



AIL/SE//2021-22

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To

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001	National Stock Exchange of India Ltd Exchange Plaza, 5th Floor, Plot No. C-1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051
Scrip Code: 542752	Symbol: AFFLE

Dear Sir/ Madam,

Sub: Transcript of the Analyst/Investor Conference Call conducted on Friday, July 2, 2021 at 11:00AM (IST)

Please find enclosed the detailed transcript of the Analyst/Investor Conference Call conducted on Friday, July 2, 2021 at 11:00AM (IST) to discuss the acquisition of Jampp.

The same shall also be available on the Company's website.

Submitted for your information and records.

Thanking you,

Yours Faithfully,
For Affle (India) Limited

 

Parmita Choudhury
Company Secretary & Compliance Officer

Affle (India) Limited

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Affle (India) Limited

‘Acquisition of Jampp’ Conference Call

July 2, 2021 at 11:00AM IST

The logo for Nomura, featuring the word "NOMURA" in white, uppercase, sans-serif font centered within a red rectangular background.

NOMURA



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. Rishit Parikh - Nomura Financial Advisory & Securities (India)

This transcript has been edited to improve the readability

Moderator: Ladies and gentlemen, good day and welcome to Affle (India) Limited Conference Call to discuss the acquisition of Jampp, hosted by Nomura Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishit Parikh from Nomura Securities. Thank you and over to you Mr. Parikh.

Rishit Parikh: Thank you Nirav. Good morning everyone. On behalf of Nomura, we welcome you all to the conference call of Affle (India) Limited to discuss the company’s view on the acquisition of Jampp. I take this opportunity to welcome the management of Affle (India) Limited represented by Mr. Anuj Khanna Sohum who is the Chairman, Managing Director & Chief Executive Officer; and Mr. Kapil Bhutani who is the Chief Financial & Operations Officer of the company.

We request all participants to restrict their questions as per the agenda of the call. I now hand over the call to Anuj for his opening remarks post which we can open the line for Q&A. Thanks and over to you, Anuj.

Anuj Khanna Sohum: Thank you Rishit. Hi everyone, a warm welcome to our call today and thanks for your continued interest in Affle.

I am delighted to confirm that we have completed the acquisition of Jampp to acquire 100% ownership, full control and tech IP assets of Jampp. This happens at a favorable time, given the backdrop that Google has announced over the last week about delaying their plans to phase out cookies from their browser until 2023. This has given a clear indication to the market with respect to the data privacy. The phase out of cookies from browsers which has been an established fact on iOS since 2018-2019, even 5 years forward, Google is still pushing their move by nearly two years later in 2023. Hence, our emerging markets thesis of expanding the mobile marketing business on the Android anchored marketplaces is well placed and we see a strong momentum of continued growth. Therefore, one should not be worried about any major changes or factor it as a risk at the moment. Even on the browser, the cookies impacts very little to our business today and there is already a significant delay that one can see that Google is introducing.

Acquisition of Jampp connects well to our strategy of focusing on Android heavy emerging markets, as Jampp is a global programmatic platform company but it

was founded and is anchored disproportionately on Latin American markets. It has a niche and verticalized focused presence in some of the verticals in North American markets. This acquisition of Jampp being announced on June 9th and the completion of acquisition announced yesterday, is a significant milestone for us.

In the last financial year, we had already delivered over Rs. 100 crores of cash flow from operations as well as in the early part of May, we achieved the QIP of Rs. 600 crores. The company had already provided a clear vision that as a part of Affle2.0 strategy for the decade, we are looking to reach over 10 billion connected devices globally, anchoring our execution across emerging markets like India, Southeast Asia, Middle East, Africa and LATAM. We want to be deeply anchored on the Android ecosystem and also enter into certain niche verticals in developed markets as well. Jampp completes that strategy in a strong way. It is consistent with what we had said prior to our IPO during roadshows, post IPO, during QIP round and we have executed on what we have always maintained as our execution strategy and focus.

Jampp is a unique company. They have been in a courtship period with us since 2013 when they were founded. I have personally interacted with their senior management since that time. Through these 7 to 8 years, we have carefully calibrated and assessed them until we found that they have reached that moment where they have maxed out on their capabilities and it was time for Affle to uplift them to greater heights and possibilities.

In tech ecosystem, please know, there are many kinds of entrepreneurs and most of the entrepreneurs who reached some level of success are what I define as the Abhimanyu entrepreneurs. They know how to build their first team, their idea, the angel around, the series A, B, C and so on. They know how to get a good revenue traction as well but they somehow stop at a breakeven. Then, they do not know how to raise that next round of funding or orient to cashflow positive growth. The Abhimanyu's are really strong warriors, but they fight really well up to a certain point and after that they just stagnate and get stuck. If you see Affle's consistent track record, whether it was Appnext or Mediasmart or other acquisitions, Jampp is no different. We have always found those moments where these companies have reached a certain revenue scale. They are breaking even. The investors are out of steam, they are not putting any further money and the founders are a little bit tight. We go in and acquire them, infusing spirit into that business with our technology, with our CPCU verticalization strategy which leads to better margins, profitability and cash flows. Then, we build that engine of

growth from there, from not just applying technology and data but also giving certain level of capital support to get that engine of growth back on track. That inspires these entrepreneurs who already have a proven track record but completing them in a way that allows them to survive & well beyond that to sustainably unlocking greater value and growth. That is what we have done in the past. That is exactly what we are doing with Jampp.

