and very focused on CTV.

Affle is quite unique. If you look at our direct-to-customers business, over 70% business is direct to the customers / advertisers. Agencies are important strategic partners & channels and we have a good balance overall. We are not over-anchored on one particular country or one particular vertical, whereas, of course, US is such a large market. While I am saying it today, in the next 3 years, if our US business continues to grow, it will have a dominating effect overall in the company. If you see Applovin or Trade Desk, the biggest part of their revenue is coming from US and it is anchored on a few key verticals and that's it, whereas Affle is a much more broad-based de-risked organization today and fast growing as well.

Third question, strategic partnerships, I wouldn't say as much focus on the OTTs at the moment, but we are looking at CTV on a broad basis and seeing right from OEMs or other content partners. In CTV, we are looking at it in a much more holistic way

from a consumer journey perspective and trying to do a strategic partnership where it is appropriate. But I wouldn't name or call out any specific OTT for strategic partnerships.

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

Deepak: My first question revolves on vertical. I just want to understand, is there any particular vertical that you may want to highlight, which you would hope the revenue growth in both Emerging Markets and Developed Markets? How are your conversations shaping up with the Fintech companies in US?

Anuj Khanna Sohum: We look at our categorization of verticals into categories E, F, G and H, and we enumerate that in our earnings presentations. We are seeing categories E, F and G are the stronger categories and H is still catching up. In categories E, we see e-commerce as the leading vertical; in category F, we see fintech; in category G, we see gaming. So these are the three verticals. Incidentally, the 3 case studies that we have also highlighted this time are covering these three; fintech, e-commerce and gaming across different geographies.

We see that these will continue to be strong resilient verticals, barring 1 quarter here or there, one country or the other. There could always be some hiccups along the way, but those are just hiccups and we see long-term sustainable growth in these verticals across geographies. In North America or in US, we see fintech as also an important vertical. We do have a few fintech customers where we are doing well for them, but we see a lot more emphasis on gaming as well as e-commerce because we are strong in all the three verticals.

Therefore, we are keeping a balanced approach and going out there to win customers. But I remain positive about the outlook of not only these verticals, but the other verticals as well. We see broad-based consumption increasing on digital. Even in developed markets, we see a lot of scope for greater growth.

Deepak: Sir, my second question is relatively long term in nature. Now as we have done our platform integration and it is a consolidated platform, would M&A be still a priority for us? Or would M&A take a backseat since first we would want to reap the full benefit of this platform integration and then maybe focus on M&A? Would a subsequent acquisition, if at all it happens, its integration will be much quicker since now it is a full stack for us?

Anuj Khanna Sohum: For our integration, we have the ConvergeAI Supply Cloud which is the backbone of how we are consolidating, ensuring that we have consolidated our power of all the

different platforms and integrations in a certain way and through a certain process. We have achieved that successfully so far. There is always something work in progress that we can improve and we are working on that.

But in the longer term, I would expect that any other acquisition that we will do, now we feel much more confident specially after having onboarded YouAppi and integrated it, as an organization and as a platform within the Affle group in less than a year. We feel confident that we can absolutely achieve full integration within 1st year of any acquisition, make sure that we bring the acquired business to similar levels of profitability of about 20% EBITDA or so within the first year.

We have actually shared that the last time when we did the YouAppi acquisition, we had indicated it, but with some caution because we were just coming at the back of the Jampp-related unique challenges. But we have been successful in demonstrating what we did in YouAppi.

Going forward also, we would be looking at acquisitions, certainly. I wouldn't say that we are done with it, neither am I saying that we are going to focus on just acquisitions. It is going to be a carefully calibrated approach. Acquisition is always and should always be carefully calibrated, and we have a very good track record on that. There is no reason to not keep pursuing it.

But at the same time, what has worked well for us will be what we will do even going forward. We will be careful, we will do the assessment and our guiding principle to all our investors and analysts who are tracking us is that the acquired business should not put a drag on our bottom line margins or performance.

We will make sure that during the first year of the acquisition, we bring it up to speed to about 20% EBITDA and so on. If we are not confident about delivering that, chances are we will not do the acquisition. We look at all aspects of it, strategic alignment as well as bottom line financial fundamentals and the ability for us to integrate it and bring it into our journey. All of this will be considered comprehensively, if and when we do another acquisition. I hope that answers.

Moderator: The next question is from the line of Anmol Garg from DAM Capital. Please go ahead.

Anmol Garg: Congrats on good set of numbers. Couple of questions. Firstly, I wanted to understand that in the last few quarters, we have seen a non-CPCU business reduced to now negligible levels. So has this business been classified to CPCU business or has there been any closures of contracting on the non-CPCU part?

