AIL/SE/RCT/Q3/2021-22 February 14, 2022

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**

Dear Sir/ Madam,

<u>Sub: Transcript of the Earnings Conference Call for the third quarter and nine months period ended December 31, 2021 conducted on February 7, 2022 at 10:00AM IST</u>

Please find enclosed the detailed transcript of the Earnings Conference Call conducted on Monday, February 7, 2022 at 10:00AM IST to discuss the results and developments for the third quarter and nine months period ended December 31, 2021.

Submitted for your information and records.

Thanking you,

Yours Faithfully,
For Affle (India) Limited

Affle (India) Limited India

Parmita Choudhury
Company Secretary & Compliance Officer

Affle (India) Limited

Q3 & 9M FY2022 Earnings Conference Call

February 07, 2022 at 10:00AM IST

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

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

Analyst: Mr. Anmol Garg – DAM Capital

This transcript has been edited to improve the readability

Moderator: Ladies and gentlemen, good day and welcome to the Affle (India) Limited third quarter and nine months ended FY2022 Earnings Conference Call hosted by DAM Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the 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. Anmol Garg from DAM Capital. Thank you and over to you, Sir!

Anmol Garg: Thank you Rutuja. Good morning, everyone. On behalf of DAM Capital, we welcome you all to the Q3 and 9M FY2022 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 Chairman, Managing Director and Chief Executive Officer of the Company; and Mr. Kapil Bhutani who is Chief Financial and Operations Officer of the Company.

Before we begin with the discussion, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve some risks and uncertainties. Kindly refer to slide 24 of the Company's Q3 earnings presentation for a detailed disclaimer. I will now hand over the call to Mr. Anuj Khanna Sohum for his opening remarks. Thanks and over to you Anuj!

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

Entrepreneurial Passion, Conviction and Commitment are profound catalysts of our Affle2.0 culture of tech innovations and sustainable profitable growth. True to our culture – I am incredibly proud that in less than 2 years our team has achieved more revenue in this one quarter than the full-year revenue of FY2020 reported post our IPO. In the last 9 months, we surpassed the previous full year's cash flow from operations by 35%. Our CPCU business noted a strong momentum delivering 58.5 million user conversions during the quarter, an increase of 91.2% y-o-y at a Rs. 51.8 CPCU rate.

The last two years were strategically crucial for us as we completed our Affle2.0 strategic foundation anchored on the 2V (Vernacular & Verticalization) and 2Os (OEMs and Operator) partnerships. We fortified our consumer platform tech stack and invested towards markets & teams expansion globally. In this period, the global tech ecosystem experienced an extensive shift, new privacy norms unfolded, pandemics struck the economies worldwide and the consumer adoption of digital and connected devices increased multi-fold. Our business continues to be resilient and is in high growth momentum towards our vision of reaching over 10Bn connected devices in the decade ahead.

This quarter too witnessed a robust, broad-based uptick in advertiser spends towards mobile marketing (well-supported by festive season too), coming across the top industry verticals and India & International markets. Powered by our ROI-linked CPCU business model and unique position in the industry, we continue to grow as the preferred mobile marketing company across global emerging markets and beyond.

Historically, our India and International contribution, balanced at about 50:50 each, shifted last quarter in favour of International on account of our successful integration of Jampp and our efforts to build a local on-ground presence in newer international markets. The contribution stood at about 69% International and 31% India in this quarter.

I would like to thank all the analysts and investors for attending our 1st Investor Day held in December 2021, where we unveiled our Affle2.0 Consumer Tech Platform Stack. Our top 8 leaders presented 9 sessions with live demos of our tech platform and case studies with 11 customer testimonials that provided clarity on how our Affle2.0 culture, strategy, tech IP and execution focus are all deeply aligned to leverage upon the tremendous digital shift ongoing globally.

Our tech IP enabled Consumer Platform innovations in particular and all our organic & inorganic investments in general are performing well and we continue to establish new thought leadership benchmarks in our industry globally.

We had a remarkable start to 2022 with our tech stack recognized as 'Best Technology Platform for Advertising' and we won several other top awards at the prestigious 'India Digital Awards' (organized by IAMAI). Affle also won 'The Technology Company of the Year' and 16 other top awards at the 5th edition of Mobexx Awards (organized by Adgully). These wins came across the top and most relevant categories including Most Outstanding Programmatic Platform, Excellence In Cross-Screen Campaigns, Best Use Of Chatbots, In-Store Commerce & more. To ensure a deeper understanding and appreciation of Affle's Consumer Platform use cases, we continue to include case studies in our Earnings Presentation from the past few quarters, showcasing the power of our platform to deliver consumer conversions and drive value for our customers across key verticals and markets.