Now, our thesis of doing these acquisitions is very clear. Within 12 months of doing the acquisition, our goal is to build these businesses into high single digit bottom line positive performance. That we have already done with Mediasmart and Appnext as demonstrated before, within 12 months of acquiring these companies. Therefore, our confidence was high to go ahead to do the Jampp transaction and say to our board that we will do it again with Jampp as well. This is because we have the playbook and have tested our methods of turning around the businesses. Within the 12-to-24-month period, we would move these acquired businesses to about 15%-20% bottom line positive contribution performance. To me, that is something that is extremely exciting because it means that we are buying these companies at a time but they are struggling, applying our technology & capabilities to turn them into higher margin performance within 24 months. Therefore, unlocking sustainable growth which is profitable & cashflow positive and bringing them to the same level of performance that Affle's current business is. This is the thesis with which we have gone ahead consistently and acted on these acquisitions whether its Mediasmart or Appnext or Jampp. We have also got the management team of Jampp deeply incentivized. If you look at the deal structure, we are only paying part of the payment now. We are paying the other two tranches at end of year 1, year 3. There is significant alignment to make sure that these teams stay together to unlock this greater growth potential. We will certainly achieve that. Now, we can deep dive into any questions that you might have and then as part of answering those questions, I will build greater understanding and appreciation for what we have done.

Moderator: Thank you very much. We will now begin the question and answer session.

Rishit Parikh: Hi Anuj, this is Rishit. I will go ahead with couple of questions on Jampp. Firstly, are we looking to expand materially in LATAM, in the US, and is there any timeline to reach a potential size and scale in these markets? Secondly, I would assume Jampp will be on a CPI model. Is there a plan to pivot this to a more of CPCU model? How do we drive that change and how long will it take? Thirdly, any cross-sell opportunities that you see from this acquisition and any other synergies that can be highlighted?

Anuj Khanna Sohum: Jampp has a small business within the Asia-Pacific region. It is consolidating our position as an upcoming market leader in Asia-Pacific markets - India and beyond. The mobile marketing associations, global reports and trackers already talk about Affle as the #1 platform for India and among the top 3 platforms for the Asia-Pacific region and so on. We want Jampp to be identified as a market leader in Latin American markets. Considering Jampp's past 7-year track record, their brand is strong. Every industry player across North America, LATAM, Asia and India would know of Jampp. We got so many people calling, congratulating us and saying fantastic team; How did you get Jampp? There is positive equity that they enjoy as a brand and are the only company in our ecosystem that is truly born and brought up out of Latin America. Therefore, to stake a claim to a market leadership position in LATAM, with the Jampp brand under our umbrella as a group is a strategic move. Now, when will we achieve that market position supported quantitatively by the numbers, where industry reports begin recognizing that, I would say, give us about 2-3 years. We should by then be seen as a market leader in LATAM. In terms of transforming the Jampp business which is seen today as more of CPI, to upgrading it to the CPCU business model which is deeper funnel conversion metrics, we will begin to do it with immediate effect. During our long courtship period with Jampp, we have assessed that to hit the ground running. The work in progress has been extremely strong as the agreements were signed on 9th June and the completion happened at the end of June. The work in progress has been strong. We should start seeing CPCU performance and contribution for some part of Jampp's business within the Q2 of this year itself. We have talked to all their top customers contributing almost 80% of their revenue during the due diligence process. We have educated them, how this acquisition will help the customers get better ROIs, margins and we are already seeing momentum. In fact, I had a call with the Jampp founders last night and they were saying that Anuj it's almost a blessing. They are already seeing a much bigger pipeline, conversions and momentum than they have ever seen in their business. We have made sure that the Jampp teams are ready with the kind of training and preparation that we have done. We will see almost 100% transition to CPCU within 1-2 quarters. That is what will help us drive high single digit performance on bottom line, sensible performance for Jampp within this year itself. That transformation happens by integrating our DMP, our cloud systems together with Jampp. To achieve that, our CTO (Charles) and his team has already been working with the tech team at Jampp. We should be able to achieve that within the first 6 months and the financial outcomes of that will be seen within/around 9 months' time. By the time we end this financial year, you should see Jampp transformed

to CPCU business, delivering high single digit profit performance. Rishit, please help me revise what your last question was.

Rishit Parikh: Any other cost-saving opportunities that we envisage from some of the portfolio holdings which can be sold in LATAM?

