AIL/SE/RCT/Q2/2020-21 November 26, 2020

To

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

Dear Sir/ Madam,

Sub: Transcript of the Earnings Conference Call for the second quarter and half year ended September 30, 2020

Please find enclosed the detailed transcript of the Earnings Conference Call conducted on Monday, November 9, 2020 to discuss the results and developments for the second quarter and half year ended September 30, 2020.

This earnings call transcript is solely for information purpose and does not constitute an offer to sell, or recommendation or solicitation of an offer to subscribe for or purchase of any securities of the Company. All readers of this transcript must refer to our Q2 FY2021 Earnings presentation for a detailed disclaimer on the same.

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

Affle (India) Limited India

Parmita Choudhury
Company Secretary & Compliance Officer

Affle (India) Limited

Q2 & H1 FY2021 Earnings Conference Call

November 09, 2020 at 10:00AM IST

DOLAT CAPITAL

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. 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 Q2 and H1 FY2021 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 the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Jain from Dolat Capital. Thank you and over to Mr. Jain!

Rahul Jain: Thank you Lizann. Good morning everyone. On behalf of Dolat Capital, we welcome you all to the Q2 and H1 FY2021 Conference Call of Affle (India) Limited. I take this opportunity to welcome the management of Affle (India) Limited, represented by Mr. Anuj Khanna Sohum who is Chairman, Managing Director and Chief Executive Officer of the Company; and Mr. Kapil Bhutani who is Chief Financial and Operations Officer of the Company.

Before we begin with the discussion, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer to slide 15 of the Company's earnings presentation for a detailed disclaimer.

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

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

When the going gets tough, the tough gets going! H1 FY2021 was tough on multiple fronts with the ever-changing and increasingly challenging macro landscape globally. Thanks to the great effort, agility and entrepreneurially commitment of all Afflers working from home. Affle delivered a landmark performance with our continued strategic focus on sustainable value creation to report the highest ever quarterly growth trend as a public company.

It was an all-round growth marking our quarterly innings with the three centuries. For the first time ever, we crossed over Rs.100 Crores mark in overall revenue, over Rs.100 Crores in CPCU revenue and over Rs.100 Crores annualized PAT run rate based on our Q2 performance.

Our significant growth is driven by the emerging trend of accelerated consumer adoption of mobile and connected devices globally. The greater need of advertisers now than ever before for ROI and data focused digital marketing is making Affle an indispensable part of the mobile marketing ecosystem.

Our Affle 2.0 strategy has strengthened our foundation, entrepreneurial culture, overall competitive moat and is driving our innovation led long-term sustainable growth.

In Q2, Affle delivered a growth of 59.3% y-o-y in Revenue from Operations and a PAT growth of 72.5% y-o-y. This growth was broad based coming from both 1) CPCU business and 2) Non-CPCU business, from existing and new customers and contributed by consistent growth in advertiser spends across key industry verticals in India and International Markets. I am very proud that all our tech platforms including the recently acquired ones are now together delivering consistent operating cash flows which resulted in 212.4% growth in our H1 cash flows on a y-o-y basis.

Our tech platforms are asset light, automated and highly scalable delivering outcomes profitably resulting in low cost, sustainable profit and positive cash flow business model. We remain optimistic of the emerging industry trends and are seeing a fundamental shift in the global narrative of B2C companies from 'Mobile is Important' to now 'Default is Mobile'.

Affle2.0 strategy is primarily anchored on 2Vs – Vernacular and Verticalization. We successfully integrated technology platforms to unlock innovative vernacular consumer experiences and deeper verticalization across key customers segments. We are consciously making efforts towards deepening the data, enhancing our tech and product capabilities and investing in human resources to augment the next level of growth in the long run. It is evident from our financials despite the pandemic situation. This reaffirms our commitment towards building sustainable market leadership in India, South East Asia and other emerging markets across the open internet connected ecosystem.

We closed the strategic investment in Indus OS to own equity in the largest indigenous multi-lingual Mobile Apps Store in India. We also closed the strategic investment in Bobble AI, the Conversation Media Platform offering indigenous social keyboard that complements our vernacular strategy and significantly strengthens our partnership with OEMs. We also continue to be a strong enabling platform for the indigenous apps ecosystem in India.

Affle Platforms have been consistently recognized in the industry as star performers and were recently awarded 22 wins across categories and geographies in the latest edition of the AppsFlyer Performance Index. Affle RevX Platform was recognised as the leading independent platform for Remarketing in APAC (non-gaming) and Appnext as the leading independent app recommendation platform in India & SEA. Affle was also awarded "Entrant of the Year" at Campaign India Digital Crest Awards; "Best Innovation in Mobile Marketing" at Indian Digital Marketing Awards and 16 more top industry honours in diverse categories like Media Innovation, Insight-led Programmatic Buying, E-commerce Omni-Channel Strategy, Most Effective Use of Digital Analytics, etc.

