AIL/SE/RCT/Q4/2022-23 May 22, 2023

To

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

Sub: Transcript of the Earnings Conference Call for the fourth quarter and year ended March 31, 2023 conducted on May 15, 2023 at 10:00 A.M. IST

Dear Sir/ Madam,

Please find enclosed the detailed transcript of the Earnings Conference Call conducted on Monday, May 15, 2023 at 10:00 A.M. IST to discuss the results and developments for the fourth quarter and year ended March 31, 2023.

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

Please note that the audio recording of the Earnings Conference Call was submitted vide our letter AIL/EC/2022-23/Q4 dated May 15, 2023.

Submitted for your information and records.

Thanking you,

Yours Faithfully,
For Affle (India) Limited

Parmita Choudhury
Company Secretary & Compliance Officer

Affle (India) Limited

Q4 & 12M FY2023 Earnings Conference Call

May 15, 2023 at 10:00AM IST

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

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

Analyst: Mr. Rahul Jain – Dolat Capital

This transcript has been edited to improve the readability

Moderator: Ladies and gentlemen, good day and welcome to the Affle (India) Limited Q4 & 12M FY2023 Earnings Conference Call hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

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

Rahul Jain: Thank you Zico. Good morning everyone. On behalf of Dolat Capital, we welcome you all to the Q4 and 12M FY2023 Earnings Conference Call of Affle (India) Limited. I take this opportunity to welcome the management of Affle (India) Limited, represented by Mr. Anuj Khanna Sohum, who is Managing Director & Chief Executive Officer of the company and Mr. Kapil Bhutani, who is Chief Financial & Operations Officer of the company.

Before we begin 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 28 of the company's Q4 earnings presentation for a detailed disclaimer on that.

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

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

Affle continued its track record to conclude FY2023 as a landmark year having delivered over 5X growth in topline and profitability over the last 5 financial years. It was an exciting year, marked with several important milestones and well supported by our focus on enhancing the quality of revenue and bottom-line fundamentals by further scaling our tech platforms & ecosystem level partnerships.

I am pleased that despite the global headwinds that have impacted the businesses globally, Affle delivered robust growth for the year. Powered by our ROI-linked CPCU business model, our Consumer Platform delivered 256.8 million converted users crossing the 250 million mark for the first time and our CPCU revenue increased by 35.3% y-o-y. Our Cash from Operations increased at a CAGR of 52.8% since FY2019. We are stronger than ever before and we are committed to deliver sustainable growth over this decade.

Speaking of Q4 performance, Affle delivered revenue growth of 12.9% y-o-y with meaningful margin expansion resulting in greater y-o-y growth in EBITDA of 22.1%. We achieved a revenue CAGR of 64.4% in Q4 over the last 3-year period, much ahead of the industry growth trends. Our CPCU business continued to be resilient, delivering 62.5 million conversions during the quarter at INR 51.2 CPCU rate.

Our strong anchoring on India and other emerging markets enabled us to perform well with 20% y-o-y growth in Q4. Our differentiated market position as a consumer-centric and ROI-driven platform for advertisers has helped us further enhance our productivity and CPCU pricing. This resulted in a steady CPCU rate, leading to y-o-y margin expansion and a strong competitive market leadership position across emerging markets. Our FY2024 outlook for India and emerging markets remains optimistic and in line with our continued growth trends.

However, macro headwinds continued to impact our business in developed markets in Q4 FY2023 in few verticals like Fintech and Entertainment. To mitigate this short-term impact and to accelerate success on the existing pipeline of opportunities in developed markets, we have actioned a multi-pronged 360 degree turnaround plan with decisive steps taken immediately in Q1 FY2024 around People, Partnerships, Products and Platforms, and that will yield immediate measurable outcomes in FY2024.

1. We have reorganized our people & teams that were focused on developed markets to ensure that these teams are aligned to upsell and cross-sell all our platform use cases on CPCU business model and not be limited by any one platform. In line with our hands-on entrepreneurial culture, I will directly lead the developed market focused business units in FY2024. Accordingly, the reporting structure of teams and operating resources have been realigned with attractive incentives linked to attainment of aggressive turnaround growth plans across all key emerging verticals in all our developed markets.

2. We have realigned our strategic partnerships and execution strategies with deeper focus on product and platform lock-ins for multi-year growth focused on higher-value conversions, with multi-million dollar contracts with select supply-side partners, OEMs and Operator partners across these markets.

3. We have recently introduced all our CPCU use cases on our connected TV (CTV) product with household sync capability. These integrations are now completed with leading mobile measurement platforms to strengthen our competitive advantage as

the only CPCU model-based CTV platform for advertisers. This should result in greater growth of our higher-value CTV plus CPCU propositions from Q2 onwards.

4. Our first-mover advantage on Apple iOS SKAN advertising product is further fortified as we have successfully rolled out Apple's app store-related multiple touch points. Thus, providing our advertisers with the most differentiated and ROI-driven use cases on iOS SKAN and Apple app store. We are also working on app store-related touch points with other OEMs & Operators on Android as well. These initiatives are expected to drive greater growth for our CPCU business across all markets immediately from Q2 onwards in FY2024.

5. We have recalibrated our inorganic growth plan towards acquiring deeper access to customers' first-party data in high-growth verticals such as gaming with key execution strategies to deepen all our use cases of CPCU business to unlock the highest lifetime value of consumer conversion for our advertisers.