Anuj Khanna Sohum: There is a massive cross-selling opportunity for our MAAS, Appnext, Mediasmart, and Connected TV platform. We are focused on transforming from CPI to CPCU, higher profitability growth and verticalization for the first nine months for Jampp. In the next financial year, we see them doing deeper partnerships with OEMs and operators, either referring or cross-selling and upselling other platforms and capabilities of Affle into that market. Our ambition should be to grow the Jampp business in LATAM and North America through Affle's support. It can become almost a USD100 million possibility in a few years' time.

Rishit Parikh: From an EBITDA margin respective, will it be a 5-year timeframe for Jampp to reach Affle level EBITDA margins in this business? Secondly, any impact on Jampp due to the changes in the privacy policy in the iOS market? Thank you

Anuj Khanna Sohum: On EBITDA, first-year margins would focus on single high digits, the second year to focus on around 15%-20%, and the third year, it will perform at about Affle's current business level which is around 23%-25%+ EBITDA. It is inevitable because fundamentally, we would only acquire those businesses whose quality and growth momentum can be upgraded to the same level as Affle's business. We are not in the business of acquiring businesses for size & scale and averaging us down. Some averaging down in a short period might be possible because year 1 and 2 are not as profitable. That is why we buy them cheap. We are transforming them from Abhimanyu to Arjun using our technology, capital and strategies. There is a massive unlocking of value for stakeholders over the 2-3 years (approx.) and each year, we will demonstrate how we are progressing.

Concerning data privacy on iOS, we are confident that our focus on emerging markets deeply insulates us from iOS related changes. This is because almost all global emerging markets are mostly Android markets, as part of the consumer selection of Android as a choice in terms of the ecosystem. The Android ecosystem is unaffected by iOS related changes. Let us say - 50% of the North American market is Android-focused, so Affle will try to enter into it with the sales team of Jampp as we are, perhaps, the only company in the world in our business, who is disproportionately focused on global Android ecosystem markets. Therefore, our case studies on the Android platform are strong and have won global awards in

many forums. If we enter a certain market, say North America, and ask for Android business from advertisers, by introducing Affle as one of the best in the Android world in terms of the business volumes, consumer profiles, processing, and delivering conversions on Android. It is unmatched and no other company that I may know of today in North America, has such capabilities. Hence, we are aggressively pursuing certain niche verticals in North America which are Android-focused. That does not mean, our platforms cannot serve iOS - of course we can and that is a complete upside for us. If we win some customers because of the Android entry point, we are not hesitant to ask them to give some of their iOS budgets as well. That is how our strategy will work. There is an opportunity that lies in iOS heavy markets where the competitors are now becoming vulnerable and we can win against them.

Moderator: The next question is from the line of Mr. Mayank Babla from Dalal & Broacha Stock Broking.

Mayank Babla: From a modeling perspective, what sort of growth rates can we expect from Jampp over the next 1-3 years as Jampp's CY19 grew around 39% and CY20 dipped by 16%?

Anuj Khanna Sohum: We don't give any specific business unit growth or short-term growth guidelines. Having said that, it is important to look at the macro factors that are providing massive tailwinds to the industry and across global emerging markets. Our industry is expected to grow at least 25% CAGR in the next 3-5 years. Consequently, anybody who is modeling us whether it's our own internal teams or investors, analysts, because of our unique business model on CPCU and the way we address the consumer platform opportunity for the advertisers, there is no reason to not model us at 25% to 30% CAGR growth for next 3-5 years. This, I mean with the new base that we have got. I have already given the indicators of year-1 and what kind of profitability or bottom-line outcomes we can derive from these businesses. So, that should be a realistic basis to model us and we will hopefully achieve or exceed those expectations.

Mayank Babla: In your earlier remarks, the guidance that you provided, was it for the PAT margins or the EBITDA margins?

Anuj Khanna Sohum: It is difficult to speak on PAT basis because the applicability of tax rates could differ. When I talk about bottomline, I typically mean profit before tax (PBT) which means that everything is taken into the account, whether it is capitalization, amortization, etc., except for the tax.