We are a value-driven organization and strive to ensure that our performance is driven by utmost integrity and transparency. In view of the same, the Board has decided to appoint Mr. Bijynath, who is the Non-Executive Independent Director of the Company as the Non-Executive Chairman on the Board of the Company to be effective from April 1, 2022. I will continue to lead the Company as the Chief Executive officer (CEO). In spirit, we were already prepared to do so in 2020, however, given we had just been public-listed at that time, hence we did not want to undertake any major changes in the leadership structure of the Company in 2020. I believe it is the right time to set forth this change for holistic organizational development.

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

Kapil Bhutani: Thank you Anuj. Trust all of you are keeping safe and in good health.

Continuing our growth momentum - In Q3, the company reported Revenue from Operations of Rs.3,394 million a growth of 125.5% y-o-y. Sequentially, our revenue has increased by 23.6% driven by team efforts and healthy festival spending by the advertisers.

Our EBITDA for this quarter stood at Rs. 677 million, an increase of 76.4% y-o-y and 29.9% q-o-q. If we compare our Opex on a sequential basis with the previous quarter, Inventory and Data cost increased by 22.7%, almost in line with revenue growth. Employee expenses increased by 18.1% on account of the appraisal cycle effective from the month of October, our continued investment to enhance our team to deepen our access across India & International markets and the cost of ESOS. The cost of ESOS for the current quarter was Rs. 13.58 million and total ESOS expense for the current grant is valued at Rs. 219.53 million for 4 years.

Our Reported Profit After Tax for the quarter stood at Rs. 621 million, a y-o-y increase of 102.6% and sequential growth of 30.4%. Our Normalized Profit After Tax after adjusting for the gain on fair valuation of financial instruments was Rs. 601 million, an increase of 96.0% y-o-y and 42.9% q-o-q.

We remain focused on working capital management and continue to see robust cash flows from operations. Our collections were robust and the ratio of our cash flow from operations to Profit After Tax stood at 106.4%. This shows the quality of our customers and the robustness of our operations.

Reported EPS has been adjusted for the Stock Split for the current Quarter period as well as for comparable periods.

As a post-quarter event, subsequent to our Share Purchase Agreement dated June 08, 2020, with regard to Affle International Pte. Ltd., a wholly-owned subsidiary of Affle (India) acquired 66.67% shares of Appnext, we decided to acquire 28.33% shares of Appnext. The liability to acquire these shares was already recognized in our books of accounts and the accounting of financials was done on the basis of the anticipated acquisition method in June 2020. Hence, the minority interest in our books since June 2020 continues to be for 5% shares of Appnext. I draw your attention to Note 6A of the consolidated financial results for the same.

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 Anmol Garg from DAM Capital. Please go ahead.

Anmol Garg: Congratulations on a strong performance during the quarter. I have a couple of questions. Firstly, wanted to understand that this time our India standalone revenue has increased a bit, however we saw some drop in the PBT during the quarter. What could be the reason for the same? Secondly, what is the Jampp contribution during the quarter. Also, how much of the Jampp business has shifted to the CPCU model given that the non-CPCU growth rate during the quarter was higher than the CPCU growth rate?

Kapil Bhutani: The margins for India business are almost the same as the Q2 FY2022. However, on a y-o-y basis, there can be a slight difference because of the rise in inventory & data cost due to the festive season as it involves a lot of demand and supply. On a q-o-q basis, our margins are stable. PBT can be attributed to an increase in the cost of human resource investments.

Anuj Khanna Sohum: In this quarter, Jampp's contribution to our consolidated revenue was approximately a third and on EBITDA performance, we were able to bring Jampp up to 7% to 8% margin in this quarter. It is as per the playbook and the expectations where we had mentioned that within the first year of the acquisition, we will bring it to a single high digit EBITDA performance. We have achieved that in this quarter supported a bit by the festive season and the volumes. Over time we believe in the first year of the acquisition, we should be able to keep this momentum moving favorably. The Jampp contribution as you correctly mentioned is contributing some part of the revenue on the CPCU side already and some part is still on the non-CPCU side but it is a healthy mix as the transition is progressed. As a reminder, we signed the term sheet to acquire Jampp early this year and completed the acquisition on the 1st of July. Six months have gone since we completed it and about nine months since we had put ink on the table to commit towards this transaction. It is a work in progress. As we continue to grow and transform it over the subsequent years, we hope to achieve materially higher EBITDA performance on Jampp and therefore drive margin upside overtime on that business.

Anmol Garg: Thank you Anuj. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Arun Prasath from Spark Capital. Please go ahead.