Our growth action plan for developed markets, as outlined is already in execution under my direct leadership and by Q1 itself, the internal reorganisation shall be completed. The new contracts and integrations with strategic partners will be completed. The key product initiatives across CTV and OEM app stores will be scaled up with deeper focus on emerging verticals and the turnaround impact of these initiatives will show in our operating results from Q2 onwards.

We will continue investing in our organic growth operations, augmenting our OEM and Operator Partnerships with some of the largest global brands as well as actively evaluating inorganic opportunities with greater emphasis on high-growth industry verticals like Gaming. This will fortify our moat and ensure sustained meaningful growth with further uptick coming along the next few quarters this year as well as beyond.

To reiterate our strength of delivering unique consumer experiences, we had in total shared 21 case studies in our Earnings Presentations over the last 7 quarters. These were focused on some of our key industry verticals including E-commerce, Edtech, Entertainment, Finance & Banking, FMCG, Foodtech, Gaming, Healthtech and Retail.

Continuing to share our customer success stories, this time we have also included three case studies which are focused on:

1. Healthtech, thereby we are looking at driving greater consumer adoption of online health, diagnostics and well-being services in India.

2. We have also shared a Gaming-related case study, which is a fast-growing vertical driving user growth across geographies
3. We have also shared the Insurance Super app case study focused on growing the reach and adoption of essential financial services

These case studies demonstrate our ability to provide innovative solutions and drive outstanding results for the advertisers globally.

Affle continues to be recognized as an industry thought leader and as a testament to that, we were awarded the best use of programmatic advertising at the Indian Digital Awards organized by the IAMAI. We were ranked amongst the top media sources globally to deliver ROI on Apple iOS SKAN campaigns in the Singular ROI Index 2023. We also won 5 awards at Digixx 2023 across various high-impact categories such as Technology, Programmatic & Performance marketing and more, as well as one award in geotargeting category at MMA APAC, 2023.

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

Kapil Bhutani: Thank you Anuj. Wishing everyone a good day and hope all of you are keeping safe and well.

Continuing our growth momentum – we concluded FY2023 with revenue of Rs. 14,340 million, a robust growth of 32.6% y-o-y and the Q4 FY23 revenue stood at Rs. 3,558 million, a growth of 12.9% y-o-y. We delivered a revenue growth of 20% y-o-y in India as well as in other emerging markets. Except for the developed markets, which anyways has a lower contribution for us on a consolidated basis, our business across global emerging markets remained resilient with an overall bottom-line growth momentum and margin expansion y-o-y. During the quarter, India contributed 34.7% while International markets contributed 65.3% to our revenue.

We recorded an EBITDA of Rs. 2,930 million for the full year, an increase of 37.2% y-o-y and Rs. 716 million in this quarter, an increase of 22.1% y-o-y.

As you are aware, our Q3 in any year is the highest quarter due to seasonality. However, the cost of operations in Q4 remains broadly at par with that in Q3.

In terms of Opex, our Inventory & Data Cost stood at 60.8% of revenue from operations in this quarter. This was in line with Q3 while it witnessed significant margin improvement from Q4 last year.

Our Employee cost during the quarter remained relatively stable sequentially, while Other Expenses increased by Rs. 18.3 million largely due to annual audit fee and other professions services.

Profit After Tax (PAT) for Full Year stood at Rs. 2,453 million, an increase of 33.8% y-o-y, while Q4 PAT stood at Rs. 624 million, an increase of 18.4% y-o-y, on a normalized basis. Just to remind that last year in Q4, we recorded a gain on fair valuation of financial instruments of Rs. 162 million (net of tax). Please refer to slide 4 and 5 of our Earnings Presentation for the detailed working.

Our effective tax rate was lower this quarter on account of recognition of Deferred Tax Asset of a subsidiary.

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 PAT stood at 106% in FY2023. We have been extremely prudent in customers profile and as such there were no material changes in the collection risk.

We remain confident of the long-term business prospects to invest further in our business and stand committed to deliver long-term sustainable growth.

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

Moderator: Ladies and gentlemen, the first question is from the line of Mr. Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Hi Anuj. The commentary from some of the global peers in this quarterly earnings has improved selectively. I would appreciate if you could share a bit more on what you are witnessing across your key markets like India, South-East Asia and our developed markets?

Secondly, if you could share how the newer avenues such as CTV that you talked about, would have bearing on our key metrics such as CPCU, costing or margins in general?

Finally, last bit from my side would be to your comment on the inorganic growth strategy. Where in you are looking towards strengthening the first-party data. Any more colour here will be helpful. Is it like are we getting into the publishing side? Or any further inputs will be helpful.

Anuj Khanna Sohum: Thank you Rahul. For India or other emerging markets globally, we are no longer seeing the kind of headwinds or the economic headwinds that were very strong in the last financial year. Even though, we performed with quite a lot of resilience, delivering robust growth for India & other Emerging Markets in FY2023. In FY2024, our outlook remains positive for India and other emerging markets, which is already over 81% of our business at the moment. We are in a strong footing there. Our confidence and conviction is even more because in the last financial year we were able to deal with those headwinds and still deliver an honourable level of growth. Going forward in FY2024, our confidence is high that we can deliver organic growth in a range of 20-25%.