- Mayank Babla:** Last question. As far as this acquisition is concerned, how will the price be allocated to the balance sheet items? Out of the total USD 41.3 million consideration, about USD 26.3 million would be an upfront payment and the rest of about USD 15 million would be contingent consideration. So, how will these payments be treated for balance sheet accounting and what would go to the different line items in balance sheet?
- Kapil Bhutani:** We have initiated the purchase price allocation studies, which are being looked at by one of the Big4 firms. A large portion will go to the goodwill and the rest will go to the intangible assets which are the tech assets or brand assets or the customer relationship, as there is no brick-and-mortar asset available on the line items.
- Moderator:** The next question is from the line of Mr. Mohan Kumar from JM Financial Service.
- Mohan Kumar:** A quick question regarding the broader impact of cookies and how will it play a role here? What would happen over the next couple of years, say google wants to get to a better place with privacy-related concerns? What would be the impact on Affle? Also, please elaborate on privacy-related action that comes on the cookies front?
- Anuj Khanna Sohum:** The business of Affle is in-app and on-device mobile marketing. We have been around since April 2005 and have seen all forms of ecosystem-level changes whether consumers moving from Nokia and Blackberry to iOS, Android and so on. In terms of data privacy regulations, these regulations came about in Singapore first than anywhere else in the world. It is called 'Personal Data Protection Act', came about in Singapore for digital in 2012 and became implemented in 2014 followed by GDPR in Europe which came in 2016. We are talking about regulations which allow consumers to say, I consent for my data to be used or also allowing the consumer to say - I revoke my data to be used across any form of digital platforms by government regulations. And most of these jurisdictions since 2016 in GDPR or 2014 in Singapore has still seen massive growth in digital advertising on mobile. We have seen through last 16 years of ecosystem changes, including data regulation coming in Singapore & Europe and how the market has continued to adapt and grow. When iOS announced that they will deprecate the cookie on the Safari browser; this was announced in 2018 - early2019 and then Google responded, saying we will also do something. Now, Google last week announced that we will do something about cookies in 2023. Which means iOS announcing something vs. Google announcing to do the same, the delta between the two is over 4-5 years. Affle's business fortunately has negligible dependence on

browsers and low single digit percentage dependence on iOS as a device. The cookies relevance is only on the browsers. In fact, we have almost 0% business on the browser at the moment, we have no impact of whether cookies are there or not there. But from an ecosystem level perspective, it gives us a understanding that on the Google ecosystem, more specifically on the Android ecosystem, the hurdles for Google to do something are much higher because Android is controlled margins by Google but are also OEMs and operators around the world. All of these large handset manufacturers have their own variants and variants of Android on the UI with deep customizations. They have their own abilities to have identifiers on that device. Affle is deeply in partnership with operators and mobile OEMs as part of our strategy as well. So, in next 3- 5 years, I do not expect any risk factors with respect to Android and Google ecosystem going through some massive change. More fundamentally, even on iOS let's say, iOS has made this change. Let me ask you if you are an iOS user in India and somebody were to give you two options saying - hey, this is an app which has ads in it. Please give your consent for it to show you an ad in a targeted manner, where your device ID is shared or go for another app which is a premium and you have to pay USD1 a month per user. I can assure you most of us on this call today, will just give the consent. There is already a regulation on data protection, what is the big deal? I don't want to pay. Never mind they will show some ads. This is the general attitude of most consumers in emerging markets across the world, whether they are affluent users or rural market users, whether they are youth or otherwise. I can tell you my children are the same. If they are downloading an app on their iPad which may be a game with ads, if I ask them - you want this version? They say No, let us take the free version. We don't want to waste our pocket money on just taking a game and paying for it. They want to take an ad funded basis. If they love it too much and they don't want to see ads in it, then they will pay for it. The ad funded consent-based business model is here to stay because the consumers want so. What iOS, Android and the regulation is saying is please ask for consent properly and when the consent is given, please make sure the data is stored properly. Affle is welcoming of regulations and of taking the consumer consents. We believe that in the emerging market's ecosystem on Android, it is still far away before Android will do the consents, the way iOS is asking for it. Even on iOS, I think particularly in emerging markets, we will see at least 50% of the people giving consents, which is statistically relevant for Affle to continue its business the same way without any worry.

Mohan Kumar: You have doubled our stake in Bobble AI. Does it build a deeper network with the OEMs? As you mentioned, been an Android ecosystem, OEM has (Inaudible) 30.23 pretty much, everyone has got a pie?

Anuj Khanna Sohum: Thanks for asking this question. It is critical for Affle to make sure that we have deep OEM operator partnerships and more presence across strategic assets on the device. Why did Affle choose to go after the keyboard app? The reason is that every single user on an average uses the phone more than 100 times a day. I knew my screen time was high, but I did not know that I go more than 100 times a day to do something on my device and almost invariably in all of those 100 times, I have the keyboard activated. Keyboard is used irrespective of whether I am typing a message or searching something or purchasing or during a banking transaction and so on. The keyboard is almost always in use. How powerful is that. Now, if that keyboard supports all vernacular languages of India and supports them in a way that you can even mix those languages; a bit of Tamil and a bit of Hindi mixed together or the English mixed together with Punjabi. And it can interpret that and help. It is a powerful tool. Before Bobble AI becomes a Unicorn, we thought it was sensible to double down. Affle may help them become a unicorn by getting them more users through our OEM and operator partnerships. Affle will help them drive ad-based monetization using our technology because they do not have that expertise. They know how to make vernacular keyboards. We are enabling a lot of the rest for them and we know that we are taking them to places. Before they become more valuable, we thought let us buy some more equity and take deeper position there.

Mohan Kumar: Affle has cash sitting in reserves from the QIP raised recently and also has good cash flows. So, can we expect a bigger position in Bobble AI or any other acquisitions in the near term?