Arun Prasath: Thank you for the opportunity. My question is on the Vizury. Correct me if I am wrong, we acquired Vizury mainly for the retargeting purpose and now the rules of the retargeting game itself are being heavily distracted because of privacy-related concerns. As we know, Facebook is very heavy on retargeting and they have given a tepid outlook given the performance in the last nine months. I understand Affle is more into New User Acquisition campaigns. However, if you could visualize and explain to us what kind of disruptions are you anticipating in the New User Acquisition campaigns? How Affle is ready to take over or to meet those challenges? This is my first question.

Anuj Khanna Sohum: Thank you for your insightful question. First of all, Vizury and Engage360 products are doing exceptionally well for us and we are extremely happy with the way we are going about it. The way we work on the Vizury product specifically is through deeper integrations with the advertisers and reliance on first-party data. This eliminates any confusion related to data privacy concerns because our technology sits deeply inside, integrated with the advertiser working as part of their one platform & system and leveraging their data to engage with the consumers. In our parlance, we call it first-party data. We are doing exceptionally well and there is no concern that we have at the moment concerning data privacy and issues about that. Vizury and our retargeting business are a much smaller part of our overall business and there is a massive role for consistent growth. If you look at one of the case studies that have been attached to our Q3 earnings presentation – the last case study showcases how we have managed to bring massive success for one of our customers in the context of iOS and IDFA related changes. Most of us would think that Oh! iOS and IDFA changes would mean that advertising on iOS will be less effective. But if you look at the results of that particular campaign which is not representative of every campaign, it shows that we could deliver about 41% higher ROI in SKAN campaigns on iOS14 versus android campaigns for the same product in the same period. It is not comparable exactly as the users are different but it is an important benchmark to understand that our tech stack can deliver outcomes on iOS as well. We have seen that not only for new user acquisition campaigns but in a limited sense, on being able to do some retargeting as well where the advertiser's first-party data is available. This is one quick answer to your question on that. Overall, what we see is that our company's product and capabilities in the last two years have made a solid foundation to address data privacy or iOS 14 related issues. We look at it holistically for the decade ahead and build a platform that will deliver on the momentum of consistent sustainable growth across our platforms. As I had mentioned in my commentary, we are doing well with all our investments and the pieces of those investments. We are privileged that every single one of our acquisitions that we have done is performing well and that keeps our confidence high. Therefore, as you would have seen increasingly that our investment size or the size of the transaction has gone up. Jampp which was done six months ago was the largest transaction. The reason for such big transaction is that we are convinced that our playbook is working. We did the smaller transactions about several years ago which included Vizury or the more recent ones i.e Mediasmart or Appnext and now Jampp. Our confidence is high and we have become much better at doing this as it is working well for us. Thank you.

Arun Prasath: Second part of the question is more specific as to what kind of disruption are we anticipating in the User Acquisition campaigns in the future and how Affle is ready for those challenges?

Anuj Khanna Sohum: I tried to address it by showing the case study about that and also in the investors day that we conducted in December where we had a detailed topic on this. In fact, on iOS, this is one of the fastest-growing business units in the company at the moment and an exciting time too. What I indicate to you with that is we are ready for any changes that may happen even further in the ecosystem while we have shown it in the last six to nine months of execution that Affle negotiated one of the bigger changes and transitions in the ecosystem on iOS quite well both for the new user as well as for repeat user conversions. I believe it is quite a specific answer.

Arun Prasath: You had mentioned that Affle today with the overall scheme of things, retargeting holds a smaller part. Can you give a ballpark percentage or number like 10%, 20%? That would be interesting.

Anuj Khanna Sohum: I am not at liberty to reveal that because it is competitively sensitive information but what I can tell you is that when we work with our advertisers for example an advertiser A, we would look at the entire consumer's life cycle. Therefore, not just getting the first conversion with the consumer but also getting repeat online conversions from that consumer for the same advertiser as well as looking for online to the offline conversion of that particular user with that same advertiser. We are trying to maximize ROI on that particular consumer. Now, a lion's share of the budget of the advertisers as a trend goes towards new user acquisition, especially in the emerging markets. This is because as the advertisers think that there are going to be the next 100 million users and they want to get to them first. Once the user is in their bag, they feel it is their second priority to go there and maximize the lifetime value. So, most of the emerging markets advertisers or even developed market advertisers in emerging verticals are putting higher budgets on new user acquisitions. Perhaps, it is competitively sensitive to reveal beyond this, because our competition would then know how Affle is proposing and pitching to the customer. This is the reason why our board does not reveal that at the moment.

Moderator: Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Thank you. Congratulations to the team on the spectacular performance. A couple of questions. Firstly, from a TV ad spend data perspective, we see India is the major market that continues to grow on this piece. Any sense of when this is going to change and would further add up to the momentum that we are already experiencing. Secondly, how should we see the Jampp business to perform in the near term? We know our long-term view is aligned, but do we see more things to be captured in the Jampp business given the tailwinds that you had highlighted earlier could play out and reach a certain size and then we would see a more normalized growth? If you could share your thoughts on both of these?