In terms of developed markets, I have already given a detailed commentary about how we are looking at focusing and doubling down on certain differentiations that we have created in our product lines. For example, CTV combined with CPCU to go for even higher margin and higher value conversion. Then, for iOS, as most of us know iOS is a higher margin play, within iOS, we already had a first mover advantage on the SKAN changes that happened in 2021. But we have further enhanced our differentiation by adding into certain touch points on the Apple App Store, where we are combining that for the advertisers. The impact from margin perspective or the CPCU rate perspective should be going to more of a higher value and higher-margin segments, both CTV plus CPCU as well as Apple SKAN Network and Apple App Store plus CPCU.

I think these are positive initiatives that we have undertaken. This will help us not only in developed markets, but also these initiatives would be actually create first mover advantage for us in the emerging markets. I see positive trend lines and I am optimistic about it.

In terms of your question on the inorganic growth plans, I did mention clearly that we are looking at more first-party data of the advertisers. We are not shifting to the publisher side. We are doubling down on our CPCU business, but we are saying we need to go deeper on certain verticals. We believe that gaming is one such vertical where the advertisers who are also the game publishers, have deep first-party data and how we can work closely with them with deeper product introductions and offering all our use cases to those advertisers.

Any inorganic acquisition that we are looking at right now is focused on these very specific capabilities. We are evaluating it since last 4-5 months and we are continuing to be carefully calibrated. We are looking at deeper verticalization focus

and gaining first-party deeper integrations with these advertisers in verticals like the Gaming vertical.

Moderator: Our next question is from the line of Karan Taurani from Elara Capital. Please go ahead.

Karan Taurani: My question is around two things. First, if you could give us some kind of indication around the growth rates in US, UK markets and the other emerging nations. I want to get a sense in terms of what is the quantum of decline that US, UK is facing right now? How much time do you think this would take to come back on track?

Anuj Khanna Sohum: In terms of growth rates for the overall industry, we are still optimistic that the long-term tailwinds of digital advertising continue to be very strong. In our earnings presentation, we have included some specific slides towards that. If you look at some of the markets like developed markets including the markets like China, you will find that the digital spends in these markets have already gone to much higher levels. Like in China, digital spend as a percentage of total advertising spend is around 80%. In US and Europe, this number is somewhere between 65-75%. Overall, digital spends in developed markets have gone up substantially whereas in India, Indonesia, Africa, LATAM, basically emerging markets, these numbers are significantly under calibrated. The long-term growth trends for at least India and global emerging markets business continues to be strong. Therefore, there is no reason for us as Affle to not be looking at, atleast 20-25% organic growth from these markets in FY2024.

Now with respect to developed markets, the addressable market is very large and we have much smaller footprint. Last year, we saw a scenario where our footprint was small and yet because of the macro factors, some of the customers in Fintech and Entertainment category were impacted. Now with the initiatives that I have outlined, I am leading these initiatives directly. Therefore, I can give you further clarity and conviction that Q2 onwards this year, we should see a turnaround situation because of clear and concise action plan that have already been put in place and most of them will come to a conclusion within this quarter. The decisions have been made, actions have been taken and I am directly leading this with the team reporting to me on a daily basis.

We are making sure to go for a winning turnaround position from Q2 onwards in developed market. Once we achieve that, in this financial year we will come back to the same kind of growth guidance that we had in past. Also, we will continue to provide that kind of outlook going forward as well because there is a huge

addressable market in developed markets and we are just scratching the surface. Our products are differentiated, our platform proposition is compelling and we are making sure that we will provide the right kind of entrepreneurial drive needed to enter these markets and create a meaningful impact.

I am confident that we will see a strong turnaround for developed markets within this year itself. All these initiatives are taking the conclusive footing now in this quarter, in Q2 we will ramp up and in Q3 we will be ready to tap into the growth.

Karan Taurani: The second question is around the developed markets. While the macro environment is easing but is there any final impact of Apple privacy policy? Because what we hear is that conversion rates are down there and data costs are going up. What is the kind of disruption that you are seeing in developed markets today? Is this also a major reason for the growth to have possibly seen a decline?

Anuj Khanna Sohum: The disruption related to iOS happened in 2021. We are in 2023 now and we have already sailed through that. In fact, I gave my commentary earlier on SKAN network, we are doubling down and fortifying our first-mover advantage of having increased the chances. We have very little baggage. Our iOS exposure was quite low before. I see iOS as a growth area for us because our product is complete, it is differentiated and we are able to demonstrate CPCU-based business model on SKAN iOS solutions to the advertisers. We are able to bring a unique proposition with the Apple app store related touch points and so on. What we are offering is unique, competitive while we have already navigated the privacy related issues, to bring our solutions to the market. I do not think that there is any further kind of a concern.

On the contrary, because of these disposals, we have the ability to tell the advertisers that we have been working on iOS, the consumers are more premium, the challenges are addressed by our products and therefore, you have to pay us more. The ability to charge a higher CPCU rate and extract better margin on this segment will actually work to our advantage versus to a disadvantage. We have already demonstrated that in the last few years. We are now going to double down on that with respect to bringing iOS. Because in developed markets, iOS is around 50% of the market share with respect to number of devices or the advertising spends going on iOS versus Android whereas as in emerging markets, the share of Andriod is over 90%. iOS is a growth proposition both in developed markets and even a high-margin growth proposition for emerging markets and this will be a growth segment for us as we execute in this year.

Moderator: Our next question is from the line of Mayank Babla from Enam AMC. Please go ahead.

Mayank Babla: I have one question around the changes or the new contracts that you are rolling out with clients that you announced in your opening commentary. Could you give us a more detail about what parameters or key deliverables that have changed in the contracts with your clients that gives you so much confidence for a quick turnaround in the next 1-2 quarters itself?