Affle is "Built to Last". We are a differentiated business, growing profitably and remain future-ready to leverage upon the new market dynamics. This creates numerous opportunities for us to also look at consolidation opportunities in high growth markets globally.

With that I would like to hand over this discussion to our CFO, Kapil Bhutani to discuss the financials in detail. Thank you and over to you Kapil.

Kapil Bhutani: Thank you Anuj. Wishing everyone a good day.

In Q2 FY2021, the Company reported Revenue from Operations of Rs. 1,350 million, a growth of 59.3% y-o-y. Sequentially, revenue increased by 50.3% q-o-q. This growth was driven by a shift in advertiser budgets towards mobile & programmatic advertising and accelerated consumer adoption of mobiles and higher screen time.

Our EBITDA for this quarter stood at Rs. 344 million, an increase of 58.2% y-o-y. EBITDA margin was at 25.5%. In terms of Opex, Inventory and Data cost was at 57.6% of revenue from operations, in line with the previous annual trend.

Employee benefit expenses have increased due to investment in human resource both on tech and business development teams to deepen our access towards emerging markets plus the impact of acquired businesses. We also have a small increase in employee benefit expenses on account of higher proportion of variable payouts of employees due to larger growth we had in Q2 FY2021.

The increase in Other Expenses is on account of acquired businesses, while no significant increase in other expense heads have led to the bottomline efficiency.

The business combination accounting for Appnext has been accounted for 95% ownership and 5% non-controlling interest.

Our PAT (after Non-Controlling Interest) for this quarter was Rs. 269 million, an increase of 72.5% y-o-y. PAT margin stood at 19.7% vs. 18.3% in Q2 previous year.

Our focus remains on working capital management and the collection efforts have been robust. Our cash flow from operations stood at Rs. 521 million in H1 FY2021 at 114% of the PAT vs. 58% of the PAT in H1 previous year.

In Q2, the Company signed an agreement on July 2, 2020 to acquire 8.0% strategic stake in Indus OS. We also signed an agreement on August 13, 2020 to acquire 8.0% strategic stake in Bobble AI. The Company also holds rights to buy additional ownership in Bobble AI on pre-defined milestones achievement under exclusive monetization agreement.

As already indicated in our Q1 call, Affle International had availed a term loan of USD 10 million for a period of four year and has till date drawn about USD 7 million out of the sanctioned amount. The loan is secured by the Letter of Credit from Affle India and 30% holding of Affle International in Appnext Singapore.

With this I end my presentation. Let us open the floor for questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Congratulations on strong performance and achieving multiple milestones during the quarter. I wanted your thoughts on how the demand environment has evolved over last couple of months and also how you see the future trend in terms of:

Firstly, addition of demand that is coming from non-traditional participants who would have possibly either scaled up their digital spend or they would have come as a first-time participant in some manner.

Secondly, what all cost pockets can these companies transfer into their ad budgets as they are shifting more business volume on the digital channels. Just for an example, if a retailer moves through volume from a traditional brick and mortar to more digital channels, does that mean we can allocate some kind of a physical world cost into the ad budget gradually? Is that kind of a trend we are seeing right now post-pandemic?

Anuj Khanna Sohum: Thanks for your question. If you look at various industry segments that we are targeting and over 90% of our revenues in Q2 came from Categories E, F, G, H. These are broad-based categories which include key Industry verticals namely E-commerce, Entertainment, EdTech, Fintech, Foodtech, FMCG, Gaming, Groceries, Government and Healthtech. A lot of these not only have online presence in touch points with consumers but also the offline presence. Let us talk about your example of Retail. We do see a long-term trend where the offline marketing spends of large retailers or even smaller ones increasingly need to shift to digital and online connected devices. The retailers need to make sure that they are engaging with consumers on the devices where the consumers are spending maximum amount of time and that happens to be Mobile devices at the moment. All businesses were either already embracing it or now post pandemic they need to adapt very quickly and invest in digital transformation. It is no brainer that marketing department of any business has to see at mobile as 'Default is Mobile'. It is a necessity and therefore Affle as an ROI driven platform is increasingly becoming indispensable part of the mobile marketing ecosystem across industry segments. As Retail for now is deeply impacted where people are not going out enough and therefore the online channels become very important. Also the world is heading towards more Omnichannel experiences. Online and Offline for a consumer is almost an integrated journey. We look at mobile phone to decide which product to buy, which store to go to, once I reach there and even while I am inside the store physically I may still be looking at my mobile phone for various factors and eventually making the payment through that. So, online and offline channels are highly integrated and we are ready towards an Omnichannel world. The marketers need to necessarily embrace digital and for marketing spends, it makes absolute sense to look at ROI driven platforms like Affle and to look at data driven marketing strategies to reach out to consumers in a highly personal world and especially when we have also integrated the vernacular experiences.