Anuj Khanna Sohum: Thank you for your questions. The first one is on TV ad spend. Yes, it is interesting to note that India still has such a huge ad spend on TV and also other channels but I am not going to make any expert view on TV advertising. Today, in digital advertising as a percentage of total advertising India stands at about 25%. This means out of every USD100 being spent on advertising, only about 25% is going towards digital. My view on it is clear and the writing is on the wall that the advertisers have no choice, but to shift at least 50% of their total budgets to digital and the sooner they do it, the better in terms of digital adoption and transformation. Therefore, there is a massive runway for growth. Where will this budget come from? Of course, the total add pie would grow but digital is expected to grow faster at the expense of the TV ad spends as they are becoming digital. Some of the traditional ad spends will go in favor of digital. I believe digital is also getting into TVs as TVs are becoming smart TVs increasingly. Also, on the connected TV propositions that you know, our company has already launched products and is building thought leadership in that space as a first mover in India. I believe these are areas that will help the advertisers to transition and adopt digital even faster.

The second question that you asked is about Jampp in the near term. The way to look at Jampp in terms is what we have done in the last two quarters which is already indicated. We are already upselling, cross-selling and transforming the opportunity more holistically with Jampp. We are doing well on the SKAN network, iOS support and the IDFA changes. As a whole group, we have grown over the last several years but we still have a massive runway for consistent continued growth because the market in every geography is much larger. The market is growing at about 25% to 30% CAGR as an industry across emerging markets. There is a lot of macroeconomic tailwinds helping us to continue this momentum but there is a massive runway for consistent growth before we start feeling that the growth will normalize or will reach a certain flattening point. We are nowhere close to that at the moment. I have a lot of expectations in the near term for consistent growth trend. I would say in the near to mid-term in the next three to five years, we should continue to see fairly impressive growth in the entire industry for ad tech.

Rahul Jain: You had mentioned 30% if I missed that number on the advertisers' ad spend allocation. A follow-up question. Is there any specific reason why we accelerated on Appnext stake purchase? What I can recollect is that it was to be done within three years but it has happened after two years now. Also, the valuation upside was very nominal. Was this a part of the original contract? Lastly, how the retention part would be for Elad and some other key members?

Anuj Khanna Sohum: Great question. On the TV ad spend or the digital ad spend. I believe the percentage that I had mentioned was approximately 25% i.e 25% of the total ad spend is going to digital. You can look at different reports which say different numbers but this is my assessment and reading of the company at the moment.

Rahul Jain: Sorry to interrupt but I think you had mentioned 25% can go to some number maybe 30% or something, I missed that.

Anuj Khanna Sohum: I had mentioned a minimum of 50% should go to digital. The reason why I came up with this number is that in a lot of the markets in the world, digital is already above 50% and digital for India or emerging markets means primarily more. This is an interesting and privileged industry to be in because of the solid growth momentum and runway ahead. Coming to your question on Appnext. we had a clear contract where we had to buy out up to this percentage of the shares by the third year. So, what you see in our disclosure is that we have done part payment of that now to consolidate our ownership to 95% immediately and there is still a significant part of retention linked payment that is pending. Those numbers are already disclosed and Kapil can elaborate more on them. It is linked to the founder's earnings that will be at the end of the third year which are Elad, Eran and the team but the non-founding shareholders have already been paid off now. We have consolidated the entire ownership into our hands. The reason to do that now is a strong indicator that our acquisition and organic plans have worked out well especially Appnext. It has done fantastically and therefore we are ready to accelerate it. It leads to better alignment and stronger retention of entrepreneurial alignment. Kapil, you may kindly elaborate further.

Kapil Bhutani: The payment for this 28.33% stake is the same as seen in the liability at the time of the acquisition itself. There is no change in the amount. The amount was pre-decided and about USD 3 million is being paid now. Rest, some USD 5 odd million will be paid after another 18 months. The USD 3 million is being paid to the non-founders so that the alignment of the founders can remain 100% with Affle. There is no obligation of the founders to be the investors of the original Appnext business. We have a full alignment of the Appnext founders to Affle. Also, our financials were already accounting for it at 95% for consolidation purposes on an anticipated acquisition method. The liability was already approved in the balance sheet. You will observe a dip of about USD 3 million in the liability side on account of this payment. It is the only change in the financials.

Rahul Jain: Thank You so much.

Moderator: Thank you. The next question is from the line of Vikas Mistry from Moonshot Ventures. Please go ahead.

Vikas Mistry: We have done the Jampp acquisition but we have a lot of cash lying with us. What will we do with that cash? We also know that you are particular about the acquisitions that must have some capabilities. Could you give us a view on what capabilities are we lacking and in which direction are we thinking to have further acquisition?