Anuj Khanna Sohum: This is still getting concluded, but the broad parameters are - working with supply-side partners, OEMs and Operators should lock-in some of their touch points with the consumers. These parameters are much more exclusive with respect to how they work with Affle's platform and doing a deeper integration together with them both on their first-party data and the touch points with their consumers, ensures that we have a longer-term lock-in and relationship with them.

Let's say 2-years, 3-years or in certain cases even longer. That is the nature of the dynamics of these contracts, where we are going to them and saying that we are the partner which has the end-to-end consumer platform propositions and initiatives. As we make any material contract changes, we will also be disclosing and announcing it. Some of those contract changes are not material to go into any regulatory disclosures, but some of them are. Once those contracts are signed, we will also proactively make sure that our investors are informed about them so that you would know how to calibrate that forward.

We are already working with some of these partners for many years. Now what we are doing is just locking in deeper relationship at the highest levels in these companies and trying to do longer-term contracts. It gives them a certain predictable part of revenue. But for us, it becomes a much stronger competitive differentiation and a higher margin ability to deliver into the market. It will also help us to get longer-term contracts with the advertisers and the agencies once we have a strong strategic partnership. That is the kind of direction that I am taking and I am already directly in touch with most of the leadership of our partners and we are in final stages of conclusion.

Some of the contracts have already been concluded, but they are more like proof of concepts and not material for us to go and make any specific disclosures. But there are some material ones which we are working on and these are in final stages and we will announce them as they conclude.

Mayank Babla: My last question was around the international revenue which had a growth of around 9% y-o-y in this Q4. Can you highlight which geographies specifically had major headwinds?

Anuj Khanna Sohum: I have already mentioned in my opening commentary that India as well as global emerging markets in this quarter saw over 20% y-o-y growth. Therefore, if the overall growth is lesser, it implies that the developed markets continued to see the headwind. I mentioned two verticals Fintech and Entertainment, which shrunk for us in developed markets in this quarter and even in the previous quarter. If we take it on a consolidated basis, India and other emerging markets clearly are showing great resilience. Even with all the kinds of headwinds that were there, we are still in that range of 20-25% organic growth.

Whereas in developed markets where we were under-calibrated, we have not been as strong to respond to the headwinds. We have seen the impact and shrinking in the developed markets in some of the verticals. To solve it, I have given clarity that what are the turnaround action plans that have already been put in place. I have a lot of conviction and clarity of what needs to be done. I am hands-on involved in leading this and turning it around.

I am confident that we will see clear measurable outcomes on this from Q2 onwards and be ready for the festive quarter Q3 - October, November and December, which is typically our highest quarter. I want to make sure that we are all guns blazing on all of these initiatives and maximizing the advertiser budget in our favour in developed markets. That is the colour I can give to you. Markets included in those developed markets are primarily US and Europe. These are the major contributors within our developed markets and this is where we are making sure that we put in the focus and turn it around.

Our products are strong and differentiated. We just need to make sure that we do smart execution on the ground and for that the appropriate teams are already wired with the right incentive structures. When they report to me, there is a lot more hustle in the process. We are bringing a lot of action on the ground. I am confident that the pipeline is already there and we will be seeing conversion starting from Q2 onwards.

Moderator: Our next question is from the line of Vikrant Gupta from ICICI Pru Life. Please go ahead.

Vikrant Gupta: I had a question mainly on the inorganic growth plan that you outlined. Firstly, could you talk a little more in detail about what sort of geographical exposure are

we eyeing for? Or the Gaming acquisition you are talking about will largely be on the emerging markets again? Secondly, are we largely looking at acquiring some demand side platform here?

Anuj Khanna Sohum: Thank you for that question. The fact that we have not announced any transaction yet and there will be a limit to what level of clarity I can go into. I also don't want to give any negotiating levers to the targets with whom we are negotiating with or evaluating for the last six months. I just wanted to be a bit conscious of that and I hope you would appreciate it. But yes, broadly what we are looking at is our core strategy - verticalization. In that verticalization strategy, we have already enumerated what are those verticals that we are focused on. Gaming as a vertical for us as a whole group across the developed markets and emerging markets is under calibrated.

In emerging markets, Gaming is still an upcoming vertical. It is not that advertisers are spending huge amounts of money in Gaming at the moment in the emerging markets but we expect in the next 3-5 years, Gaming will also be a very strong vertical in the emerging markets.

In the developed markets, in advertising and digital advertising, Gaming is one of the largest verticals for most of our peers . For most of them, Gaming would be like north of 50% or in some cases even 80% of the revenue. For Affle as a group, Gaming is less than 10% of our revenue and therefore, we think that doubling down and verticalizing on Gaming would be strategic for us.

What are we looking for when we look at these target companies: 1) Do they have the right quality of customer integrations? 2) Do they have deep data integrations with those customers? If the answer is yes, then we see a great opportunity for Affle, for the rest of our core platforms and see how propositions to be upsold and integrated with those existing customers of the target company.

The strategy is more focused on to a particular vertical and growing to those customer accounts by upselling all of Affle's propositions on the CPCU business model basis. Therefore, expand the lifetime value of those consumers for those customers. We are looking at new user conversion, repeat user conversions using CTVs cross-device conversions. These kinds of capabilities that Affle's platforms have inherently, we just want to shorten the time to market. If we do this organically, it may take us three years because the Gaming customers do deep integrations with these platforms and the switching cost is higher. For us to gain a stronger footing into this vertical, inorganic is a sensible way to do it.