Anuj Khanna Sohum: See, even when we had the non-CPCU business, I had always provided such guidance that we expect this business to graduate to becoming the CPCU business. We educate our advertisers, incentivize our teams to ensure that happens. So the focus has been CPCU business. I mean it is a single cash-generating unit. As an organization. It is an extremely strong business unit.

Even when we do acquisitions, you will see that we are always talking about transforming those acquired businesses into the CPCU business. Sometimes we have non-CPCU components and so on, and we are aligning it back, and making sure that we are doubling down, because we are still, in my view, a small company. We have a long way to go. There is a lot of market share to be won, there is a lot more territory to conquer in the CPCU business globally. This is how I would like you to look at it rather than seeing it as something is lost in the non-CPCU part, not at all.

The gain in the CPCU part is where the focus has to be. If there was anything material that we have lost or something to be concerned about, our governance processes would have absolutely disclosed it in the way that we have always brought - not only good news, but any challenges as well. So there is nothing that you should spend your energy on over there. You see it as CPCU business is growing fast, is doing well and there is a lot more to be done there. Affle is a focused company and while it is doing everything on CPCU, it is also well hedged across verticals and across geographies. That's how I would like you to analyze it and maybe not too much focus on the non-CPCU part.

Anmol Garg: Understood. Secondly, if you can indicate, if the RMG spends have come back to pre-'24 levels? Or do you believe that it is still much lower and there is opportunity that those spends might come back in coming quarters or years?

Anuj Khanna Sohum: It is different. When we look at numbers, life becomes easier. The number is the same. The ecosystem is evolving, and the RMG segment is evolving. This segment has huge potential for further growth. There is a lot more to be achieved. I wouldn't say that it has bounced back in the same way or to the same extent, but where we are today, we are comfortable with it. From here, we see a clear path of growth. So we don't see anything pulling it back at the moment. We see a better, more sensible calibrated growth. Sometimes you need a bit of shake up to settle things back, and then have a more robust foundation to build upon and I think that is what has happened in the RMG segment.

Moderator: The next question is from the line Arun Prasath from Avendus Spark Institutional Equities. Please go ahead.

Arun Prasath: My question is on the balance between the growth and margins that we have so far done beautifully over the last 2.5 years, 3 years. Sometimes you have come out and said that there is an opportunity, so I will invest little more and that is how the growth will be higher in the future, and sometimes you have held back this. So right now, where we are in this cycle? Are you seeing that the investment is enough and that it should pay off for the growth or is it time to cut back? So some thought on that, please.

Anuj Khanna Sohum: I think in terms of balance between growth and margin you are pointing, our company has a strong DNA. I mentioned earlier, we are an aggressive growth-oriented company. We are a long-term player thinking 10 years, even 20 years ahead, and many of you have heard disclosures and internal conversations with key leadership team members. At the same time, we have an extremely strong DNA towards, how are our cashflows or what is the profitability. Both of these aspects are core to the DNA of Affle, growth powered by product innovation, being future-ready, thinking long term. At the same time, clearly what is the daily cash generation, weekly cash generation, monthly cash generation. The discipline as well as the ambition, both of these aspects are there.

In terms of balance, you are asking to choose one or the other business. It is a deep part of who we are. There is no way to say, okay, this quarter, we will focus on this and not that. I think it goes together. Fortunately, for the kind of business that we have, we can actually achieve both. Why? Because it is an asset-light business, it is a tech platform business.

On the cost side, if we are having the right kind of talent and algorithms, the cost should not grow that much and the business should be scalable. So, if you are aggressive, get more customers, get more market, more geographies, more verticals, let's get it on board.

The only area where we make a clear distinction and that I would continue to make, are the business fundamentals. There is all kinds of advertising revenue out there. You can go out there and tell somebody, You know what, I will make almost nominal margin, give me your business, give me INR 50 million more business, I will get you so many conversions and so on. It can be loss-making, low margin, what I would infact call it to be a poor quality revenue, and such revenue also exists in the market.

Now we are a disciplined company. We say no to that. If we are getting a campaign or an advertiser who is basically wanting conversions and not ready to pay the right

CPCU pricing, we are saying, "No, hang in there, we have other advertisers, we can pull the price up." We don't have to take the lower quality of revenue. We are clear that we are looking for profitable long-term sustainable growth. We are ready to say no to low quality revenue.

