# Affle (India) Limited

## Q1 FY2025 Earnings Conference Call

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ANANDRATHI

**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. Shobit Singhal – Anand Rathi Share & Stock Brokers

**This transcript has been edited to improve the readability**

**Moderator**: Ladies and gentlemen, good day and welcome to the Q1 FY2025 Earnings Conference Call of Affle (India) Limited hosted by Anand Rathi Share & Stock Brokers. 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. I now hand the conference over to Mr. Shobit Singhal from Anand Rathi. Thank you and over to you.

**Shobit Singhal:** Thank you Neha. Good morning everyone. On behalf of Anand Rathi, we welcome you all to the Q1 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 Managing Director & Chief Executive Officer of the company; and Mr. Kapil Bhutani, who is Chief Financial & 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 #21 of the company's Q1 earnings presentation for a detailed disclaimer. I will now hand over the call to Mr. Anuj Khanna Sohum for his opening remarks. Thank you and over to you Sir!

**Anuj Khanna Sohum:** It is a matter of great pride that Affle has completed 5 years as a public listed company. We have achieved remarkable success and wealth creation for all our stakeholders and have consistently over delivered on the pre-IPO expectations. Over the last 5 financial years, we have achieved about 6X growth in topline and 5X growth in profitability and about 10X growth in our market cap. This performance was a result of our disciplined execution focus on long term strategic initiatives to consistently enhance our consumer-centric platform offerings, verticalize our capabilities towards high-growth industries and leverage acquisitive synergies successfully.

In Q1 FY2025, we completed the strategic integration plan of all our acquired businesses. We have reached a pivotal moment in our consolidation efforts as one cash generating unit and a professionally managed business with the top leadership team of 20 CXOs and VPs globally. We have successfully consolidated all our business and platform operations with hands-on leadership providing direct oversight, thus creating a cohesively managed global business. This has resulted in robust strategic synergies and cross-platform efficiencies that fortifies our market position and demonstrates the strength, control and commitment of Affle's leadership to drive continued long term growth.

Turning our attention to industry trends, one of the notable developments has been Google's recent decision that it will NOT deprecate third-party cookies. Affle was always immune to deprecation of cookies as our business is focused on on-device and in-app experiences as opposed to browser based ads. However Google has clearly indicated even after 4+ years since it announced that it will deprecate cookies, it couldn't overcome the complexities and challenges associated with its own privacy initiatives. Consequently Google's privacy sandbox project is also delayed. In 2021, Affle transformed the iOS privacy changes to its competitive advantage in both developed and emerging markets. We are well prepared as our expanded IP portfolio of 36 patents includes futuristic GenAI user cases and our platform is privacy compliant by design.

Speaking of Q1 FY2025 numbers, we continue to exceed our performance targets, with this quarter marking yet another period of significant growth having achieved our highest quarterly revenue run-rate, highest EBITDA and consumer conversions till date. We delivered revenue of Rs. 5,195 million, a growth of 27.8% y-o-y. We continued to enhance our consumer-centric platform offerings progressively delivering quarterly EBITDA of Rs. 1,047 million and PAT of Rs. 866 million.

Our CPCU business delivered about 90.8 million conversions during the quarter, at a CPCU rate of Rs. 57.0 that helped us achieve CPCU revenue of Rs. 5,177 million, an increase of 37.0% y-o-y. This growth is driven by the broad-based adoption of our CPCU model across our customer base and its application to premium use cases, further solidifying our overall value proposition.

Our strong anchoring across India and Global Emerging Markets continues to be resilient and it contributed 73.2% to our quarterly revenues. Our growth for India and Emerging markets combined, was about 24.8% y-o-y. The market tailwinds remain intact affirming our positive outlook for continued growth across India and Global Emerging Markets.

Our growth in Developed Markets was about 36.9% y-o-y and it contributed 26.8% to our quarterly revenues. We are strengthening our foundation through continuous enhancements to our Consumer Platform and are confident of sustaining the existing growth momentum.

Continuing to share our customer success stories, this time, we have included 3 case studies, which are focused on digital-first financial investments in India, direct-to-consumer fashion retail in international markets and quick commerce as an emerging vertical in India, leveraging our GenerativeAI solutions.

As we look ahead to the rest of FY2025, we are poised to further accelerate our growth trajectory with gradual increase in operating profit margins and will continue to deliver greater value to all our shareholders.

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. Wishing everyone a good day and hope all of you are keeping safe and well.

We have commenced FY2025 on a positive trajectory to conclude Q1 FY2025 at a revenue of Rs. 5,195 million on a consolidated basis and delivered a growth of 27.8% y-o-y. Sequentially, our revenue increased by 2.6% q-o-q, further building upon our exceptional Q4 FY2024 performance. On a standalone basis, India grew by 19.0% y-o-y while on an adjusted basis, India growth was about 15% y-o-y and on a consolidated basis, our organic revenue grew by over 20% y-o-y.

Overall, we had broad-based growth coming across industry verticals and across our markets. During the quarter, India & Emerging Markets contributed 73.2%, while Developed markets contributed 26.8% to our revenues.