Anuj Khanna Sohum: We don't have the mindset of building a war chest. In fact, if we were not clear on the Jampp transaction, we would not have done QIP. I am a strong believer that we should have efficient capital raising and deployment. So whatever capital we have, we will deploy it carefully and efficiently. Also, at the same time we are quite conservative. If you look at every single transaction we have done, we had about long courtship periods with mediasmart, Appnext, etc. We are selective, careful and you can be assured that if we will do something, it would be with 100% conviction.

Moderator: The next question is from the line of Mr. Kalpit Narvekar from Allianz Global Investors.

Kalpita Narvekar: In terms of the 50% international revenue, could you give some color in terms of the contribution from different markets? What do you see as the underlying growth in those markets in terms of mobile advertising? Lastly, in terms of growing organically as well as inorganically, how do you picture which markets to enter? Is it based on which device is dominant in those markets, etc.?

Anuj Khanna Sohum: Currently, our revenues are about 50% in India and 50% in international markets. For international markets, our focus is disproportionately on global emerging markets. When I say South East Asia, it doesn't necessarily mean Singapore but it includes Indonesia, Thailand, Malaysia, Philippines, Vietnam as well. All these are fast-growing emerging markets of Southeast Asia. Similarly, we mean the same for Middle East Africa, LATAM and other international markets. All of them are strong emerging global markets. It is expected that our ad-tech industry will see mobile advertising grow at least 25% CAGR over the next 3-5 years. Multiple industry reports can be referred for the growth rates, by carving out these growth-oriented emerging markets. I expect international business to do well because of the sheer addressable market, right strategies across different countries around the world and our global platforms. We are capable of addressing the global opportunity anchored out of India. Also, we have built a strong on-ground presence in Latin America, Middle East Africa and other Asian markets like Japan, Korea, China, where we have built some initial on-ground presence. Thus, our focus is on increasing on-ground presence across these markets. We are not throwing capital behind but using it in a way that promises sensible calibrated moves with bottom-line sensibility being assured at all times. I expect, by end of this financial year, we should see 60%-40% in favor of international vs. India. That is not because India is growing any lesser or fast but it is just the sheer momentum in international markets that we are going to see not only due to Jampp but also organic growth. Every time I have given this kind of guidance, India has surprised me because India just find ways to grow faster at the same time. I have always challenged my teams in India to keep pace with that. In the Bobble investment, our vernacular, verticalization strategy, going deeper in India to Tier II-Tier III, rural India. All of these are fantastic strategies. Our (CTV) connected TV product in India is getting partners every other day. It is moving around nicely that while all my Excel-based planning says that it will be 60-40 in favor of international but India is doing exceptionally well. So, I am proud of how our teams are executing. Anybody who believes that we are going too far and may be diffusing ourselves, please know that we have a dedicated entrepreneurial leadership team who lives and breathes only India 24X7 and nothing else. Similarly, we have a team in LATAM now which is only breathing

LATAM and just focused on that and another team which is in Southeast Asia, focused on those markets. Whichever geographies we are focused on, we have a dedicated management team and bandwidth which is not multi-tasking across markets and therefore not losing focus. Each of them have a clear mandate to become a market leaders in 1-3 years' time and there is a clear execution plan. For myself, I am leading the top 20 entrepreneurs in the company and making sure that I am guiding them and keeping them hungry, inspired and aligned for long-term wealth creation for all stakeholders. We have the management bandwidth to build Affle to even 10X growth from here.

Moderator: The next question is from the line of Ms. Christina McGuire from Elephant Asset Management.

Christina McGuire: Most of the questions have been answered. Need more clarity on the cookie issue. I appreciate that we are less fussed about what happened on the iOS side. Recent Google announcement has provided some breathing room but do you think that Google will phase out third-party cookies? Will they retain it or will they ask for consent? What do you think is going to happen in few years? What are our plans when that happens?

Anuj Khanna Sohum: That's a great question. Thanks for bringing the focus back on to this fundamental macro factor. Affle's business does not depend on the browser, whether on Android or on iOS. iOS Safari has already got rid of the cookies and Affle had no problem with that. Google has already said that on its Chrome browser, it will deprecate cookies at some point in time, they have been saying it for a long time and now they have said that they won't be able to do anything till 2023. Whether they do it tomorrow or they do it in 2023, Affle will have zero problems with that because we have almost no dependence on the browser even on the Android and the Google ecosystem.

However, your question is still relevant because the question is going towards a broader theme which is saying, hey, consumer seems to be wanting privacy. Fair enough. But I can also tell you the consumers also want affordable free ad funded apps and they want to try as many apps as possible whether utilities, gaming or entertainment and they want to do all of that as much as possible without paying certainly for emerging markets. Therefore, ad funded apps with consent from consumers, is I believe a fundamental trend and if this trend is not going to change. However, what the ecosystem is saying is that please ask for the users consent properly. Please don't just assume that you are giving a free app with ads and therefore you can take whatever data and start targeting the users. All people