Rahul Jain: And if I can ask a follow-up. You made a couple of announcements on the Mediasmart side on this quarter. Can you give us update on how these integrations are shaping up, particularly new business opportunities leveraging proximity capabilities as well as the Connected TV (CTV)?

Anuj Khanna Sohum: That is a great question. First and foremost, I want all shareholders to know that Affle runs its business and its strategy very deeply focused on the consumer platform business. Any investments that we have made in the past whether complete acquisitions or strategic investments are completely focused towards complementing our consumer platform business. We are strengthening various ways of reaching out to consumers whether it is proximity advertising or connected TV, whether it is getting in partnership with Global OEMs, looking at vernacular outreach to consumers and as well as verticalization across industry verticals.

The question is specific to Mediasmart and Proximity Marketing. Yes, the platform is deeply integrated now with our data management platform. It is now actively being brought into Asia by our teams. As you know Mediasmart is Spain based company and we acquired them earlier this year. Our focus has been how can we leverage our greater presence in the APAC region and win more customers in our current markets before we expand to other geographies globally. Mediasmart platform is now fully integrated, successfully run at the culture/team level as well as at the tech platform level. Customers have also seen that Affle is now much stronger with a whole basket of services that we can bring to any marketers. We are way stronger than any other company today in India or other emerging markets offering the depth of services that we have now fully integrated into our platform. Connected TV is a forward trend where more people are going to shift from watching cable TV or broadcast TV to actually watching on connected devices. It is already happening to all of us and it's a massive trend. We are ready with our platform to make sure that the marketers can navigate to this opportunity of integrated journey - whether you are targeting the consumer on a mobile device or you are looking at connected TV based advertising outreach. Affle platform is today ready and is deeply engaging with industry ecosystem players to onboard them, educate them, evangelize and hold their hands to see how they can leverage this massive trend that will unlock in a big way in the next few years.

Rahul Jain: Prefect. Thank you and best of luck.

Moderator: Thank you. We will move on to the next question that is from the line of Gabriel Sacks from Aberdeen Standard Investments. Please go ahead.

Gabriel Sacks: Congratulation on a fantastic set of results. I just had a very quick question in terms of if we have look at the numbers excluding acquisitions, then how much would be organic and inorganic on a year-on-year basis.

Anuj Khanna Sohum: If you look at it on a sequential basis i.e. comparing Q1 & Q2, because that is a big jump that we have seen quarter-on-quarter. Our revenue has grown up by over 50% and our PAT has also shown a massive growth of 43.2% just on q-o-q basis. I had mentioned in our Q1 earnings call that the numbers in June were substantially better as compared to April & May, and we were already at the almost Rs. 40 Crores per month kind of a run rate in the month of June for both organic and inorganic combined. That was consequently directing at Rs. 120 Crores in Q2. However, we have done much better than that forecast run rate to report Rs. 135 Crores this quarter. Now out of the 135 Crores in Q2, about 24% of that is attributed to Mediasmart and Appnext together which is about Rs. 32.4 Crores of revenue coming from acquisitions. From a bottomline perspective, then out of the Rs. 27 Crores PAT that we have achieved in Q2 about 11% of that which is Rs. 2.9-odd Crores is inorganic coming from Mediasmart and Appnext combined. From the vantage point, important take away from here is that this Q2 performance has been all-round healthy growth cash flow positive profitable growth across all dimensions whether it is the organic business or the inorganic business on topline as well as on bottomline. We can calculate from here that the PAT that we have managed through both Appnext and Mediasmart has resulted in approximately 9% PAT margin of Rs. 32-odd Crores in Revenue. That is a remarkable achievement and we are looking at improving that as we go along and as we realize more synergies of scale through our platform. Q2 results are building our confidence that as an integrated single platform consumer business - Affle is able to leverage these platforms, turn them around, offer differentiated offering to our customers and translate it into positive cash flows and that is the single important factor from my perspective when I look at over 212% increase in operating cash flows in H1 on a y-o-y basis. This is very positive quarter for us and all credit to how our team has come together even in such times that we are all working from home. It is really fantastic, both organically as well as inorganically and it is a great trend towards the future.

Gabriel Sacks: Great. That is all. Very comprehensive answer. Thank you so much.

Moderator: Thank you. We will move onto the next question that is from the line of Dhereesh Pathak from Goldman Sachs. Please go ahead.

Dhereesh Pathak: Congratulations on good results. First question to Kapil, I think you mentioned that for Appnext 5% minority interest. Did I hear that correctly? What you are showing on the P&L is only 5% minority interest, because I thought we would be showing some 33% as minority interest?