Currently, the valuation of most companies in this space because of the headwinds or macroeconomic factors are quite sensitively priced. We are evaluating a few targets for the last six months and have a long courtship period in deciding whether to proceed or not. Within this year, we should have at least one such transaction. Since it is CPCU business-led, it will be verticalized into high-growth verticals where we are bullish. Gaming is one of them.

We will still be on the demand side because we are basically doubling down and having the same core CPCU segment as the main segment of the company. We are not diversifying yet because we are still small and we need to get much more market share globally before we look at diversifying to other possibilities. At the moment, with same CPCU business model and verticalization as a strategy, we are planning gain access to customers to whom we can upsell and cross-sell our other propositions and that's really the thesis.

Vikrant Gupta: Understood. Your customers are looking to spend or advertise more on the Gaming side and that part of the spend is something that you are looking at?

Kapil Bhutani: It is not about our customers who are looking to spend on the Gaming side. It is the Gaming customers, we are looking to expand their portfolio.

Vikrant Gupta: Understood. What sort of margin expansion are we looking for FY2024 because we had guided that previously acquired entity may have mid-teens sort of margin. I think the FY2022 numbers were closer to 7-8%. Where are we in FY2023? And where do we think we will be in FY2024?

Anuj Khanna Sohum: Two acquired entities, Appnext and Mediasmart, will complete three years with us in this financial year. We have brought them to the mid-teens kind of margin level and bottom line performance.

Jampp is going to complete second year in the next month. It is more focused on developed markets and therefore, we are going in the developed markets directly and making sure that we are integrating all our use cases and propositions across our platforms and pushing that to developed market's customers with key differentiation. By the time we complete this financial year, we would have almost reached the end of the third year for Jampp as well.

This is really the case of uplifting the margin profile of the company on a consolidated basis, at least north of 20% EBITDA in this financial year across all the quarters. Even if you look at last year's numbers for us, we have seen a margin

expansion on EBITDA by about a percentage point. Going forward as well, our goal would be to see how we can improve it meaningfully a step at a time.

I want to give you some comfort around any inorganic transaction that we do. I am no longer playing the playbook of three years for that. We have learned and understood how to do these acquisitions. We have learned over three years of integration and now levered to understand. In case, we do another inorganic transaction this year, we will ensure that in FY2024 i.e. within year one itself, it should start contributing in terms of EBITDA performance. I would not see any significant averaging down.

On a stand-alone perspective for a lot of our businesses, our margin profile would be close to 25% EBITDA. But then factoring in the Jampp is still to complete three years and we do a new acquisition but still in the mid-teens. The average would still come down to north of 20% EBITDA on consolidated basis but still margin expansion on a y-o-y basis. We are very carefully calibrating this and making sure that not only our margin profile is showing a clear trend towards margin expansion but also, we are careful about generating cash flow because this is the only way to fund some of these acquisitions and what we are doing.

You will find the discipline of bottom-line performance and margin expansion to be sensible. We are not going to do something with averaging because averages will lower our margin performance. That is not going to happen.

Moderator: Our next question is from the line of Arun Prasath from Avendus Spark. Please go ahead.

Arun Prasath: Hi Anuj. You just spoke about the categories which let you down in this year, namely Fintech and Entertainment. Request you to also talk about the top 3-4 categories which helped you to sustain the momentum in FY2023 and which we need to sustain the momentum during this year also? Do you think that the risk in these categories is falling off the radar? If that happens, which other category do you think can replace this so that our momentum can discontinue in the emerging markets?

Anuj Khanna Sohum: Interestingly, Fintech and Entertainment impact was in developed markets. In emerging markets, Fintech and Entertainment did quite well. When I look at it on a overall basis, there was some balancing happening there but that was more emerging markets led.

E-commerce, Foodtech, Gaming and even Edtech verticals were resilient for us in developed markets, whereas in emerging markets, we saw the board growth across

all our verticals. It was quite heartening because there were times where Fintech was a bit in trouble in some of the quarters. Edtech was a little bit in trouble at the beginning of FY2023. But over the course of the year, we have seen broad based growth across all verticals in emerging markets.

In developed markets, in Fintech and Entertainment, we saw some of the customers shrink or suddenly have knee-jerk stops in budget. I think we could have done better in terms of execution by upselling and cross selling our other products & services given our presence in those markets was still under calibrated and the leadership was not as confident of doing the rest of Affle business in those markets.

Therefore, making those changes, bringing in the conviction and pushing all our products as integrated propositions in developed market will help us to bounce back quite strongly. Fintech and Entertainment offer very large addressable markets in the developed markets. Our numbers are so small in developed markets, so we cannot be on the back foot. I am confident that this financial year, we will see a bounce back across verticals in developed markets while in emerging markets, we already ended FY2023 with a good growth run rate and we should be fine there in FY2024.

Our focus is clear we wanted to keep it verticalized, keep our product proposition differentiated and keep our business model compelling. The execution then becomes simple because we were selling in such a verticalized way that those advertising in these verticals will find it a compelling proposition and the rest of it is platform-based scalable execution. I am leading the sales teams with a strong hustle to make sure that we maximize or makeup for any gaps or headwinds that we saw in FY2023, so make it more in FY2024.

Arun Prasath: Yes. Understood. My second question is on the Gaming. You gave quite a bit of colour on the Gaming. You also spoke about how your peers have much higher revenue coming from Gaming but those are the peers who also help big Gaming developers to develop the game from the scratch. Are we looking to add this kind of capability through strategic initiations? Because that will mean quite an elaborate set of skill additions to your organization.