Anuj Khanna Sohum: Thank you for that question. It links back to what we did earlier with Appnext. We have consolidated our position there. I want to make sure that when we do an acquisition, we must prove beyond doubt first of all to our internal management team, our board and then to our shareholders that what we did in the acquisition was spot-on responsible and we delivered outcomes as per plan. Now, if you see the track record of the company, when we do an acquisition we deliver on it and make sure that we have done it right. Similarly, we go on to the next one and so forth. Yes, there is cash in the bank and it is not necessarily a bad thing. What's important is that there should be no undue stress on what we must do on it just because there is cash in the bank. I believe, we have to make sure that acquisition is taken very seriously with our whole process and playbook of long courtship period of analyzing the companies deeply, meeting them not only at the right time when they are at break-even but at the right price point for us. Then, systematically turning them around to a much greater success alignment. So, it has to be carefully calibrated. Is there anything missing in Affle that I am nervously looking out there for today? The answer is no. Our foundation with our tech stack and our Affle2.0 consumer platform stack is a rock-solid foundation on which we have already delivered great outcomes. It is a future-ready foundation. It is not a foundation that we have built something great on the past and just milking it now. We have launched connected TV products, online to offline connect with the consumer along with household sync and household ID capabilities internally in the company. Our patents talk about our gestures, the metaverse world and so on. This is a company that is forward-looking and future-ready with our platforms and the innovation culture helping us to keep it consistently in that realm. Thus, I am not necessarily out there effectively chasing something to be close. But at the same time, we are grounded and watching what is happening in India and all our markets. For every other startup, we have become an aspirational theme for many entrepreneurs to come and align with. A lot of incoming requests come from entrepreneurs who want to join Affle's entrepreneurial team. We, thus feel privileged and are carefully watching closely and assessing it. When the right opportunity comes, we will not be on the back foot, but I can assure you that we are an aggressively growth-oriented company. Affle will take the right steps at the right time. Hope it answers your question. Also, we are investing the cash to be utilized for increasing the overall growth of the company including working capital and organic expansion plans. It is all in a balance.

Moderator: The next question is from the line of Mayank Babla from Dalal & Broacha. Please go ahead.

Mayank Babla: Thank you for taking my question. Congratulations on a great set of numbers team. Few questions more towards the accounting side. Kapil, if you could explain what sits in the difference between the consoleidated and the standalone revenue right now because I believe approximately one-third of the revenue is from Jampp. So, what is the balance in the consolidated?

Kapil Bhutani: The balance in the consolidated is our existing without Jampp, the international business which constitutes of RevX, Vizury, MaaS as well as the Appnext. Till Q1, our financials were without Jampp and there was almost 50:50 split between India and international which now is skewed towards international because of the Jampp.

Mayank Babla: What would be the free cash flow for the quarter?

Kapil Bhutani: There is about Rs. 500 Crore Net Cash balance on our balance sheet for the period 9M FY2022, after deducting for the current liabilities on account of acquisitions. The free cash flow in our cash flow statement for the 9 months period would be around 85 Crores, after deducting the capex from our cash flow from operations.

Mayank Babla: Last question to Anuj. The case study on BYJU's mentions that we have done optimization for the lower funnel conversion metrics. So could you please expand a little more on that and throw some light?

Anuj Khanna Sohum: Our focus is to always align the outcomes in terms of conversion to deliver higher ROI to the advertisers. When we work in tier II and III cities in India and onboard new customers, our focus is to optimize high intent users in those cities and to use all our capabilities of the platform with its vernacular capabilities, ads and contextual placements to then optimize for what is called lower funnel conversions. What we have shared here is expressly approved by our advertisers and beyond that, I am not at liberty to say specifically for that particular advertiser or a particular campaign. But I can answer for you generally on what these lower-funnel conversion metrics mean. They typically mean that a user who has gone well beyond installing the app of the advertiser, registering into the app to subscribing or adding to a shopping cart or showing a clear purchase intent and in certain cases, doing the actual transaction. Now, the deeper funnel would mean if you start from the top of the funnel say for e.g. - somebody is seeing an ad and as you filter the funnel down, you can go down for the first transaction i.e the key transaction and online to offline transactions. Thus, our goal is to consistently drive maximum ROI for our customers and that means we must optimize for deeper funnel conversions. Hope that answers your question.

Mayank Babla: Yes it does, can I squeeze in one more?

Anuj Khanna Sohum: Go ahead.

Mayank Babla: Is it possible for you to give us a split between the converted users for Jampp in our balance of the business and the same for the rate of conversion?