Kapil Bhutani: Yes, it is 5% Non-controlling Interest. You heard me correctly. We currently own 66.67% equity ownership plus we have also taken an option to buy or put the remaining 28.3% shares at the end of the 3 years at a fixed price, which has been accounted for in our balance sheet under the anticipated acquisition method. Hence, in total we have accounted 95% on an acquisition basis and 5% in Non-controlling Interest. 5% is the promoter share of Appnext which has been left for the long-term alignment for 5 years though we have an option to buy that also but since there is no fixed price of 5% defined in the agreement. Therefore, that is not accounted for under the anticipated acquisition accounting method.

Dhereesh Pathak: When we see the minority interest of Rs. 9 lakhs on the P&L corresponding to 5% of the profits of the Appnext. So Appnext in its own P&L would have generated a little over 18 million of PAT, right?

Kapil Bhutani: Yes. That is correct.

Dhereesh Pathak: And on the cash flows Kapil, I am seeing intangible capitalization of Rs. 25 Crores on a half yearly basis. Roughly that means Rs. 50 Crores on an annual basis this is running slightly higher versus your earlier guidance of Rs. 35 Crores. Why so?

Kapil Bhutani: No, the number you see is acquisition of intangibles account of acquisition of Appnext because when we account for the acquisition which is subsidiary acquisition, the investment does not come as the full amount at investment. It gets segregated into intangibles which has been acquired in the acquisition. So, there is an amount attributed to that also. Hence I will reiterate that capitalization is in line with my earlier guidance and the incremental amount is attributed to Appnext acquisition accounting.

Dhereesh Pathak: Now that we have Appnext and Mediasmart, so on an annualized basis will our capitalization of the spends be in that range of Rs. 35 Crores per year? Is that correct understanding?

Kapil Bhutani: Last call I talked about USD 1.2 million kind of a number in Q1. I expect it will be USD 1.3 million in the current quarter (Q2).

Dhereesh Pathak: On the cash flow from operations I am seeing unrealized Forex gain being reversed. Is this Rs.3 Crores benefit captured in the P&L in other expense?

Kapil Bhutani: Yes, it is in other expenses. It goes in the total line item whether in other income or other expenses depending on forex gain or losses.

Dhereesh Pathak: And the nature of this is what you are taking some forward contracts and or this is just the Forex net current assets restatement.

Kapil Bhutani: It is a restatement only. Affle has not taken any forward contracts. Our business is naturally hedged in terms of USD and INR and we has a policy of not going for any forward bookings.

Dhereesh Pathak: One last question if I can squeeze in. The Appnext CPCU rates/realization which at the time of Appnext acquisition you had said were lower by some 10% to 15% than Affle CPCU rates. Are they still lower or we have taken a price increase?

Anuj Khanna Sohum: When you look at the CPCU business as an overall business unit of Affle, it is not that we are pricing it differently when we meet a customer and saying this is one type of CPCU and that is another type of CPCU and therefore needs to be priced differently. Rather when we go to a customer we say that Affle is a ROI linked platform, this is our conversion pricing and it is a bundled proposition. We take a holistic mandate from the customer and provide an overall pricing. Of course there are certain customers who may still be only buying Appnext proposition because in those markets we have not educated or got the sales team to sell everything yet. But broadly there is a whole rollout process and if you look at customers they are taking a bundled proposition. We have been able to move the pricing sensibly in line with Affle's overall platform and in areas where it is still yet to sell as full bundled proposition, there will be some difference. But overall if you see we had a fairly healthy average CPCU rate of about Rs. 40.3 in this Q2 which is in line with the overall guidance from Affle.

Dhereesh Pathak: Thank you for taking my questions.

Moderator: Thank you. We will move on to the next question that is from the line of Rishit from Nomura. Please go ahead.

Rishit: Congrats on good quarter. Just a couple of questions from my side. Now wanted to understand we have acquired like few companies in the last two years right. Just wanted to understand given that they are now integrated well into the culture, so what are the synergistic opportunities that we can create out of combining these portfolios? Couple of them I think that you eluded were related to Mediasmart and its connect with FMCG business. Wanted to understand what are those key opportunities that you are looking at, what are the investments and how is the initial discussions with clients now shaping upon?