We are clear that there is enough revenue to make profitability. We will continue to be profit oriented and we don't have to compromise margin for growth. That is who we are as an organization, and I don't think that will ever change. I hope that answers your question.

Arun Prasath: This is illuminating, but I was asking more in respect to, say, verticals. Have you invested enough in all the verticals that you are confident that you don't need further calibration there? Or you think there are some verticals where you are weak, so you have to invest and there is a growth available or maybe in certain places where the competition could be strong, probably you need to invest more. So from that perspective, can you help us understand this?

Anuj Khanna Sohum: Sure. In terms of organic investments that we are doing, which Kapil also talked about earlier that we are constantly improving our tech platforms. We are constantly investing and improving. We are not saying, look, we have invested enough, let's enjoy the ride. We are constantly pushing for further improvement. There is a clear road map at all points in time. There is no complacency.

There is alertness and there is ambition to go ahead and keep improving and becoming better. Am I comfortable with the level of organic, continuous ongoing investment that we are doing - the answer is yes. Is that sufficient to beat any competitor in the world, in any market in the world - I believe the answer is still yes.

In terms of investing to strengthen or double down on certain verticals, in certain markets, doing acquisitions for that and investing into those acquisitions, I have also answered that we will evaluate it carefully. If we see enough strategic leverage in value as who we meet as a potential acquisition candidate, we will look at it. If we are confident that we can deliver strategic value as well as financial fundamentals, even in that within the first year, we will go ahead and do those acquisitions. We are investing in all the verticals. We are constantly investing to improve organically in those verticals.

Arun Prasath: Second question is on the competition. Maybe we have become a reasonable size in some of the emerging markets and in India, maybe we are small in Developed

Markets. But in these specific markets, say, India, Indonesia and other Emerging Markets, how is the competition now as compared to say 2 or 3 years ago?

Do you see smaller players getting eliminated? Is there anything advantage we can gain out of it because having become bigger in these markets, can we push more and, say, at a much higher margins, at a much higher growth? Is it the possibility or we have still not reached that stage in India and emerging markets as well?

Anuj Khanna Sohum: I think it is still work in progress stage. In terms of competition, the good news is that most of our advertisers or ecosystem partners, they are evaluating us with all the top global players - some of them we named earlier in the call. We bring in our best people on the ground in all the emerging markets, whereas most of these other, global companies listed in US or in Europe are focused on developed markets and their best people are fighting the battles in developed markets because there is a disproportionate revenue for those companies from those markets.

So they hire maybe one-off country directors in some of these emerging market regions. Even though they come from these big global companies, their ability to compete against our best people on ground is limited. That gives us a lot of advantage in terms of how we execute in emerging markets. So competition-wise, we have found ourselves in a good place.

We compare with the best and try to beat them in emerging markets, then use those credentials & case studies to go and win in developed markets against them and say that, "Look, we are beating them in complexities of emerging markets, give us a chance in developed markets as well." So I think those kind of competitive positioning is how we are navigating. At the moment, I would say that the numbers that you see and the growth and the margin expansion is at a sensible, sustainable level.

Moderator: The next question is from the line of Adnan Amroliwala from Bastion Research. Please go ahead.

Adnan Amroliwala: Congrats on the good set of numbers. My first question is related to any guidance on the CPCU rate, since you said that main reason for increasing CPCU rate is basically premium inventory and direct markets. So any guidance on that?

Anuj Khanna Sohum: The most important factor for us to extract better CPCU rates from the advertisers is the competitive bidding. If we have a broad base of customers and they are all fighting to get the same conversion at that time, in that month or in that time of the campaign, then we have the ability to make sure that we can command a CPCU

rate. So that is one of the factors, create the competitive tension so that they bid higher for the CPCU rates.

Second is, can we take it to unlimited levels of height? No, there is another factor - what is the fundamental value of the consumer conversion? What is the lifetime value of that consumer's wallet for this particular advertiser? If you are converting that consumer for this advertiser, will it make ROI eventually for the advertiser? So these are the parameters and boundary conditions within which we operate.

One, get to highest level of margins by making sure there is competitive pricing so that we are selling it at the right price and pushing that right price to a level where the advertiser is still making money. It has to be a win-win proposition, otherwise it wouldn't work. To get to the premium users or the premium conversions, which have high lifetime values, go to premium touch points - iOS devices, Samsung devices, AppStore inventories, etc. Basically, go to the right kind of consumer segments to drive premium ROI for the advertisers. But then you also want scale, so it is not just about premiumness.

We are looking at this in a balanced way, and we believe that the CPCU pricing will continue to move in the right direction. It will keep inching upwards as we have already done over the last many years.