Anuj Khanna Sohum: No. What I was talking about was not gaming publishers. I was talking about people who are running mobile marketing and ad-tech with the demand side platform company. They are very comparable to what Affle's platforms are capable of doing, except for that they are so deeply focused on Gaming, whether it is relationships with the CXO for the product integration that what they have already done with

these gaming customers. There is a stickiness, if we go to win a Gaming customer, by default they would say they have too much anchoring on the existing partners for switching.

Within organic, we are looking to gain access to the gaming customers and integrations of a meaningful size & scale and add to our portfolio by default so that we have a high way on which the rest of our platforms can drive in and upsell & cross-sell and create organic growth on top of the inorganic acquisition of these customer portfolios. We are looking at these kind of ways to accelerate our market share into gaming. It is a good starting point on which we can then expand on by upselling our own platforms and capabilities.

We are not looking to create a new diversification or going into publication or some other thing. We are staying true to our course. This is what we do well. We are a CPCU business model-based consumer platform that is doing new user acquisition, repeat conversions, CTV-based conversions, online-to-offline conversions and connected devices overall. This is where the use cases still the same.

We just want access to those gaming customers that have already done some integrations at data and platform level with the target companies that we are looking at right now. Once we do such a transaction, our goal is to upsell & cross-sell our core platform capabilities into that and create a stronger footing into the Gaming vertical. I am not just waiting for the long sales cycle that is involved in the gaming and onboarding customers.

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

Anmol Garg: I have a couple of questions. Firstly, Anuj, you were talking about the margin expansion going ahead in next year. Can we expect the margin expansion to come from operating usage? Or do you also think that we can structurally bring down the inventory & data costs further? Or will it be to employee expense and other expenses based on the operating usage?

Anuj Khanna Sohum: I am looking at more scaling our business and growing it with a growth mindset. We will continue to invest in inventory & data costs. We will continue to invest in our operating expenses to ensure that we are supporting this growth part because we are not just looking at any one quarter or any one financial year.

We are looking at much ahead. We still have 7 more years to go till 2030 and I have a lot to deliver based on what we are looking to achieve for our company in long-term. Therefore, we will continue to investment in the right areas.

Having said that, the margin expansion is calibrated today and some of our organic businesses are already at the 25% EBITDA level. Some of the acquired companies have already reached close to 18-20% EBITDA level. They are still looking at teen margin contribution. When we look at our blended result on EBITDA level, we think about 20% EBITDA.

When we plan our business for FY2024, we are looking at scaling up revenue, scaling up our margin by going into higher value segments. How do I improve the CPCU pricing? How do I make sure that we are selling highly differentiated product proposition with our unique business model? We are doing that with gaining deeper access into the market as differentiated moat verses competitors. We done that by higher up in the value chain versus being commoditized. We are dependent on pricing and so it is important.

How much to invest for gaining deeper quality access to inventory & data is operating decision. There are some levers there for us to optimize. But we are looking at the natural progression, one step at a time. The acquired businesses should move closer to the 20% EBITDA level. If we acquire newer business within one year, making sure it is in the 15-20% EBITDA range and so on and so forth. Therefore, given your predictable path there, our EBITDA was 20% in FY2023 and we can aim for 20-22% in FY2024. Those are the kind of one step at a time scenario. But are we looking at dramatically shifting straight away 25%? The answer is no. But there is a clear path to doing that one at a time in the next few years.

Anmol Garg: That's sort of detailed answer. Just last one from my side. If you can highlight what percentage of our revenue comes from US and Europe? Within that, are we dealing with a few large clients or there are a number of smaller clients over there, where we hope to scale up?

Anuj Khanna Sohum: That is a great question. In terms of our overall business, India and global emerging markets is at about 81% of our total revenues and the developed markets contribution is about 19%. It is a small base because the total addressable market is very large in the developed markets.

Now on that small base, we have existing customers and partners already where we can go and upsell & cross-sell better, so we can get more budgets from there and that is an area of growth for us. We do have a meaningful number of customers. We are well known in these markets. It is not that we are a new player in that sense.

We are perhaps a lot more known in India and emerging markets globally because we are clearly anchored as an emerging market-focused player on Android. But

after the 2021 change in iOS, which balanced out the playing field for the incumbent player. It gave us a good entry point to get into developed markets and talk about our proposition in a differentiated way both for iOS as well as for Android.

I am seeing a good opportunity for us to scale up in developed markets and we have a meaningful number of customers there. At this moment, around 30-40 customers contributing meaningfully across verticals and we are looking at growing that number substantially by 2-3x from here.

There is a healthy base to start from and it is a good market position for us to start with the differentiated product propositions, good case studies across these developed markets and then calibrate it up and make sure that it is coming back to the kind of growth trends that we are looking at so that we can deliver about 20-25% growth in FY2024 on an organic basis.

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

Swapnil Potdukhe: My first question is on emerging markets. Since we have heard a lot about on this developed market growth rates, I just wanted to understand the growth rates in these emerging markets. We earlier used to say the industry is growing at around 25-30%. For the last 2 quarters, you have grown 23% and now 20%. Why are we underperforming the industry growth rate? That is the first question I would like to understand.

Anuj Khanna Sohum: The answer to that is the last couple of quarters are a unique situation, where the market is behaving to all kinds of macroeconomic headwinds and sometimes the customers are conservative, taking budgets of the festive season into the next quarter, the next financial year and so on. That could be perhaps an explanation. The explanation is not that Affle is underperforming.