Anuj Khanna Sohum: If you look at all the acquisitions or strategic investments that we have done, firstly they are all fully being funded from the internally accrued cash flows with very little leveraging. This is in accordance with our view that what kind of cash flows we are generating and also incremental cash flows these platforms will generate. We are a very grounded team and a sensibly run. We are only acquiring those businesses that over a period of time we will be able to extract synergies and bring them to the same level of PAT performance that Affle has on its own business. We are seeing those synergies and we are very happy about that. We go as an integrated basket of opportunity, as a one consumer platform business when approaching the customer. Even customers are also now seeing Affle as a very differentiated platform as almost the necessary platform. The way to look at the opportunity from a strategic landscape is that taking an Omnichannel offline and online integrated consumer journey as the underlying philosophy anchored on mobile being the default platform is the market matrix. We are also expanding this scope deeper into the verticals which have deeper offline spends and seeing how we can tap into that wallet share. How we can also expand the opportunity again beyond mobile to connected devices. Broadly speaking in our annual general meeting, I had mentioned that we are looking at connecting and meaningfully impacting the consumer journey over 10 billion connected devices by 2030 as part of Affle 2.0 growth strategy. Now how you get to 10 billion connected devices? World population is not that much. So look that everybody is going to have at least one smart mobile screen in their hands. They will definitely have another smart connected device whether at their homes or their transport or their offices and so on. The world is going to be a lot more connected and Affle is taking a holistic view across our platform on how we connect the consumer journey whether it is on mobile, online, whether it is offline or on other connected devices. This is a massive strategic opportunity for us and it is what inspires us and our customers to see Affle as a strategic partner and not just as a platform. We are into the minds of the marketers and the brands that they cannot ignore Affle as part of their marketing long-term strategy or whatever their business plans are. Whether they are looking to going deeper within India with vernacular or International markets. Now almost 50% of our businesses is in India and India is a big part of our overall strategy. So how do you bring hyper-local, hyper-connected consumers with vernacular affinities in indigenous planning, which is going deeper from tier II, tier III to even rural areas in India. There are so many dimensions on which we are expanding possibilities for our customers and our platforms as we look at every investment that we have done is adding into arsenal that right kind of weaponry. Even the minority investments that we did in Indus OS as well as in Bobble AI, it is now very clear sign that Affle is trying to build ecosystem play and up the level of meaningful impact at an overall open internet connected ecosystem. Wherever there is an opportunity to strengthen our strategic long-term play within India and emerging markets, we will deepen our technology assets or even consolidate further. I am giving a fairly broad answer to your questions. It is not only about Mediasmart or only one particular acquisition but also how Affle thinks what its DNA is, how we are running Affle2.0 for the next decade from 2020 to 2030 and investing for the future.

Rishit: Sir the other question is how is the client spend in general shifting? Of course that you mentioned that spends are increasing on the online medium. But is there a more structural play to that or you see some of that going back to traditional channels like print, etc.? Also, wanted to understand how is the competition scenario in the industry changing in general - let us say maybe some of the larger players coming in or let us say Reliance and Amazon who are bigger players, right?

Anuj Khanna Sohum: In terms of industry verticals, first and foremost the top l0 industry verticals for us which are COVID resilient held us in good state even in months of March, April, May and eventually we saw a significant bounce back coming back to pre-COVID levels and even well beyond in July, August, September. I had scripted my own imagination of how this quarter would look like and we have done it even better on every front in this quarter across industry verticals. What is satisfying and meaningful for me as the promoter and also for you as stakeholders is if you see that we are not just driving consumerism. We are not just driving let us say e-commerce to buy more or entertainment to enjoy more or gaming; but we are also getting into the fundamental lifestyle services whether it is Fintech, Edtech, Groceries, Foodtech and Healthtech. These are fundamental needs and we are seeing that we are impacting lives of consumers and consumer lifestyle in our own way while also helping these verticals to embrace our platform increasingly and power their services through connected devices and people who needed it the most. I mean education has massive impact, Healthtech has massive impact and even Fintech. It is about inclusive growth and going deeper with vernacular affinity in India with such services. It is a fascinating development and is very satisfying for me as an entrepreneur to see that we are making that kind of an impact. Across these verticals, we are definitely seeing strong onboarding and some of them were not doing as much in the pre-COVID times are adopting digital increasingly. I would say we are today at a run rate that is better than pre-COVID level and that is thanks to both our organic growth as well as to the inorganic broader integrated consumer platform services that we are bringing into the market. This quarter has set a new base for us and I think all my earlier 25% CAGR growth discourse is now going to be reference on this new base. But I am very confident that with these anchoring 10 verticals we will be well placed to achieve that kind of long-term growth for next level we have to come.

Rishit: Okay, I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Harish Kumar Gupta from Nirmal Bang Securities. Please go ahead.

Harish Kumar Gupta: Sir if I look at India growth on a standalone basis - we have significant revenue jump in India sales but at profitable point of view there is no growth. In fact, there is a degrowth. What is the reason behind that?

Anuj Khanna Sohum: I will let Kapil answer that because we look at it at a consolidated group level. I just want to assure everybody that every single geography in which we are doing business, it is being done with the same discipline of unit economic model of how much revenue are we making, how much is our cost of operations and cash flows. I am very particular about cash flow positive performance and even more particular now with the pandemic.

Kapil Bhutani: Thanks Anuj for clarifying. I would like to mention that if you see from Q1, the PAT has increased in line with the turnover. Also, clarified in our Q1 call that we have adjusted the transfer pricing margins across our companies and the result of those transfer pricing margins is that the base shifting and that is why the reason is that you see a lesser profit in Q1 as compared to the Q1 last year on a y-o-y basis and similarly in Q2 also. Every year we do this transfer pricing adjustments and when the current year transfer pricing happens we may have a different result.