Our business continues to be in growth momentum, driven by our integrated platform and product strategies leveraging upon the dynamic digital ecosystem. Thus, we achieved highest-ever quarterly EBITDA of Rs. 1,047 million in this quarter, a growth of 34.0% y-o-y and 5.7% q-o-q. We achieved an EBITDA margin of 20.1%, delivering a strong operating margin expansion.

In terms of Opex, our Inventory and Data Cost stood at 61.6% of revenue from operations in this quarter, while we continue our platform calibrations on to premium inventories, touchpoints and deeper ecosystem-level partnerships.

Our past investments in human resources coupled with integrated team strategies have provided us efficiencies on the Employee Cost for the last two quarters, thus normalizing our human resource cost.

Our Other Expenses stood at 7.0% of revenue versus 7.8% in Q4 FY2024. This is again on the back of our past investments in sales & marketing cost over the last 3 quarters that have yielded results without further increase in marketing cost in this quarter, thus bringing the Other Expenses down by Rs. 32 million sequentially.

We achieved a Profit Before Tax of Rs. 1,066 million in this quarter, an increase of 52.1% y-o-y and 6.4% q-o-q.

Our Profit After Tax for the quarter was at Rs. 866 million, marking an increase of 30.8% y-o-y. Notably, our Effective Tax Rate (ETR) stood at 18.7% during this quarter, a significant increase on both y-o-y and q-o-q basis, as we had guided over the past two quarters. Normalizing our PAT for higher taxes will demonstrate substantial profitability growth, underscoring the robustness of our financial health. Moving forward, we see this Effective Tax Rate to be a new standard for us.

We continue to prioritize efficient working capital management and as such there were no material changes in the collection risk. We remain confident of our forward growth trajectory as we advance our strategic goals and invest to expand our market presence.

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 Shobit Singhal from Anand Rathi.

**Shobit Singhal:** Congrats on a good set of numbers. I have two questions. Sir, first one is top verticals contribution has increased to 95% from about 90% earlier. So which vertical has led to this growth in the current quarter?

**Anuj Khanna Sohum:** Thank you for your question. We are seeing an overall broad-based growth. But I would say that the growth in the gaming vertical, both in emerging markets and developed markets has been quite significant.

**Shobit Singhal:** Okay. Second one is how the growth in US market and emerging market shifting up except India. If you can provide growth rates in those markets and outlook? Thank you.

**Anuj Khanna Sohum:** On a consolidated basis, our organic growth this quarter has been over 20%, and that is really positive. We're also seeing that India is growing for us in a sensible way. We are growing well in India and global emerging markets. In developed markets, while we saw pullbacks in the previous 1.5 years period, but we are now moving forward in a much stronger way.

So you're seeing perhaps higher growth at this moment. But if you are looking at modelling our company for few years ahead, I think that 20% topline growth is a sensible way to model our company at this moment, and we will continue to improve our margins, thus hopefully deliver higher growth on the bottomline.

**Moderator:** Our next question is from the line of Raghav Behani from Citi Group.

**Raghav Behani:** I have two questions. One is that employee expenses have grown just 4% y-o-y, somewhere in that range. What is your outlook on employee expenses going forward?

**Anuj Khanna Sohum:** So, Kapil in his commentary had mentioned that we have seen significant efficiencies coming in because of the integration & consolidation which we have achieved globally for our businesses as one single cash-generating unit. While the top-performing people have obviously got healthy appraisals and bonuses, but we don't need to grow our overall employee base as much, and there has been some efficiencies.

Also, it may not have come across as clearly, but we are adopting the new technologies as a scalable platform. We have adopted Gen AI not only in some of our product propositions to our customers, one which has been mentioned in the case study as well in this earnings presentation. But also within our internal operations. Thus, we are seeing significant efficiencies coming from that as well. So as business expands, I would expect to keep our employee expenses largely flattish, at least for the foreseeable future. You will see much higher growth in revenues and a flattish to low growth in the employee expenses.

**Raghav Behani:** Ok. Now since other emerging markets and developed markets are growing faster than India, plus Affle is also investing in premium inventory. So, do you expect acceleration in the CPCU rates from the current 3% to 4% annual growth that we are seeing?

**Anuj Khanna Sohum:** I think it is possible to see some lift over there. But given that you also pointed out in your question that we are also investing into premium inventories. I see that effect being utilized from a margin perspective, right. Overall, the way Affle is strategizing itself is that we are going more and more premium in a way we are working with different strategic platforms, be it the app stores or the alternate of app stores. The way we are working deeper with our partners, with multi-year plans and product initiative you will see a better CPCU premium pricing, and we would be able to work better in the market to attract the top dollars. Hopefully, helping us to achieve the higher margin that we intend to deliver because margin expansion is an important execution focus for us for the next few years.