Anuj Khanna Sohum: I am not able to give you that at the moment as it is comparatively sensitive information from our competitors point of view. Most of the competitors at least the smaller ones are not publicly listed companies and they try to pick on these call details that we share with our investors for good measure. Since now we also share our case studies, it is almost like giving an invitation to a competitor to pick that information and go and make a competing pitch to get in. So, I believe we balance that and are transparent to the extent that we can be. We sometimes abstract where we believe we should do that given it is important to retain the business advantage or else we will end up telling our CPCU per country, per vertical, per market and per platform. I can assure you that would be an open invitation to the competition. Even internally within the company, some of this data is done systematically in the platform so that no one person can have a full insight into it.

Mayank Babla: Thank you and best of luck for the future.

Moderator: The next question is from the line of Pritesh Thakkar from Asian Market Securities. Please go ahead.

Pritesh Thakkar: Congratulations on a good set of numbers and thanks for the opportunity. Wanted to understand the trend of converted users as in the last quarter we added around 17 million users and this quarter added around 10 million users on a sequential basis. It is higher than the usual trend we had previously? Is the shift in the ad dollars from iOS to android supporting the incremental additions for Affle or some other elements that you want to touch upon?

Anuj Khanna Sohum: Thanks for that question. The best way to look at trends is when we talk about conversions. The historical trends are a great indicator of what is to come in the future. In the last nine months, we delivered about 138.7 million conversions from converted users at approximately Rs. 50 CPCU rate. If we were to analyze the trend further over last four financial year and just look at Q3 converted users, you will find that the CAGR is 67.2%. These are statistics and trends that we have already shared. These are the long-term trends that I am talking about i.e either nine months of this financial year or even four years of Q3 analysis and trend. Now, that is an indication of the consumer adoption across markets. I believe, all of us can relate to our own individual experiences. During the last few years, we have drawn way more on our screen time on digital and connected devices and that is true across the board globally. This is not a one-off shift but the new normal now. We expect this kind of adoption to continue to increase for many years as more of young generation will start coming on digital devices as well as people from well beyond tier III cities to rural markets will start coming on smart devices. In India alone, we expect in the next few years to have over 1 billion connected devices and the number of online shoppers in India to be close to 0.5 billion. Shoppers are people who are ready to transact online to be at 0.5 billion over the next few years. This is a massive digital trend. There is a multi-year and multi-fold digital adoption plan that will continue. So, this is going to help us to keep the momentum of growth.

Pritesh Thakkar: It was helpful. Can you provide any specific vertical out of our EFGH categories, that contributed the most to the overall conversion or revenue growth this quarter?

Anuj Khanna Sohum: The way we have provided the data so far is not choosing which one is contributing more or less. There is a very well balanced broad-based growth that Affle is delivering unlike let us say three to four years ago, when we were deeply anchored on e-commerce. Now, it is more broad-based and we see each of these verticals becoming a strong business unit in the company in years to come. We have deeply anchored ourselves on our 2Vs strategy i.e verticalization and vernacularisation. Both 2V strategies help us to go deeper in each of the verticals and hyper-local with each of the consumers to deliver the deeper funnel conversions and ROI. This is working well for us and picking anyone vertical out and saying this is the highest would not be as insightful as telling you that it is a broad-based growth across verticals and across geographies. There is no real vertical concentration or customer concentration risk at the moment. We are building our products, people teams, processes and data science stability highly verticalized for each of these categories. We have been much sharper in our execution across these verticals.

Pritesh Thakkar: I have a question on the margins front. You indicated there was an appraisal cycle this quarter. So, if you can quantify how much is the impact for this quarter from the appraisals?

Kapil Bhutani: We have about Rs 13.5 million i.e 1.35 Crores as the ESOS cost coming in this quarter which has contributed to a slight increase in employee expense. Secondly, we have increased our manpower by about 6%. Rest of the increase is attributed to the increased salaries (appraisals).

Pritesh Thakkar: Thank you. That is it from my side.

Moderator: The next question is from the line of Sumere Choksy from Indus Equity Advisors. Please go ahead.

Sumere Choksy: Congratulations on a fantastic set of numbers to the entire team. A couple of questions. Firstly, we are seeing this whole Metaverse theme playing out and the whole world going gung-ho over it, but let us say we look at the potential use cases with brands like H&M. They have gone out to set up digital storefronts where virtual customers come and interact with them & their products. Now, how would Affle fit in here? Would the customer interactions be virtually measured? I am aware of the fact that this is a hypothetical question and even we are so early in the theme, could you share your insight on that?