Harish Kumar Gupta: Okay, thank you.

Moderator: Thank you. The next question is from the line of Mythili Balakrishnan from Alchemy Capital. Please go ahead.

Mythili Balakrishnan: Congratulations on a good set of numbers. I had a couple of questions which I wanted to understand in terms of our business model itself. How much of our supply would be from a propriety set of apps that we work with on a sole basis or how much would it be from the broader general inventory that is available across Ad exchanges.

Anuj Khanna Sohum: In terms of ad supply, if you look at our data and inventory cost as part of our total business - then it is the single largest line item that we invest and expense out fully during the same period basis in our P&L. Now the word inventory in our industry is essentially linked to this advertising supply where you reach out to the consumers and you find the touch point to show the ad. In Affle business, we have some unique touch points and capabilities within our ecosystem that we have built through partnerships with the mobile handset manufacturers (OEMs). Plus we also have certain unique placements with our own SDK which is the Software Development Kit or API based integration with thousands of apps. We have sort of direct integration with multiple apps which are unique experiences for the consumer which the advertiser typically would only get access from the Affle platform. Of course, the same app may also place other ad unit there from other key platforms that may have that kind of access. But the access Affle is gaining through these integrations into the apps can be qualified as our own unique sort of premium ad supply that we are enabling which is not on a comparable basis available to any other platform in that sense.

Having said that, a fact that we look at that line item called as data and inventory - we know that in the inventory there is also an overall programmatic supply which is through ad exchanges/RTB. There the differentiation is not so much in terms of the inventory, but what is the kind of data signs, the kind of Intel and the use cases that we are planning on those inventories for various advertisements. For the same kind of inventory, our platform can decide to show a particular ad to a particular consumer whereas another platform may decide to show very different kind of an ad to a different consumer. So how do you sharpen your ability and decide which ad to show to which consumer? Think of it this way that say you have a device and you have let us say 20 different apps on your device. If you have somehow given consent to these apps and you use them different times of the day. Now Affle platform is trying to convert you as a consumer for one of our advertiser or for multiple advertisers. Affle has to make a decision which of those 20 different apps should I show you the ad at which time of the day, should I show you an ad of e-commerce in the morning or should I show you an entertainment that in the evening or should I show you a Fintech ad during the day. These optimization based on the Intel of where the highest probability is of getting a user conversion. Therefore, our ability is to be consumer centric as a platform and hence we are not called an AdTech platform, while most of the analysts would classify Affle as an AdTech company. Affle has always maintained that we are consumer technology platform company. We are not a company that is deciding the outlets the ad is placed upon, but we are actually deciding which consumer to place the ad to. Let us say we have 20 different apps to reach you as a consumer whether it is a app A, B, C or D and our focus is on you as a consumer and the advertiser. So the two ends of our ecosystem is - on one side is the advertiser and their agencies, on the other extreme end is the consumer. To reach the consumer we have multiple channels like we can reach them on Facebook, Google, we can reach them through the OEM integration, through the direct SDK app integration or the programmatic channels. We are largely neutral and as long as that the consumer converts, which path does Affle take to convert that consumer is actually not as consequential. Because the consumer conversion is valuable to us and to our advertiser. You as a consumer are as valuable does not matter whether you saw the ad in a chess app or a finance app or in an OTT/entertainment app or a social media app. What Affle's platform is doing is finding many deep touch point with you on your devices on your connected devices. It is also optimizing into what is the most efficient path to drive conversions for our advertisers.

Mythili Balakrishnan: Also, I wanted to get a sense of your Affle2.0 strategy from vernacular sense because obviously as we reach out to the next 100 million users which are there, there are going to be a lot more on the regional side. I was just curious whether your propriety sort of app reach out is more in that space or is it spread across?

Anuj Khanna Sohum: In terms of vernacular, there are multiple strategies and factors basis which we perhaps decide where to show the ad in Hindi in Uttar Pradesh or in Gujarati or any particular language. There are multiple factors which we would look at, you could be in an English app but you may actually be shown a vernacular ad within that potentially. It is not necessarily about reaching out on vernacular apps only. But having said that if you look at our two big propriety access points: one is Indus OS, the other is Bobble AI, where we have minority investments. In the case of Bobble, we are the exclusive monetization partner for them at least for next five years so there is definitely proprietary inventory and it is vernacular in nature. When we talk about the OEM integrations like for example with almost all the top OEMs in India today we are deeply integrated on their devices with the kind of experiences that we have and to my best knowledge at least in those multiple placements a lot of those are unique placements that are only accessible to us on that device for the consumer. For the advertiser to say reach out and have a holistic proposition, almost 40% to 50% of the business that we do is happening on touch points where we have a unique ability or direct integration either on the device or with the apps and then another 50% would be more broad-based programmatic ad exchanges. But then again the inventory is generally not the differentiating factor and if you were to look from a strategic lens, you will see the portion of inventory out there, the number of consumers, the number of apps that they connecting is humongous volume whereas the number of ads and the number of conversions you can somehow drive within that is the limiting factor. Therefore the biggest part in this portion of inventory is what kind of data and depth of intel we can use to better optimize and drive the conversion efficiently. It is not about getting max inventories. It is about maximum access to the consumer and then being very sniper like mentality to drive conversion within that.