unanimously in the ecosystem would agree that the consumer right to give a consent or to not give a consent should be there. I am a strong believer and a voice in the industry favouring consumer acceptable advertising, where consumer consent must be taken. Consumer will give the consent because there are merits to give consent. Why should we be paying as consumers for everything, when an advertising funded model can allow us to try and explore a much wider part of the internet. The entire internet ecosystem is anchored on advertising because the consumer wants subsidized content, apps, entertainment with just ads in it. That is how the internet has thrived in the last 20 years. I don't see that changing for the next 20 years either. Now, what will be important is to respect consumers consent. If some consumers do not want to give the consent, please stop chasing them and showing them ads. Fine, ad blockers have been there all along. Now, there are regulations in Singapore, EU and US. These regulations have always allowed consumers to revoke their consent any time and all businesses have to stop tracking them with that. All of this has already been around for many years. iOS is now saying that on their iPhone device, not just the cookie on their Safari browser but on every app that wants to show ads, it will ask for consent in a very onerous fashion. That means almost telling the user - are you sure you want to give consent to this app, it will track you and show you ads but iOS is not stopping such apps. If the user is okay with that consent, go ahead and show the ads. My take on it is that Android also someday is going to ask for consents in a much more pronounced fashion. But the fundamental of this business is that the users, the consumers, you and I, are expected to give consent at least 50% to 75% of the time in emerging markets. That is statistically meaningful for us to run our business largely the same way. And with that, I am not losing sleep on it because (a) nothing is happening on Android anytime soon for like you said, it's a breather for the next 2 years on cookies. It's certainly a longer breather on anything to do with Android on In-App ecosystem. We are anyways partners with operators and OEMs and we have presence on the device via keyboards, which gives us an opportunity to have a face inside every app on the device. I am confident that we would net-net be a larger beneficiary of all these changes. Let us say when we work with operators and OEMs and are taking data about their consumers; they wouldn't trust any company, but a company that is a public listed, is accredited by Singapore vs. a smaller startup that shows up with something unique going forward. The regulation will ensure that the playing field favors a certain size of a company that can be seen as compliant with regulations and dealing responsibly with consumer data . They will all trust the platform like Affle a bit more; at the same time the governments with the regulations are clearly going after the larger Big 4 Tech companies and trying to clip their wings. That

again has a positive impact on companies like Affle where we can take a larger position in the ecosystem over time. So, net-net I see data privacy and our preparation/strategy for that as part of our competitive moat vs. relatively smaller, organically growing competitors locally as well as against the larger tech companies.

Christina McGuire: Have you seen any change in your end customer behavior on these recent movements in cookies or are people happy to go on as they have done in the past in terms of using digital ads predominantly?

Anuj Khanna Sohum: We do not track cookies or are seeing behavioral changes around. But, COVID has brought a massive change and acceleration of consumer digital adoption. Consumers across all categories of lifestyle services are going digital and their frequency of usage of smartphone apps and devices has gone up. The value, volume of the transactions and conversions that an average user is doing on their device or mobile apps have increased significantly. All of these trends have become permanent and are not only limited to lockdown. When Lockdown happened in India in March 2020, we were nervous as everything had come to a standstill. A lot of our campaigns had stopped. I have never been more nervous ever, except for at that time, even though my theory and logic said that 'Hey' this will help your business and help digital. When the campaigns and revenue stopped, we saw the consumer trends shot up massively. The advertising also dried up for a while, but it came back with a vengeance as well because the advertisers also saw those consumer trends. A lot of this transition in financial services, education, healthcare and fundamental lifestyle services consumption going up on digital at an unprecedented pace. Even after the opening up of lockdowns, the trends have maintained an uptick. It means once the user adoption curve shifted and it has not gone back and stayed there. The advertisers will increase their spends also as consumers are getting so deeply married to digital and connected devices. Cookies or no cookies. Data regulations or no data regulations. The reality is that consumers are not going to shift from their mobile smartphone devices anytime soon. Thus, advertisers have no choice but to shift a big part of their advertising budgets to digital.

Moderator: The next question is from the line of Hardik Sangani from ICICI Securities.

Hardik Sangani: Hi everyone. Couple of questions related to Jampp. So, what is the customer mix in terms of the advertiser (direct/agencies), if any kind of information can be provided? Also, will Jampp continue to be an independent entity or will it be

completely integrated with our platform? Also, who will be our competitors in similar space in those markets?