Anuj Khanna Sohum: Thank you for your kind words about our performance. On your question, if you look at one of the recent patents that were granted to us in the US Patent Office, it talks about gesture-based voice intelligence driven interactions. This shows how this patent is preparing us for a scenario where the human interaction with the machine or technology would be much more subtle. It will not be a voice command or type-in and touch something but it could be as simple as a subtle gesture. This gesture could be to your avatar or your digital persona. Therefore, it could lead your digital persona to behave in a certain manner based on subtle gestures or your technology assistants such as robots or other intelligent devices but there will be new consumer interaction experiences. To make sure that our product roadmap and IP portfolio is future-ready, Affle has already invested in not only filing for these patents but achieving success in getting those patents granted in let's say the most important US patent office. I believe this shows that

Affle as a company where a lot of your funds are invested is prepared, thinking ahead and is demonstrating that in its actions with tangible outcomes secured.

Coming to your specific question about what brands like H&M are doing? I believe what is exciting is that digital-first companies are going more into the physical world and starting to create offline storefronts and that offline storefronts also are digitally advanced. In Singapore, we have seen that already where offline storefronts that are completely unmanned and served by robots. Also, in some hotels in Singapore robots do room service. Such things are already happening in the world where offline industries are becoming more digital including the world of Metaverse and then we also see digital companies going more offline. Do not look at it from one angle rather see the entire consumer journey as an integrated journey in the physical, virtual and augmented physical & virtual worlds which will become one integrated journey. H&M would have to then look at how their digital store connects with the behavior that is on a physical store, the mapping of this actual human behavior to the human avatar behavior and authentic avatar versus a fraud avatar of the unit, etc. There will be all kinds of interesting technologies and I believe for us even our broad tools on which we have several patents get the fundamental essence of that. It is the ability to know which interaction is a human interaction and which is a machine interaction. Today, if a machine is doing something on the behalf of a human, then one must check if it's authentic or a fraud. This ability is already with our company through patent grants including the ability to look at gestures-based communications as well as other certain forms of communication. We have visualized it and as the world unfolds and consumer adoption & behaviors change, we will have some big advantages in emerging markets because chances are that some of these things will get adopted in Japan, Korea, Singapore, the US, or China faster than it gets adopted in India, Indonesia, Vietnam, Africa and LATAM, etc. Hence, we will have some advantage of foresight and then be better prepared to localize and vernacularize our innovation. While we do not want to be second to any and are well prepared to keep ahead.

Sumere Choksy: Thank you so much. It is a great perspective. My last two questions together. We have been over this question of privacy many times before and I understand Affle is not affected by the changes such as browser privacy move by Google that you had highlighted during previous calls. But let us say in the future, if Google alters on-device privacy norms via operating system updates. Would this also affect hybrid android systems as these are utilized by OEMs? Or will the OEMs retain control over the privacy and user data norms given they utilize these hybrid systems which are not pure-play Android systems? Secondly, could you break down your connected device numbers in terms of mobile and non-mobile devices - let us say in a percentage term or it is too nascent to provide this number as the entire spectrum is mostly covered by mobile-connected devices? Is there is any revenue contribution from these as well? That is all from my side. Thank you.

Anuj Khanna Sohum: First of all, I will reconfirm that Affle is deeply insulated from anything that is happening on the browser or cookies. For the entire tech industry, cookies is a technology for more than 20 years old with HTTP, browsers and the internet. Here, we are looking forward to new technologies and more efficient internet. Better things will come around and therefore, I am least worried about the cookies going away. Affle's business has no impact at all.

In terms of what has already happened on iOS, the fact that whole industry was nervous about it and some of the companies are still impacted. We have seen that from some of the bigger players announcing that they are deeply impacted by iOS changes. However, for us, Affle was deeply anchored on emerging markets which are predominantly android heavy. We had very little exposure to iOS but we saw a great opportunity. When the landscape is changing for the incumbents in a way that is making them nervous then maybe, we are the new entrant with an innovative platform capability and can create a new position for ourselves. We did that well with Jampp. The Jampp acquisition was signed perfectly for us because we wanted to be the first hand going into the US market to experience how to turn this challenge into an opportunity and we did that well in at least for the last few months. We have done well on the IDFA part. So, it gives me the confidence to say that as and when Google does something which is at least a few years away linking to your own questions on the complexities of hybrid OEMs, hybrid models and full retain control, making changes on the Google ecosystem way more complex versus Google making any change on its browser or Apple making any change on its iOS platform. It is because of these factors a) any such changes in few years away b) we are no longer even nervous about what changes might happen on iOS, so least to worry of what might happen on Google. I want you to know that being a hands-on entrepreneur in this space and a significant owner within the Affle group, I am not nervous about this particular change but at the same time we are not ignoring it or taking it lightly. It is not like oh! we have solved everything. We know there could be changes and challenges but the confidence with which we are solving those challenges has just gone up because of the way we have negotiated and transformed our challenges into an opportunity on IDFA. Therefore, one step at a time. Let us not get overly burdened by what might happen on Google. I assure you it is going to be great as we have many more quarter calls in between to address it progressively.