Mythili Balakrishnan: Thank you very much. I will come back on the queue.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers Limited. Please go ahead.

Bharat Shah: I have fundamentally long-term view to seek your mind. On a structural basis what are the key enablers which will drive growth that you have talked about? Over a period of time which are growth stabilizers and which are the sectors which may become growth desolators. Fundamentally the business model and the key structural issues which are going to drive your growth and within that analysis of factors which can make it higher or lower in the analytics?

Anuj Khanna Sohum: Alright that is a very big question. See on one side of our ecosystem is the consumer and let us look at the consumer behavior. Consumer adoption and acceleration is a long-term journey. Like India has about 600 million connected devices at this moment and now how many of those are actually online shoppers people who will use the device and actually do conversion by adding either their credit card or some kind of payment mechanism or subscribing into any service that will eventually lead to ROI for the advertisers. That number is significantly lower than the 600 million. It is anywhere in the range of 100 to 150 million at best and when you look at this trend of consumer adoption from three different parameters: 1) the number of connected devices in India whichever industry reports you look at say that in next three to five years that 600 million number will grow to a billion connected devices over a period of time.

2) In terms of number of shoppers, we will say 100 to 150 million shoppers in India will move to 300 to 400 million shoppers in India in the next few years. So there is massive growth structurally.

3) For the shoppers, the average online spend of those shoppers will grow as they get more comfortable with spending on mobile or on connected devices. They will start buying more things and therefore the average value of those transaction, the frequency of those conversations will also go up. Consequently, we are looking at a massive growth just on that dimension which is the consumer dimension of the business and in order to tap on to that growth, what is Affle doing. Affle is partnering with OEMs, Affle is taking ecosystem level play whether it is on keyboard apps, the indigenous app store, addressing vernacular affinity of the India market and hence not be just limited to the metros or the current set of online shoppers. But rather going deeper and building that capability from today and that will serve us for the next five to ten years. Therefore, I am very confident that on the macro consumer trend of accelerated adoption of connected devices and of digital payments which will definitely be a very strong growth enabler for our company and we are taking all the necessary steps consistently to make sure that we are a key player. On the other hand of the processes, now across the 10 verticals that I have talked about which is contributing over 90% of the revenue and these are broad big verticals. I would say all of those verticals if you were to look at independent reports on each of those verticals whether a Ecommerce, Entertainment, Edtech, Fintech, Foodtech, FMCG, Gaming, Groceries, Healthtech, etc. is expected to have its own massive growth over next several years because of the again underlying B2C consumer trend. Each of our customer segments is set to grow north of 30% in their own businesses and they will be entered on digital experiences and connected devices. If Affle is doing its fair share of innovations and bringing the right service, it is fair based to assume average CAGR growth of 30% plus in India. Because the advertisers that we are talking of, will be looking at opening new verticals and try to get deeper within them and unlock the use cases. So verticalization of the customer for our advertisers, vernacular deeper connects on the consumer side will definitely help us and it makes me confident that we will be able to grow north of the industry average growth rate overall within India. Macro trends are largely similar in other emerging markets as well

and today Affle's businesses is almost 90% anchored in emerging markets. Therefore Affle will anchor its growth on these larger macro trend and will continue to invest in the right areas to deliver onto that.

Bharat Shah: So essentially what you are saying is that the consumer activity on each of the 10 verticals itself is at a stage of entrancing and there is a lot of headroom for it to grow. How this will additionally work is that the more devices would get connected and more activities would happen on digital medium and reach can increase because you do the Vernacularisation efficient programs. This will drive the overall consumer reach in marketing ecosystem which is where you are pitching yourself.

Anuj Khanna Sohum: Yes, from an execution point of view I may always simplify. Today the market is already showing healthy signs and it is a good size of an addressable market. Within that addressable market, Affle can continue to win more market share with differentiated propositions and business model which we are already doing. Plus within our existing markets itself, India is forecasted to grow over 30% CAGR over next five years. So even if Affle does not do incremental land grab versus competition and just continue to grow from where it is at the average industry growth, even then we will still be growing very nicely and hopefully reaching or exceeding all expectations of stakeholders. It is a large market, Affle is still relatively small, has differentiated unique businesses model and massive ability to grow while increasing market share. I am pretty confident that there is a strong justifiable growth here and that is the minimum that I take on my hedge. It is not just about what the market expectations and what your stakeholders would expect but that is the DNA of Affle. We are a growth oriented company, constantly investing in our future growth and strategies and that is how I am wired. To unlock any further sort of incentives and bonuses for the management team, we need to grow at a certain minimum pace and I think the entire organization right from the junior to the senior most person up to the CEO is wired the same way.