Adnan Amroliwala: Perfect. Sir, another question is, how does the inventory cost comes? How does the contractor publish it? Is it like you buy the inventory and pay them upfront? Or is it a revenue sharing basis? Secondly, how much of the inventory cost is forward-looking? If you can clarify that.

Anuj Khanna Sohum: I don't know if I can answer everything and some of that would result in trade secret, but I have been clear that we are buying the inventory, we are paying for the impressions for showing the ads and we are charging the advertisers for driving conversions. On one side, we are basically the buyer of advertising space and on the other hand, we are taking responsibility for driving the end conversions and therefore, charging the advertisers against that.

Whether it is just the price per impression or effective price per impression or are we doing a revenue share? I would like to reserve that. In certain publishers, it could be a revenue share while in certain other publishers' case, it would be just a clear bidding-based process and using our intelligence and making it happen. Where we have strategic partnerships, we may do revenue share. But most of the supply sources are connected programmatically. We are bidding for it, we are buying the space, we are using our algorithms. We are making sure that we are optimizing and

maximizing the outcome for the advertisers at the lowest cost of converting the user.

You also asked about how much of the inventory cost is forward-looking. At any given time, let's say, in India, we are also looking at calibrating deeper to understand those consumers who are non-shoppers today. In India, there are 700 million connected devices. Out of those devices, we constantly keep predicting that what percentage of devices are shoppers today. Hence, a good part of the spend goes in that dimension across not only India but other emerging markets as well. I would not quantify it today, but I would say at least 10% to 15% of the cost is forward-looking.

Moderator: The next follow-up question is from the line of Deepak from Sundaram Mutual Fund. Please go ahead.

Deepak: My question was around CTV. As we are talking about more premium inventories and entering into CTV channel, I just wanted to understand what will be your approach to managing the ad latency and buffering issues, which is prevalent in CTV because if your consumer doesn't completely engage with the ad and switches between the channel in CTV, that could lead up to higher inventory costs for us, right?

Anuj Khanna Sohum: So far, we haven't faced the specific challenges that you are talking about, in terms of ad latency or switching cost of the consumer. Maybe the companies that are only focused on CTV with just one-dimensional engagement point with the consumer are trying to grapple with some of these aspects. For us, CTV is one additional touch point in that consumer's life, such that let's say firstly when the consumer is on their mobile phone, then in their office, then traveling, and then they are coming back to their home. So, they connect to their households, then they are on their mobile device, and they then go on to the CTV. There are multiple mobile devices in the home because there are multiple individuals, maybe there is one or two CTVs in different rooms of the house.

The CTV is one channel to influence the consumer, and the mobile and other touch points of the consumer journey are also important to the overall connected device experience that Affle talks about. In this process, there could be certain challenges, whether it is ad latency or something else. But eventually, what we are talking about is how most of the tech challenges would get overcome over a period of time. The most important insight, Deepak, is that you and I, as consumers, are going to

be on the mobile device, on connected TV devices, other connected gadgets, it is an expected pattern.

Affle's role is not just to look at one channel or the other, but looking at the consumer centricity of Affle's platform. We are a consumer platform and the consumer platform is focused on all connected devices that the consumer will touch with. Maybe on CTV, there could be certain unique challenges, maybe on mobile as well. Tomorrow, there will be other variable devices. They will all go through their journey of consumer adoption & overcoming challenges, but I don't see CTV and ad latency as an issue that we are disturbed by at the moment.

Deepak: Okay. Will there be customer overlap also? For example, what we are targeting today on mobile-only installer, some overlap would be where we will be targeting the same consumer on CTV channel as well?

Anuj Khanna Sohum: Of course, yes. The consumer is the same. If somebody is trying to drive a conversion with me, they would say that you have shown the ad on mobile, show it on the CTV also. Ideally, it should work like that to drive the conversion. We have to look at it in a consumer-centric way versus one touch point at a time because that is not the strategic direction that we are taking. We are looking at it as a consumer-centric platform. Wherever the consumer goes, we have to map and provide that engagement point.

Moderator: Ladies and gentlemen, that was the last question of the call. I now hand over to the management for closing comments.

Anuj Khanna Sohum: Thank you everybody for your very insightful questions. We look forward to the festive quarter. The festivities have happened for Deepawali and we have already seen good momentum, but rest of this quarter is ahead of us. We look forward to connecting back in early 2025 and hopefully with much stronger results & performance as guided earlier today. Thank you and stay well.

Moderator: Thank you. On behalf of Ambit Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

***** end *****