Sumere Choksy: Thank you. That last question on the connected device mix if you could answer to that?

Anuj Khanna Sohum: On connected devices, our perspective is simple. We are a consumer-centric platform. Wherever the consumer goes whether it is mobile or a wearable device or connected TV or if the consumer goes offline, we will follow and go to all of those places with the consumer whether it is the Metaverse or the physical real world. Our focus is consumer-centric. Now, within that how important is it to chase a segment of our revenue by what is on mobile versus what is on other connected devices, I believe at the moment it is nascent to go into such granularity but what is important for you to know that our strategy is consumer-focused. That is a big differentiation because for many companies, their strategies focus on one part of the consumer's journey where they only deal with the consumer when he is on Facebook or Google or when he is offline or on TV. While we are saying that we look at the consumer holistically and that is the only way I believe this business can be done well for a long time.

Sumere Choksy: Understood. Thank you so much and my best wishes for the future. Good luck.

Moderator: Thank you. The next question is from the line of Manish Poddar from Nippon India. Please go ahead.

Manish Poddar: Congrats on the results. Two questions. One is would you be able to help me with Jampp's revenues in the base quarter because I believe you mentioned one-third of the revenues in this quarter is coming from Jampp? If we have to understand the Jampp specific growth, how is that number in the base quarter?

Anuj Khanna Sohum: I can tell that our organic growth has been quite fantastic on a y-o-y basis and seeing from a bottom-line perspective, the organic growth is over 50% y-o-y. In terms of EBITDA, around 86% of the EBITDA came from the organic business. Kapil, if you can share any specific numbers on Jampp as I don't have that data immediately on my hand. Qualitatively, we are highly satisfied with the kind of growth momentum that we have jointly unlocked on the Jampp business through upselling and cross-selling the various use case scenarios.

Kapil Bhutani: Jampp has approximately grown by about 30% plus in this quarter versus the previous quarter i.e. Q2. We made a commentary last quarter that it was just above 30% of our revenue and this time in Q3, it is just above one-third of our revenue.

Manish Poddar: Anuj, any sense on how is the market growing up there and on the market share of Jampp in the market which it caters to?

Anuj Khanna Sohum: We operate as one connected consumer platform and our goal is to integrate. We are already doing well with the integration of Jampp as part of our overall platform. The growth in Latin American markets is nearly same as that of the emerging markets but when we look at developed markets including what Jampp is also doing, then a) the market size is huge as we are having a massive runway for growth and b) in terms of our execution focus, we focus on key emerging verticals in those markets which are high growth verticals even in those markets. I do not have any specific data point on what is our revenue as a percentage of market share of the total market at the moment. But I can simply tell you that every single business unit in our company and every single entrepreneur leader in our company is at least gunning for 25% to 30% growth in CAGR terms. The reason for that is that the industry average growth rate is at least in that range. Hence, it is a part of our DNA and anyone doing any part of the business in Affle is running for: a) growth above industry average growth and for us that means 25% to 30%. We are not giving any leeway to one market or the other and b) it has to be a deeply profitable growth and everybody has to aim for those high teens of profitability. So, there is a consistent focus on these two elements and therefore we talk about sustainable profitable growth as a part of our culture. It is not just about aligning one-quarter of one business unit. Therefore, the entire organization is geared towards that outcome. It should give you assurance if you are looking at modeling Jampp separately from us and trying to find a growth rate pattern for that or any part of our business units. Kindly, look at it holistically as one platform which is going to deliver that kind of growth. There could be one quarter with one platform that does better than the other but those things would average out over time.

Manish Poddar: Last question. In terms of other income let us say this 14.5 Crores in Q3. Is there any one-off item in this or is this largely the yield on the cash which is on the books?

Kapil Bhutani: If you compare it with Q3 last year, it is largely the yield on the cash but if you see from Q2 (previous quarter), Q2 also had the fair value adjustments of our investment and this Q3 also includes that. So, you will need to eliminate it from both the quarters and the same has been mentioned in our presentation. You can refer to the presentation for greater details.

Manish Poddar: So, roughly we are seeing a run rate of about 50 Crores of other income for FY2022 and let's say if we are running 4% - 4.5% yield, that would give you the cash on books?

Anuj Khanna Sohum: Yes, but this yield is around 3%-3.5% only.

Manish Poddar: Thank you so much.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Anuj Khanna Sohum for closing comments.

Anuj Khanna Sohum: Thank you everyone for staying tuned into the call today. I sincerely appreciate the support and the belief that the investors have shown continuously in the company. The questions were insightful and forward-looking. Also, the tech evolution is exciting and we are passionate about our industry. We are deeply committed and have a strong conviction & belief in delivering superior growth. We are here to build Affle to last for the long-term. We look forward to more opportunities to answer your questions. Thank you and stay safe.

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

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