Anuj Khanna Sohum: On the first part of the question. About 95% of the customers of Jampp are direct customers and even if there are any Ad agencies involved in the middle, Jampp is almost always dealing with the end advertiser directly. So, the business is direct to the advertisers. If we compare it with The Tradedesk for example, Tradedesk is a lot more agency heavy as a business. From customer concentration wise, there is no particular concentration risk for Jampp. Even for Affle as a group, we have our top 10 customers contributing about 40% revenue to the company. When we report our next quarter results with Jampp, we will give you some insight into that. I do not think there should be any material impact in terms of concentration risk. In terms of competitors in North America and Latin American markets, there is a company called Liftoff. The company is like Ironsource, Digital Turbine and so on and we will be actively competing with them. Ofcourse there is Tradedesk, but we would be competing with our unique CPCU business model vs. those companies who are still on a CPM, CPC or charging for the technology & data kind of business model. We will have an outcome-led ROI linked pricing. So, that really differentiates it. We are confident that once Jampp sees a combination with us, we will grow faster than the industry average growth in those markets. Running it independently perspective, I have already talked about the kind of integrations we will do with our data science, DMP and cloud infrastructure so that we can get efficiencies of scale together, cost optimizations, margin enhancement and ROI enhancements with our verticalization strategy for certain verticals. We have to provide all of that to Jampp. We would also be upgrading them from the CPI to CPCU business model and with that ensuring a better bottom line performance. So, there will be integration, that is what our playbook similar to what we have done with Appnext and Mediasmart. We would be still maintain for Jampp as an independent brand identity in those markets. The entrepreneurs will have reasonable level of compliance checks as well as autonomy so that they can breathe and thrive. But culturally, both the organizations are already blended and quite similar like a technology and entrepreneurial heavy culture. The founders of Jampp had previously started some company which they had sold to another public-listed company. They worked there for more than three years. Hence, they have the discipline and the experience of operating under a public-listed company. We derive comfort from all of those factors. We have got a good asset in hand. We will transform it, make it valuable - fast growing, cash-flow positive within few years' time, delivering similar bottom-line sensible and high growth metrics that Affle has been known to deliver in the last several years.

- Moderator:** The next question is from the line of Rahul Jain from Dolat Capital Markets.
- Rahul Jain:** On the Jampp acquisition, what is the potential customer growth we get from this acquisition in terms of Affle's full-stack offering that we bring to this client pool and that the overlap is very minimalistic? Secondly, on the book-keeping side, when do we plan to reevaluate the Bobble AI investment - in Q1, Q2 or year-end?
- Anuj Khanna Sohum:** In terms of geography and customers, there is very little overlap between our companies. Therefore, we have great possibilities of unlocking growth by up-selling, cross-selling some of their platform & services to our customers in Asia and our products and incremental capabilities to their customers in their markets. Our first priority is to transform Jampp and turn it into a much more valuable business that what it has been. This transformation is going to be our key focus for the next 6 to 9 months for this financial year. That includes, making sure the cloud systems they have are super-efficient and adding the data science and DMP integrations to transform their business into the CPCU business model. Ensuring Jampp drive higher ROIs for the advertisers, better margins for themselves and turn profitable. In the second year, we will do the up-selling, cross-selling based optimization. We are prioritizing this deeply to deliver the results. Our end-to-end platforms are quite differentiated from what anybody else in the market offers there. In year-1, our focus is to transform Jampp with CPCU and bring it to a higher level of growth and profitability. In year-2, cross-sell, up-sell and so on. Now, I request Kapil to take up the question on Bobble AI investment.
- Kapil Bhutani:** On the revaluation of the investments, it is mandated by the accounting standards to revalue the investments every quarter or the reporting period. Thus, the evaluation started from the Q4 FY2021 because the initial investment was done in August. Now every quarter-end, we will be assessing and extrapolating the value of the investment. If external valuations are required, we will go for the external evaluations on a half-yearly basis or a quarterly basis as the need arises.
- Rahul Jain:** Since we announced the completion of Jampp acquisition yesterday, will it fall in the first or second quarter?
- Kapil Bhutani:** We announced it yesterday. But the completion happened on the 30th of June and the value of the assets as of 30th June will be taken. The investment and the payments were made in June itself. Thus, as per my understanding, the cutoff date may be the 30th of June itself.

Rahul Jain: Have you seen any client behavior change in terms of whether they want to pause or slow down on their overall spend given the iOS policy change? Have you seen that behavior in our clients or the market in general?

Anuj Khanna Sohum: On iOS policy, there is no change in the emerging markets. People were anyways focused on Android disproportionately. In developed markets, assuming everything else being equal, people are putting more budgets on Android as they are not expecting any changes there. On iOS, some of the advertisers have been cautious while some of them have been more aggressive, saying let us understand how the iOS market behaves. Now, let us go back to the basic principle why do people advertise on iOS? It is because the consumers holding those iOS phones disproportionately are spending time on their screens and those users are valuable. Ads must be shown to them to get the product in demand and influence the brand. Therefore, branding those products into the minds of the consumer. There is no change in the thesis now. The iOS users are still valuable, whether they give consent or not. If they give consent, more targeted ads can be served using their device ID. If those iOS users are not giving consent, then in certain cases, some vanilla ads can still be served. On iOS - the advertisers are still keeping their ad spends. Therefore, my broad view is within the next one year all of these turbulences will be settled. Everybody would know, how many users have given consent and that may be statistically valid for targeted advertising to continue to thrive. Thus, not only on those who have given consent, but also an extrapolation basis for those who have not given consent. Things will still work out fine. We don't expect the overall spending to go more on Android than iOS in one quarter or two, but eventually, the fundamentals of the business will balance it out in favor to keep the equilibrium.

Moderator: The next question is from the line of Ashwin Mehta from Ambit Capital.