**Raghav Behani:** Congratulations on the good quarter.

**Anuj Khanna Sohum:** Thank you.

**Moderator:** Our next question is from the line of Vijit Jain from Citi Group.

**Vijit Jain:** Just following up on my colleague's question. I was wondering about this news around TCL partnership with mediasmart towards the end of the last quarter, right? So I'm wondering, is that what you are referring to when you talk about investing in premium inventory? And one should look at that as impacting your inventory costs and data cost, etc., right now with the hope of higher CPCUs down the line?

**Anuj Khanna Sohum:** This is just one example. TCL for the benefit of those who don't know, is one of the largest CTV Android makers in the world, globally. Maybe in India, they're still coming up, but in other markets, they are clearly a market leader in terms of the Android TV segment. Therefore, these kind of partnerships are important.

I'm not suggesting that this is the only one. But there are several partnerships that we are doing and investments that we are making. You would have seen that we mentioned in the previous earnings call that we're working with the app stores of OEMs, we are working strongly with Affle inventories and pushing, let's say, Affle's iOS focused platform across all global emerging markets, including in India because the share of those devices going up and those are premium segments.

What does premium mean? Premium here means that we are going for the highest value and highest value wallet share of the consumers. To go to those consumers, we need to go into high-end devices, need to go into CTV, need to go into iPhone and iOS ecosystem. Even on Android, we need to find those premium touch points where we can get higher value conversion. Now we get higher value conversions, this is a core differentiation in the market because then the advertisers and the agencies have no choice, but to fully adopt our platform and to pay a premium CPCU rate, which is what we were talking earlier.

In the long term, we think this strategy is one that will provide defensible, sustainable margin expansion, better profitability and competitive moats versus any of our competitors. I think most of the competitors in emerging markets at least, are not very strong on the iOS platforms. Given that we have a unique global presence, across developed markets and emerging markets, we are leveraging our strength of emerging markets & developed markets and our experience in developed markets on iOS platforms and premium inventories, thus bringing it to emerging markets. Net effect of it is higher CPCU rates over the long term, higher margin extraction capability and very importantly, competitive moat, that's where it becomes defensible and sustainable. So yes, TCL is just one of them.

**Vijit Jain:** Got it. I have one last question. So you also highlighted your rankings specifically with YouAppi and RevX on these AppsFlyer Performance Index, right? I'm just

wondering two things. One, do these rankings impact directly your ability to get more advertising dollars from agencies specifically. The related question to that is this quarter, the agency or the non-direct business seems to have gone up slightly in the mix. So just wanted to understand if there's a correlation between these two things?

**Anuj Khanna Sohum:** No. When you look at the slide where we talk about our awards or thought leadership and so on, it is definitely an indicator that we are doing well versus the competition. But it is still a lot more, let's say, positioning of the company. The essence of winning business is about delivering performance and conversion. Advertisers would realize that, so when they run the campaigns with us and they see the results, more business comes.

Now direct versus agency, it's within that range, 70% to 75% direct business. It is all in that range. So please don't read into 1 quarter or the other. It could very well be that one of the advertisers has gone from direct to work through an agency because of any corporate policy or otherwise. End of the day, we are serving the end advertiser. Fundamentally, all our business is about serving the end advertisers ads and delivering performance back to them. So please don't read too much into that that or the rankings. I think what's important is that we are out there in the market and the advertisers & the agencies are coming to us for business as much as we are going to them.

It's about creating the pull factor. While we are selling to them, we are also creating enough marketing pull that if anybody is doing mobile advertising, they should want our platform within their budget.

**Moderator:** Our next question is from the line of Arun Prasath from Avendus Spark.

**Arun Prasath:** My first question is related to the cost side. On gross margin front, we have seen the days where we had around 48%-50% gross margin. Even until recently before the Jampp acquisition, we had around 41%-42%. Is it in our plans any time, say, in next couple of years, to be coming up to that kind of a margin level or this is the new normal, especially given that we are focusing on premium? I assume the premium means eventually you will have better margins as well. So, is it something which is in your business plan, Anuj?

**Anuj Khanna Sohum:** Thanks for that question. Let's understand first, when we talk about the data and inventory costs, we are consistently not just utilizing that to earn our revenue but we are also investing into the future to make sure that we are listening deeply enough across different verticals and predictively understanding what is working

and what is not working. So as we open new verticals, as we expand to new markets, and go deeper, for example, within India, our goal would be to go deeper beyond Tier 2, Tier 3 cities to rural regions as well and help our advertisers to drive conversions. Now India has 650 million plus connected devices, not all of those users are necessarily out there shopping and converting, right? But we still make sure that we are creating that wider coverage so that we can keep understanding, investing into the future direction of our market. What I'm trying to tell you is that when you look at financials and numbers, you see revenue. You see that all the data inventory cost is going straight because it's creating that revenue. But there is an element of forward-looking investment in that.

Similarly, when we are calibrating our business plan towards premium positioning in the market, we are investing into that aspect, so as to raise the profile of our company, deliver higher value to the advertisers, create that validation interdependent so that we have a competitive moat, and can get higher wallet share and achieve higher CPCU levels and better pricing / better margins.