Bharat Shah: Thank you.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment. Please go ahead.

Aman Vij: Congrats on a very good performance. Just one question - we could see our Affle getting 22 recognitions in the AppsFlyer report mostly for RevX and

Appnext. Any idea why do not we see Affle's core business name more in the Appsflyer report?

Anuj Khanna Sohum: The way we look at our platforms is that we have identified the niche platforms where if we split all our business into different units and we try to project it, we may not get as higher visibility on volumes right. Rather if we consolidate and report under certain key categories, the synergies are well visible to be highly ranked. It is our own strategy on how we want to ensure that which of our business units should surface more. It is more of a marketing strategy like what kind of end keys you submit for the award. So for Affle's business we already have a massive brand value, understanding and credibility with the advertisers and what we are trying to surface is getting more award recognitions for our newer platforms increasingly. We are also trying for Mediasmart such that brands in the emerging markets know more about them and we can drive a great perception on the market leadership position as a holistic platform. For example if you look at the various awards that we get, we have to choose that out of all our campaigns and out of all our platforms, what kind of news cases do we send to the jury and where we want to get more recognitions. It is about where we are trying to strengthen these platform because I see them as anchoring possibilities for further growth with the advertiser. It is a conscious decision where do you want to get more recognition and which ones you want to market more.

Aman Vij: Just one small clarification, of the Rs. 32.4 crore inorganic revenue numbers we gave for Mediasmart and Appnext, does that also include RevX or RevX is a separate number and what will be the RevX call on that.

Anuj Khanna Sohum: It is a separate number because when you compare on y-o-y basis or even q-o-q basis, RevX was already part of the same sort of period in Q2 last year or in Q1 this year. Hence the reason why we are talking about the Mediasmart and Appnext is that you have a comparison and the fact that we have already deeply integrated RevX as a consumer platform propositioning within our offerings. I think it has no further benefit to continue to break it up because internally the way we run our company is one consumer platform business. This is not something that we say okay now this advertiser has spent on our one platform versus another. We analyse on an overall geographic basis like India vs. international, consumer platform, CPCU vs. non-CPCU, etc. That is how we look at our business and we are not segregating that. Going forward also you would see that let us say another few quarters from now even Appnext and

Mediasmart would become deeply integrated within our basket of opportunities for the advertisers as one overall platform.

Aman Vij: So RevX has achieved the same kind of margins like rest of the Mediasmart, Appnext?

Anuj Khanna Sohum: It is progressing well and I do not have that break down number as I just mentioned to you. But it would suffice to say that every platform within the company is being run with bottomline financial discipline while the strategic investments that we are making are enhancing the overall position of our Company.

Aman Vij: Thank you sir. Thank you for the clarification.

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

Mayank Babla: Congratulations on a stellar quarter. Sir I just wanted your medium-term perspective - Q3 for Affle is marked by a solid festive season, so can we expect Q3 to be as strong as Q2 and your views on overall H2 FY2021 as well? Thank you.

Anuj Khanna Sohum: The festive season definitely is around the corner and we are very happy about it. But it would be absolutely clear to all of us that this year versus last year same period, the intrinsic nature of festive season is different because there are the pandemic related restrictions and concerns. So having said that I think when people are not going out enough for meeting each other/gifting, etc, they are spending more time online or connecting more online and therefore the online business continues to be resilient. But is Q3 festive season going to be as bigger Q2 and will Affle Q3 performance trend see a similar trend as this Q2. I think spike would be there but not as dramatic. Typically in our business, Q3 is the best quarter in any financial year. Historically it has always been the best quarter and this year should not be different. The only question is how big as we think that is going to be. Given the fact that our Q2 has been a fantastic outcome by any sort of analysis, I would expect to maintain the trend that Q3 would be our best quarter of this financial year. Though I would have been much happier if the pandemic situation was not there and in that situation we could have seen a much better Q3 than what we may see now. It may have some shadows of the pandemic but we will still do a strong performance despite the macro headwinds.

Moderator: Thank you. Ladies and gentlemen that was our last question. I now hand the conference over to Mr. Anuj Khanna Sohum for his closing comments.

Anuj Khanna Sohum: Thanks everybody for your continued support and for the depth of questions that you asked. I hope we have been able to answer them well. Affle as I mentioned is a company that built to last and to adapt. We have demonstrated that in H1 despite we all facing most difficult times and with everybody working from home. Though we did not know initially how to calibrate. However, we have negotiated our journey of Affle2.0 very well in the last six months and I expect to build up on Affle2.0 from that as we take it forward with a sustainable profitable cash flow positive growth. Hopefully, we will continue to give you outcomes which are predictable and exceeding any expectations that you have. Thank you for being superb investors.

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

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