Ashwin Mehta: Congrats on the acquisition. While the cookie disabling will not hurt our business as we are not on the browser but in the Android 12 version, they are proposing to cut access to the advertising ID if a user opts out, and essentially that will show a string of zeros to the developers. While digital advertising will continue, how will it impact the CPCU model which needs intelligence to target? And secondly, what's the timeframe for reaching this the developing markets, because it seems that by this year-end, it may be launched only in a few select sets of phones?

Anuj Khanna Sohum: Google is deeply anchored on digital advertising. Cookie which is an outdated technology in my opinion and for more than 25 years of internet existing, the cookie has been around. I think cookie deserves to be given a rest. Even on the

Chrome browser, where Google has a complete control, what have they done on the cookies? Nothing. Except for saying they will do something in 2023. On the Android ecosystem, Google has a lesser control than it has on the Chrome browser because the Android goes through operators and OEMs and is deeply adapted by them across different markets. Google doesn't have as much control on Android to go ahead and do some fundamental changes. The OEMs on the other hand has certain control for example, let us say you take a new Android phone from one of the OEMs and the OEM wants to make advertising revenue, the OEM at the time of you setting up your device will take blanket consent. Now, if they take a blanket consent, the problem is then solved. Google may need to do something because iOS has done something about cookie. But here are the ways that can make sure it will still work. Even if, let us say all the OEMs and the operators, becomes like Apple and say, hey now we are consumer citizen custodians and we will ask for consent. We make it really hard for advertising to happen on our ecosystem. Let us assume everybody suddenly behave like that, I can tell you I am still not nervous. As long as 50% of the consumers give consent because they want to use an App which is free and supported by ads, Affle's CPCU business will not see any impact because that is statistically the living sample for us to run our data science algorithms to do any extrapolations that we do. Please know today the biggest challenge is just about 20% of India is online shoppers. We are extrapolating on the rest 80% who have not done any conversion online, to figure out who is predictably going to be the next shopper or not. As we go along, number of shoppers in India would grow and out of that if 50% give their consent, we will still have statistically more data to learn and make algorithms to get the job done. Having said that, we are still on the device with the keyboard, OEMs & operator partners. So, there will be multiple ways to ensure that we can be compliant with data regulation, privacy laws and yet achieved consent base CPCU business model advertising.

Ashwin Mehta:

Lastly, in terms of our international expansion to regions like LATAM, we've talked about countries being added say Russia and CIS as well. From an internal structure perspective, how do you manage these multiple locations, or is it largely the regional management which takes care of the same and its oversight from the headquarters? How is the structure put in place?

Kapil Bhutani:

We have dedicated teams for each of the geographical regions, like Southeast Asia is headed by a dedicated management team. LATAM is now headed by the newly onboarded team of Jampp. Similarly, for other geographies, we have an team that is dedicated to specific international markets. We have different

management teams focusing on different geographies. We do not have teams looking at multiple territories and managing their time on a part-time basis. We have full-time dedicated management bandwidth for all these regions.

Anuj Khanna Sohum: We believe in execution focus as an organization and even as our culture internally, we do not necessarily celebrate multi-tasking and short attention spans. We like to focus our dedicated effort towards depth and breadth of growth within specific geographies and establishing to win and to be the market leaders. So, we are not looking to be in 50 countries around the world and be nobody in each one of them. We will attempt those countries where we know if those countries are part of our emerging market definition, we are playing to win and to be the market leaders. That means local dedicated execution focus and teams with only one goal which is to achieve market leadership positions in those markets. In developed markets, we will take niche positions. We are not seeing market leadership positions in developed markets as that will be an expensive allocation of capital to achieve. We don't need to do that. Rather, we need to own our territory of emerging markets. In developed markets, we should give the larger players run for their money and act as strong challengers. That is a very smart execution philosophy that we have taken. We are convinced the current management team structure and the way we are leading them is sensibly in place not just from an efficient execution perspective but also from a good governance perspective.

Moderator: Thank you very much. I will now hand the conference over to Mr. Anuj Khanna Sohum for closing comments.

Anuj Khanna Sohum: Thanks for your questions and for joining in to listen in with interest. I have always celebrated value creation within Affle. We have never celebrated or made internal talking points about valuation. We will continue to be high on conviction, confidence and competence with respect to where we are as a company. With Jampp completed, bobble doubled down, our CTV partnerships thriving and with the kind of cash we have now on our balance sheet, not just from organic cash flows, but also what we did with the QIP - the company is stronger than ever before. Our management team bandwidth is also stronger than ever before. So, I will reiterate, Affle2.0 is about achieving a massive reach to over 10 billion connected devices globally. We are laying the foundations for achieving that by strengthening our presence across global emerging markets, like no other company in the world. That gives me a lot of confidence and conviction to say, we will deliver disproportionate value creation as we continue on this journey. Thank you and we will be in touch again soon.

Affle (India) Limited

July 2, 2021



Moderator:

Thank you very much. On behalf of Nomura Securities India, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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