I am confident that what we are delivering is still at par at least, if not ahead of what the industry is seeing. At least most of our competitors, they are either firing people or they are cutting down on costs as they are not performing particularly fantastic. We are doing all our appraisals. We have 50 positions open for hiring at this moment and the company is absolutely growing.

The conduct of our company is a sensible where we are not only defending our pricing in tough macroeconomic headwind situations but also not commoditizing our position in the market and not succumbing to these diverse budgets even if the pricing and margin is lower. We are choosing who we work with and doubling down on our investments in organic growth areas.

I do not see any sign of weakness in the performance that we have delivered. At least in terms of our confidence as an organization is, like I said in my opening commentary, we are at the strongest position than ever before in terms of our performance, margin profile, cash flow, growth positions, products and the team. We are in a strong mindset while going into FY2024.

I would not see a defensive or we grew only 20% or 23%. You got to see overall year's performance versus just seeing it as a one quarter here or there. Overall, 35% y-o-y growth on CPCU business in the financial year is by any stretch of imagination a very strong growth performance. 37% y-o-y growth in EBITDA is a very strong performance. Of course, one or two quarters, we also demonstrated 20% EBITDA growth in Indian emerging markets, given how the macro factors were and how the clients are shifting budgets from one quarter to the next quarter. It is not with the budget are difficult whether people are sometimes being more careful. I think you have to respect that.

The long-term trends or what is the calibration of digital advertising growth has not changed. Has Affle's products become less competitive? The answer is no. I think we have a strong position in India and other emerging markets. As I go ahead and talk about some of the contracts that we are trying to strategically close and align for the long-term, you would know that we are still the partner of choice not only for the advertisers but for the entire ecosystem.

Swapnil Potdukhe: Extending slightly that point, how do you see growth panning out in FY2024 for this market specifically? Would the 20% growth trajectory continue? Or should we look at a slightly higher number?

Anuj Khanna Sohum: Whenever we have a backdrop of a year like FY2023 and at starting point, it will be sensible to conservative. Therefore, on that basis, I would say 20-25% overall growth for Affle across all our business in FY2024 organically is a sensible plan that we have already made and we are executing it. Can we do more than that? Possibly.

With inorganic, if we do and complete any transaction this year, obviously the growth would be higher. Our goal would be to sensibly calibrate overall organic plus inorganic growth north of 35%. Now how much of that will come from organic or inorganic? Because either organic can do better or inorganic. Let's see, I think let's take a step at a time.

But in terms of organic growth, we should definitely calibrate 20-25%, given the backdrop of FY2023. I hope to change the discourse on that for FY2025 by creating a different backdrop in FY2024. But it has to be seen in the context of where we

are coming from and where we are headed. We are respecting that and giving you an industry view as well as what we expect to happen in this year.

Moderator: Our next question is from the line of Mr. Roshan Chutkey from ICICI Prudential Mutual Funds. Please go ahead.

Roshan Chutkey: If ad budgets get cut, in a particular vertical like Entertainment, then CPCU budget should go down, whereas CPCU should actually improve because you are paying only unconverted user in times like this? If not, are you a marginal player in the developed markets and therefore you are losing out to other ad-tech platforms? How should one think about it?

Anuj Khanna Sohum: I think in developed markets, we were under-calibrated. I would not call us a marginal player, but would say under-calibrated where one of our platforms was sort of doing more in developed markets and others are busy growing in emerging markets. We did not let it put as much emphasis of direct leadership involvement for developed markets because we are clearly an emerging market-focused company and we will continue to remain that way given approximately 80% of the revenue is in emerging markets.

Having said that, in developed markets, when each particular customer reduces budgets or holds marketing for one quarter and then it recalibrate in the next quarter. Some of them might be immediately getting essence of everything. This is not a case of rational decision making. They are probably going to fire people. The whole marketing department is changing and when they recalibrate, they might hold that for a short-term period. That is why we always qualified that this is a short-term impact as to what happened in the last few quarters in some of the verticals in developed markets with some of the customers.

Now because our base was small in those markets, when a few of the customers hold back budget for a few quarters, you don't have sufficient feet on the ground, or sufficient pipeline to make that good from others because the base was small. So therefore, we saw an impact.

We are absolutely and aggressively solving it by broadening our addressable market by coming up with strategies of how to win bigger, better customers fast and broadening the base across certain key emerging verticals in developed markets. I have outlined the five action points that are getting implemented as we talk this quarter. I hope to see Q2 to start showing some trends, which may then we maximize fully in the most important quarter which is Q3 and of course in Q4.

Moderator: Our next question is from the line of Ashwin Mehta from Ambit Capital Private Limited. Please go ahead.

Ashwin Mehta: In terms of our CTV offering, which we are putting more emphasis on, which are the countries that we are initially focusing on? Any indications that we can give in terms of initial traction there? Secondly, how does the CPCU rates compare there like-to-like versus our consumer platform?

Anuj Khanna Sohum: On CTV, what is happening is that the linear TV budgets are shifting to CTV. It is much bigger addressable market in US and Europe and also a strong theme in emerging markets, including India as well as other emerging markets. When we talk about the CTV proposition, most of the times, the advertisers are still used to paying per impressions or pay per activity or viewership kind of model.