All of that is going on. I would not just cast it as the new normal, but I would say let the numbers do the talking, a step at a time. The margin profile, which is there right now, I would say it's sustainable. Can we improve it further? Let's see. But I think it has to be seen in the broader lens of what's happening. We are disciplined and we fully expense out all the data and inventory costs in the reporting period, but there is an element of investment in that.

**Arun Prasath:** Anuj, you touched upon this investment part, but it's been always the case, right? I mean, it's not like something new to our business. So is this also possible because your competition is probably lowering the prices and hence, probably we will have to respond to that. Can we infer it as that as well?

**Anuj Khanna Sohum:** I would not say that because of competition, because we are not fighting the competition on pricing. We are fighting them on value. What do I mean by value? So when we work with the advertiser, let's say somebody delivers a conversion for the same advertiser of a user A and another person delivers the conversion of user B. Now if user A has a higher lifetime value, the advertiser would be willing to pay happily premium. I mean both persons sitting at the back of the car and the driver of the car, both are using smartphones. Both might convert with the same app to order some food, but let's say, the person who is the boss and pays the driver salary, that person's conversion is more valuable to the advertiser than the driver.

What I am trying to say is, we are a value ROI-based business model, not a cost plus business model. We are not necessarily fighting out on pricing. What we are fighting out on is how do we deliver highest lifetime value to an advertiser, deliver premium conversions. So the pricing is not as impacted. Maybe in some advertisers who are not thinking strategically or fully through the funnel, they're saying, hey, somebody is offering this price go for that. But once they start working with us, we graduate them to see it as a value-based pricing versus a cost plus, right?

I don't think that competitive forces are pulling us down. But it is an ecosystem level play and even for us to look at how can we sustain in the long term. We don't want fluctuation where, okay, in 1 quarter, we are at certain level of margin or the other. What you see right now is a sustainable pattern, and we will consistently endeavour to do what is right for our business for the long term. I'm not promising you straightaway going 40% less, but I'm comfortable with where we are at the moment.

**Arun Prasath:** Understood. My second question is related to what Anuj spoke about Google's policy in changing the third-party cookies. Do you see the similar action panning out in the GAID or depreciation as well?

**Anuj Khanna Sohum:** Okay. When I mentioned that Google has delayed the Privacy Sandbox project, that was precisely what I was talking about. So previously Sandbox is the name of the project that is related to GAID and so on. It is a holistic thing, everything is played, deferred or not build on. I think it's a complex environment from Google's perspective, one at an ecosystem level, second, from a regulatory point of view. There have many considerations to take care of it before they take any action. So at the moment, it seems that cookies, which I thought was a very simple thing for them to do, technically at least, and for 4.5 years, they have essentially said that is not going to happen for now.

We were not too worried about the cookies at all. We are fully prepared and ready for Privacy Sandbox. There was no nervousness as such about it in our mind. But the fact that all of this is delayed or deferred from an investor's perspective or the analyst perspective, I mean, right now, as status quo for at least several years forward, and that's good news. This question can be parked aside. But I also want to give confidence to everybody, please remember, in 2021, what Apple did was way more intense, way more holistic with the privacy initiatives in 2021 on iOS, and what happened to Affle with that. We turned it into a competitive advantage in developed markets and then brought it to emerging markets as well. So we aren't particularly worried about it.

**Arun Prasath:** Right. Anuj, but on this GAID, I just want to understand fundamentally how important is in today's environment. Is GAID very important for you to deliver a campaign? As compared to what it was 3 years ago, is GAID still relevant for you? Or you have technology or have algorithms which can work beyond GAID as well?

**Anuj Khanna Sohum:** See, what is important is some kind of an identifier. Whether it is our own internal identifier or we are working with the triangulation of several data points to do a predictive identifier or we are working with the OEMs to get and identify at the moment on Android, GAID is the way it works. For next many years, it will continue to work like that. But even if Google was to deploy Privacy Sandbox and say, GAID is gone, there still has to be a way to deliver an ad to a user and to see which device was it delivered to, which user was it delivered to and what happened on it.

There has to be an ability to track it. The only thing that is being done right now by all such changes by Google is an attempt is to protect the consumers' privacy. Let's not have any scenario where the users privacy is getting compromised. We are a big supporter of that since inception as a company. I'm not worried about data privacy, I'm a big supporter of data privacy and whatever needs to be done, should be done because once the consumer privacy is intact, there will be more confidence in the ecosystem. It's not that the advertising will suddenly stop. What you need is some kind of an identifier to track that. We have shown the ad and what happened to it. I think that's what the purpose is of an ID or a GAID in this case.

**Moderator:** The next question is from the line of Swapnil from JM Financial.

**Swapnil:** I had a couple of questions. First one is on your use case split. I would like to understand what percentage of your total revenue comes from new downloads, transactions and O2O use cases. If you can just help us understand that because what I see your use cases are more focused towards new downloads, which is basically a new customer acquisition. So I just wanted to understand from that perspective.

**Anuj Khanna Sohum:** Swapnil, this is a data point that you're requesting that is typically for us when we go to an advertiser, what we want is a big part of their budget. Each advertiser based on where they are in the stage of their own journey will have different levels of split. So for example, let's say, if it is an advertiser in an emerging vertical, and it is a new entrant in India. They will be putting a huge amount of money to get new users so that they can drive new conversions versus an advertiser, which has already got, let's say, 20 million, 30 million or even 100 million users, they will be spending in a balanced way and saying, that I want new users, but also want to

drive incremental conversions on my existing base of users, which is what they already have. But they don't want to lose that base or conversion from their existing consumers to a competitor, right? Because each of these industry verticals where we are playing, there are new entrants in those verticals. There are incumbents in those verticals.

If you do a tabulation, we have delivered hundreds and millions of conversions and converted users already. So for our database, that user is not new anymore, right? I mean, chances are that 90% plus of Indian converting users have already delivered at least some level of conversion, some volume of conversion through the Affle platform to the advertisers.

So to a particular advertiser, user could a new for them, it is a new budget but for Affle as a platform, we are having almost 100% penetration on the conversion base of the users, and for us, it is not so much as new or existing. We are looking at, how can we maximize the conversions from the user. Whether it is from a new advertiser or an existing one. So therefore, the slicing and dicing that you're expecting is from our platform vantage point is not that important.

However, let me give you an industry insight. A new advertiser, an advertiser, which is needing to conquer a lot more of the territory would typically put 80% of their budget on new user acquisition and only 20% on repeat business from existing users. Whereas an advertiser, which has gone to a certain scale and is seen as an incumbent or a market leader could even put 60%, 70% on new acquisition in emerging markets and 30% to 40% on repeat conversions. Then in developed markets, the budget is more sort of balanced. You'll see more spends across these initiatives. I wish I could give you the numbers that you were seeking for, but I hope I've given you a better understanding.

**Swapnil:** That's useful, Anuj. So just on that point, you mentioned that it may happen that you might have a decent data base of the users and not necessarily because advertiser is new, that would be adding to some incremental things. So will it be fair to say that since you have such a big data base, your gross margins should ideally keep on coming down as the same use case is getting repeated more often?

**Anuj Khanna Sohum:** This is not a fair understanding because each time you want to drive a conversion, whether it is from a new user, for a new advertiser or an existing user for a new advertiser and existing user for the repeat conversion from an existing advertiser, you still have to work hard in ensuring that you reach the user at the right place at the right time. We have to show the ad in the appropriate context. So the context

of the user is very important. I mean, if you're busy in your office doing your work, you're not going to suddenly start registering for some entertainment or some game.

But maybe during lunch break, you'll order food. It depends on what time, in what context you show an ad. There's a lot of effort in still showing ads and creating engagements. But yes, what it does is it creates competitive moat because our advertisers who have worked with us for years and they have seen that a lot of their converted user base has come from us. There is a lot of confidence. They also know that we have intel, first-party data that the advertisers have about their own users and conversions.

All of that is a relationship of long-term trust. Therefore, when they trust such data and insights with our platform, they will continue to work with us longer. As that happens, if you can convince them to pay a premium, pay higher for the conversion because we can show them a higher lifetime value of those users, or more premium conversions, then we have a way to increase our CPCU price and therefore, the margin. So it is a much more involved thing versus saying one segment is more profitable than the other.

**Swapnil:** Got it. Just one more thing on your India revenue trends. So we have been hearing about Real Money Gaming (RMG) impact in the previous quarters. So is it fair to say that the RMG impact is now gone for good? So that basically has helped you deliver a decent recovery on the growth part?

**Anuj Khanna Sohum:** We are going more broad-based. Even in India, realigning the definition of gaming for us. I mean, looking at it in a much broader way than just RMG. We are neutralizing that impact. Yes, I would say for now that impact is over and this is our new normal, and we will continue to grow sensibly from here.

**Swapnil:** Okay. One data point with respect to your revenue split on developed markets, India and emerging markets, which you have given it for the current quarter. If you can help us with the previous year 1Q number, that will be helpful.

**Anuj Khanna Sohum:** 1Q, 4Q. Look, what we are clear is that India and emerging markets behave in a very similar manner and the demographic profile of users, the penetration of connectivity, the adoption of CTV, iPhone, I mean all of those elements across emerging markets is extremely similar. So India and emerging markets need to be seen as a one block, and developed markets was where we had some performance issues in the past, which we were very transparent about. We thought let's bring it out and let's club it in the logical sense. We did that in the last quarter as well. We

have done it this quarter and onwards as well. But you can connect with our Investor Relations team, and I think they should be able to provide you what you're seeking.

**Moderator:** The next question is from the line of Anmol Garg from DAM Capital.

**Anmol Garg:** Anuj, if you can indicate how do you see growth in emerging and developed market in coming years, which is the market where you are more bullish of? Secondly, if you can also indicate what are the margins in both of these markets. In case, the developed market is growing faster, do you see a margin impact for a longer term?