What we are bringing is a differentiation where we are saying, we will charge on the CPCU business model. We already rolled that out starting this quarter. We are going to the advertisers and agencies, offering them a differentiated CTV proposition together with the combination of CPCU business model and being the only differentiated platform that is doing well. That gives us the room to play, a room to enter into winning budgets for new customers with a differentiated proposition.

Now CTV on CPCU business model basis would bring us calibration and higher value business. I will wait for the results to come so that we can give you more detailed commentary on that. But I would expect positive impact on our CPCU rate because of not only the CTV plus CPCU business but also the iOS SKAN as well as the Apple app store-related propositions that we are rolling out are all higher value propositions.

Within developed markets, these are the most premium segments and as we recalibrate and go for these propositions, the CPCU rate will be higher. In terms of understanding Affle's strategy for developed markets, we are not going there and saying, "Hey, we are coming from India, from emerging markets and we have a cheaper proposition." We are actually going there and say we have a more premium position, which is more compelling and ROI linked. Our goal is to go to the highest segment because we are small.

If we have only 10 people on the ground, do I want to go and play at the lower end of the segment or the highest end of the segment? I think we have a right to go and convince our advertisers to treat us as a premium. We have most premium

proposition. We are going with CTV, CPCU, iOS and Apple app-store CPCU, these are the propositions we are pushing in the market. I expect a positive impact on our CPCU rates and our margin profile from these contributions as well.

Also, when you are going for the premium, we don't need an army of people. I don't need 100 people to solve it. I just need 10 smart people who can work with me and I will create examples of how to turn this around by focusing on the premium segment in certain verticals.

Ashwin Mehta: Just one follow-up. We had stable CPCU rates despite our developed markets portfolio has seen a decline. Would it be fair to assume that there have been an increase in CPCU rates in the emerging markets, and ideally with better growth in developed markets as you get into the next year plus some of these newer propositions, the CPCU rate should be higher as you go along?

Anuj Khanna Sohum: Yes, like I said that when the times get tough, there are two ways that companies would respond. One way is that is we are only getting 25-30% revenue growth, let's reduce pricing.

Affle and my philosophy is clear. We want to be seen as a differentiated platform, a premium platform and playing in premium segments. So, we do not want to drop prices. If you want to play hard, it's okay if revenue growth is 20-25%, but let's make sure that the CPCU and margin expansion is happening and our market position continues to be differentiated. We don't want to become commoditized and that is what you are seeing here as well.

When headwinds came in, we did not worry about revenue growth. We made sure that our margin is expanding, pricing is intact and we were positioning ourselves as a differentiated player, whereas our competitors were firing people and dropping prices.

There is a different strategy at play here and I am able to build organizational pride and confidence within our company that we are here for the long term and for sustainable growth. We are not trying to make any shortcuts to impress anyone in one quarter or the other. That builds confidence in the team. We are making long-term sustainable growth plans and not getting nervous about any short-term headwinds because we are here for building the company for this decade and well beyond. There is no reason to short-term change in our pricing or to take pressure.

Yes, we are improving our CPCU pricing and margins. Most importantly, we are improving our conviction and confidence in our organization that our products are superior and our market position is strong.

Moderator: Our next question is from the line of Onkar Ghugardare from Shree Investments.

Onkar Ghugardare: My question is around the initiatives which you have taken for the higher growth in the developed markets and margin expansion. Just wanted to know that the benefits of that would be short lived for quarters or they are the structural, it will be there for the next couple of years?

Anuj Khanna Sohum: It will be structural because I am taking charge of the team, I am taking directly reporting of a lot of the management there on a regular basis, going into customer meetings and pushing our team to get the right events and so on. All of that is happening right now within this quarter.

The question here is - have we bottomed out in any inverse trends that were there in developed markets? The answer is yes. From here, we turn around. How do we turn around or what do we see? We start seeing the trends in Q2.

In Q1 FY2023, the developed market was at its peak and from Q2 onwards, it started to slide down because of the headwinds. Now we have stopped that trend and inversing it in Q1 FY2024 with certain structural changes that we have already outlined.

In Q2, we will start seeing measurable outcomes so that we can maximize the biggest quarter of our financial year because of seasonality. October, November, December is what we will be aiming for to be back in the driver seat of taking it to the upswing that one deserves.

That is how I would address it. But these are not for one or two quarters. We are not doing any short-term measures. We are working on our product strategy, partnership strategy, people organization and lifting it up the way one should be in these times. I am excited about it and convinced with what we are doing. It is structured and it should be there for many years to come.

Onkar Ghugardare: Just a small question. I just wanted to know what would be the CPCU rate for the acquisition you would be doing? It would be less accretive or other way around?

Anuj Khanna Sohum: Positive. Any actions that we are taking today, whether organic or inorganic, is to go for more premium, to go more higher in the value chain and with bottom line sensibility. Whether it is organic or inorganic, I am clear about the direction and

the promise to the investors that over the next several years, you will see higher quality revenue, higher quality margin and a stronger market position for Affle in terms of its product positioning, both in iOS and Android.

Moderator: Due to time constraints, that was the last question of the Q&A. I would now like to hand over the conference to the management for closing comments.

Anuj Khanna Sohum: All right. Thank you. Well, I want to say that your company is now 18 years old. I started Affle in April 2005 in Singapore. It has been 18 years since I have been at the helm and I see it as a young adult, which has a long way to grow into a great corporate citizen. I hope that not only we deliver great value creation for our shareholders but rank high on good governance standards for the company. I am confident that with one step at a time, we will see much greater outcomes as we execute this year and beyond. Thank you.

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

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