**Anuj Khanna Sohum:** I think at the moment, we are seeing a good momentum across emerging markets and developed markets. The kind of verticals and the kind of effort that goes in to winning in these markets is slightly different. Clearly, North America, Europe, these are the 2 main regions in our developed markets. In these markets, the addressable market is very large, even though the overall pie is not growing as fast, but the size of the pie is so large, and we are still so small there that there is a massive runway for long-term growth to be extracted in these markets for us. Now the way we address these markets operationally is super-efficient. We don't go and say, let's hire hundreds of people to go and dominate in this market. We go incrementally. We focus on some key verticals in those markets, get into the ground position.

Whereas in emerging markets, I think the battlefield is different, the kind of competition, the competitive forces we deal with is different. So in developed markets, the pricing is high, competition is high and therefore, margin is balanced. In emerging markets, the competition is low, the pricing is low. So you see a very different math. But overall, from a margin and bottom line perspective, I would say both of these segments are providing us the ability to deliver a similar kind of margin profile in terms of bottom line efficiencies.

From an EBITDA perspective, we are looking at 20% plus EBITDA in these markets, in emerging markets, the pricing is low, the cost is low, competition is low. With all of that, we can still extract 20% plus EBITDA. In developed markets, pricing is high, margin due to competitive forces can get balanced out a bit, but then you still see Opex, which is also relatively higher. What we are building our business for is to build a consistent expansion on the EBITDA margin overall on a consol basis as well as in each of the segment basis.

At the moment, developed markets because of a smaller base, is growing faster. But I would think that modelling our company long term for the next several years, at about 20% growth in revenue is a fair way to do it.

**Anmol Garg:** Sure, Anuj. We have a decent cash on our balance sheet. So are we looking at any further M&A? If you can indicate would it be in developed or emerging market?

**Anuj Khanna Sohum:** We have been extremely successful in our track record of M&As over the last 5 years since we went public. Barring the challenges that we faced in Jampp, which we told you about transparently and gracefully. We have shown that we are good at this. We know what we are doing and are conservative in our approach of doing it. So the cash on the balance sheet is one aspect, but we're also consistently generating more cash every day. Our business is a cash flow positive operations.

We will keep adding to the cash pile. So the question is a valid question. How will we invest that cash to unlock more shareholder value, and M&A is one of the ways of doing it. But we are not in a rush. We have just completed YouAppi's integration. YouAppi is 1 year and full integration has been done in less than a year. So if we find the right acquisition target, we certainly would but we are not in a rush.

But we must also keep ourselves ready to see how the ecosystem evolves around new innovations, which we are already building in-house as well, but we also keep an eye out for what's happening in the market. If we see something interesting, that would add value disproportionately and put a booster shot into our growth, we will certainly take that step for the acquisition. I wouldn't be able to give you any clear indicator yet whether there's a preference of doing it in India or emerging markets or developed markets. Let's keep an open mind and when we find the right target, we will provide the right scores.

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

**Deepak:** Sir, this quarter, we have shown a good growth of 28%. Partly, it is because of a favourable base in last Q1, where our YouAppi revenue was around Rs. 45 crores. Now on the quarterly run rate, it is around Rs. 89 crores. So that's why we're able to show that 28% consol growth rate. Now going forward, the rest of 9 months into FY2025 or H2 FY2025, do we expect that to maintain 20%+ growth on a y-o-y basis? Because last quarter, you had mentioned that we have recovered some lost ground in Q4 FY2024 and the reversal to cyclicality of revenue from Q3 to Q4 FY20'25 could be expected?

**Anuj Khanna Sohum:** We don't give short-term guidance. However, if you look at the numbers of this quarter, we've already provided that it's over 20% y-o-y organically. So even if you remove the effect of YouAppi which is 1 month in this quarter, you still see organic growth of 20%. Further, if you take our last year's Q2 numbers and you applied our current Q1 numbers run rate, assuming this coming quarter, which is July, August,

September, let's say, we do exactly the same Q1 numbers in Q2 as well, and there's no sequential sort of uptick, which is not how we are. I mean we typically see Q1 to Q2, there is some sequential uptick. But let's say there isn't any and we keep it flattish, even then compared to last year's Q2, we can deliver more than 20% growth, and that's fully organic because it's like-to-like comparison. Its not a guidance that I am giving to you but just extrapolating current Q1 numbers to Q2 and seeing the organic y-o-y growth. I am also telling that not just on a short-term basis, but even on a long-term growth outlook basis, it is a sustainable & defensible growth position to have. If we do any other inorganic transaction, then the number would hopefully be even more, but 20% is defensible.

Even if you take last 5 years growth trend, I mean, I started my commentary by saying in the 5 years roughly, we delivered almost 6x growth in revenue. If you map it up and you'll find that, that's almost 50% CAGR growth, but that's organic plus inorganic. But if you just want to model it on, let's say, no acquisitions, nothing else, 20% is a defensible long-term position for modelling our growth.

**Deepak:** Ok. My second question is with respect to your inventory cost. So now all the platforms have been integrated. So now we can use each platform's ability to target our existing clients or newer channels. For example, YouAppi and Jampp used to target an in-app mobile. Now because of this integration, maybe we want to target those on CTV as well, new channels. Those will be kind of relatively newer venture for us for those clients and those sectors. So right now, our inventory costs as a percentage of sales is around 61.6%. Because we are venturing into this premium inventory and newer channel, do we expect this cost to go up or to be maintained at the current level?

**Anuj Khanna Sohum:** First of all, that's a good insight that you gave and you connected it to CTV that if you see our reports or news, we have talked about Jampp-CTV and YouAppi- CTV. We are talking about different dimensions of expanding the reach of our integrated propositions across connected devices to the consumer. At end of the day, the consumer is the same. So if you, as an individual, go and transact with an advertiser, do you think it makes a difference to the advertiser, whether you came from in-app mobile, on-device, mobile or from CTV?

You as a consumer are of the same value to that advertiser and if you see how Affle has consistently defined its business, we call ourselves as a consumer platform business. Why? I've never said we are an ad tech company or an ad tech platform. I have always made the distinction to say Affle is a consumer platform business. We are focused on consumer-centric innovations and when we focus on the consumer

centricity, it means that we will go to all connected devices that the consumer is going to connect with.

So since mobile is the center forward device at the moment for the consumer, CTV is another device. As we go forward, there will be other wearables too. There will be new form factors, as long as Affle's innovation focuses on the consumer, we cannot go wrong. Similarly for the advertiser, we are saying, look at the consumer, it's the same consumer on mobile, it's the same consumer on CTV. As long as we focus on the consumer, we will find the right conversion and it doesn't matter whether the conversion comes from CTV connect or it comes from a mobile connect and so on.

Our focus is on the consumer. As long as we do that, we will need to be on all connected devices. As far as the data and inventory cost is concerned, I think I've already answered in the previous question, and we are where we are and comfortable to defend that range and position at the moment.

**Deepak:** Okay. So then our monetization factor won't be affected because of these different channels.

**Anuj Khanna Sohum:** I think the monetization factor should become more favourable as long as with the right choice of channels if we can go more premium and command better pricing. When we say premium channels, it means we are going after premium users. We are going after those users in each country who are actually going to transact a lot more than the other users.

So in India, let's say, the 150 million transacting users, who are actually ready to pay or engage with an advertiser. Not all of the 150 million are the same. The ones who are on iOS devices or the more premium Android devices, or the ones who have CTVs at home, wouldn't you agree that those are the users who are perhaps more premium. If they are, then we should be able to charge a better pricing, hopefully, get better margins as we go on.

Our focus is to make sure that we are covering the whole spectrum of the user base and bringing our advertisers' objectives to the forefront. But we are covering the whole base. On one side, we're going more premium. On the other hand, we're also making sure we are deepening our reach even into rural India and so on because the advertisers' objectives might be different. On one side, it could give us higher premium users, give us higher ROI. On the other hand, it could give us deeper reach because we want to cover more ground. We are balancing that out in a sensible way.

**Moderator:** The next question is from Rahul Jain from Dolat Capital.

**Rahul Jain:** If you could share what are the top 3 or 5 market for us at this point and what are their respective ways? Or if you could share what is the industry growth rate for us on a weighted basis, based upon the markets that we are working at this point?

**Anuj Khanna Sohum:** Well, I would say in terms of markets, the broad regions that we are focused on include Asia, Latin America and Africa are the emerging market regions. From a developed market perspective, it's clearly in North America and Europe as the developed markets. I think the growth rates across these regions is different. So for the emerging markets, one could say that the growth rate is higher than the developed markets, but then the addressable market in developed markets is bigger and we are smaller.

The theory around growth rates of an industry is applicable once you reach a certain size and scale. So for in emerging markets, I would say the industry growth rate becomes important to us because we are a meaningfully sized player in emerging markets. But in developed markets, we are so small that the industry growth metric should not be a dampener for us because the addressable market is so big.

I wouldn't want to give you any specific numbers. If you look at industry growth across markets, you will be able to pick it up from some market research reports that you prefer or want to rely upon or you can connect with our IR team and see what they want to share, but I would rather quote it from a source than just throw some numbers on the call.

**Rahul Jain:** Sure. Another thing that will help us is since you said that in emerging markets, we are relatively better sized. So India I understand. But if you could give us some color on our market share or positioning in some of top 2 or 3 relevant markets within the emerging market pie? Also what is the typical churn between performance and brand?

**Anuj Khanna Sohum:** Typically, when we look at advertising, we slice the pie. So what is the total advertising spend in that market and then we look at what is the digital spend. Within that digital spend, how much is going to the walled gardens like the Google, Facebook and so on. Then from there, we will say, okay, in the non-Google, Facebook part of the pie, who are the market leaders. You will find that within that space, Affle is clearly positioned as one of the key market leaders or the company that should be in the consideration set.

So our goal from a market positioning perspective is that all advertisers are necessarily spending on digital and they are increasing their spend on digital. Within digital, they are also increasing their spend on non-walled garden, non-Facebook, non-Google digital spends. Within that space, if anybody is spending money, they should definitely look for Affle or our sales team should have already knocked on their door or they should already be our existing customer.

This is the way we map the landscape and we go into these markets. I would say that we have a very good market position, tabulating market shares specifically is challenging. But I would say that in terms of perception, our competitors, their employees, our employees, our customers, their employees, our agencies, ecosystem partners, OEM operators, all of them see Affle as a market leader in the non-Google, Facebook space of digital advertising. Also, see us as a market leader who they can trust and they can share their first-party data with and do long-term, 4 years, 5 years kind of integrated projects or initiatives with. So we are seen as a very important stakeholder in our ecosystem across emerging markets. In developed markets also, we are creating a name and space for ourselves very well.

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

**Lokesh Manik:** I just have two questions. One is just to get some insight from Anuj's understanding of the global industry. The advertising budget of an advertiser is divided between brand awareness and performance marketing. So what would be this ratio globally if you would have some idea on that? The follow-up on that is how do you see CPCU as your proposition, what is the market share versus CPM, let's say, 5 years back and how it has improved? How are you seeing it improving across the global markets.

**Anuj Khanna Sohum:** In terms brand and performance in digital, lines are actually getting more and more blurred. I mean, the way we see it is that even though we go to agencies and we go to the brands and we work with them, our pitch to them is still that, it's not that you just do the advertising to show or to create an impression or an impact on the minds of the consumers. But you can actually drive conversion because in digital, most of us want to engage with something that we have built general interest in.

Whether it's a click or whether you go beyond that or you save it for later or you want to share it with some friends or make it more viral. There has to be some actionability associated with digital, and that's why digital is such a personal and interactive medium. In traditional media, it is very easy to see what brand and performance advertising is.

But if you're asking me from an overall ad spend, how much is going to traditional media brand and how much is going on digital. I think there are several reports in the market. But within digital, is there really such a big distinction between brand and performance? Not to us. So when we work with brands, we convince them that you should still do branding on a conversion measurable basis, whether it is the conversion or engagement that happens online, or whether it's a conversion, which leads to a footfall where somebody walks into your retail store or engages with your brand offline.

Because consumers still carry the mobile phone with them. If you can create that level of conversion metrics for, let's say, budget that was marked for branding. This is what Affle's endeavour is, and that's a very good space to be in because brands like to see accountability as well. Nobody is saying, okay, no, I'm putting branding money so take chill, no problem, just show our ad to as many people without any accountability. Everybody wants to know truly what was the impact? And what kind of conversion, ROI impact it would have. So it is possible to measure it on a CPCU basis, and that's what we are educating the market for. So far, we are seeing pretty positive response even from agencies, traditional agencies, brand advertisers and we are finding good audience with them and converting them slowly but surely.

**Lokesh Manik:** Great. Anuj, my second question is if we have to gauge your intelligence software tech stack and how it is improving year-on-year. Apart from conversions and the connected devices that we're adding, any other variable you would like to call out that we can track and gain more insight and confidence into how tech stack is getting more intelligent day by day?

**Anuj Khanna Sohum:** See, I think the intelligence of the tech stack is something that we are constantly calibrating multiple times in a day. Any campaign that is continuing, we're just trying to see how we can make it more efficient. If we can make it more efficient, then we allow ourselves room for doing more strategic investments, either trying to experiment more, let's take it more premium, let's take it further.

So there are two options I mean, let's say, if our campaign intelligence become better, that means we should be able to drive conversions at a lesser cost. Now we can, therefore, pass that benefit back to the advertisers, so they see higher ROI. Or what we can do is we can cast the net wider and look to invest into the future to find new pockets of high-value users or deeper strategic reach in those markets.

So I think the measurability of our intelligence canbe seen in many ways. For example, one could slice and dice the intelligence of our platform to say, how are

video ads doing on our platform? Are we becoming more intelligent in the combination? How are we doing on CTV? Are we driving more conversions there? What kind of a combination of connected devices within households are we doing? So if we show an ad on a mobile and then another one on CTV. We are doing so many slice dice combinations, and that's what our data science teams and when we talk about AI, that is what we're doing.

Interestingly, even to assess our own performance we are using Gen AI. So we are using Gen AI to assess the performance on a real-time basis to see which algorithms and which context is doing better and the slicing and dicing has become very efficient. Per campaign, per market, per inventory type, the granularity of our intellectual platforms in connect and performance is very high. We don't want to open all of this to our competitive advantage. So I'll leave it at that for now.

**Moderator:** Ladies and gentlemen, due to paucity of time, this was the last question. I now hand the conference over to the management for closing comments.

**Anuj Khanna Sohum:** Well, thank you so much for the support to Affle. Like I mentioned at the beginning of my commentary, we take immense pride as an organization that we have been able to deliver value over the last 5 years as a public company and with over 3 lakh shareholders in India, some really strong institutional investors, including the recent addition of the Singapore government investing in our company.

It is a matter of great pride to us that Affle had a great 5 years' journey as a public company. We hope to provide consistent performance over the next decade and beyond. We are looking forward to more opportunities. Please stay interested and we will provide you clarity as we get more opportunities on the next earning calls and beyond. Thanks.

**Moderator:** Thank you. On behalf of Anand Rathi Share & Stock Brokers that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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