AIL/SE/RCT/Q4/2023-24

May 31, 2024

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 financial year ended March 31, 2024 conducted on May 25, 2024 at 11:00AM IST

Dear Sir/ Madam,

Please find enclosed the detailed transcript of the Earnings Conference Call conducted on Saturday, May 25, 2024 at 11:00 AM IST to discuss the results and developments for the fourth quarter and financial year ended March 31, 2024.

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/2023-24/Q4 dated May 25, 2024.

Submitted for your information and records.

Thanking you,

Yours Faithfully,
For Affle (India) Limited

PARMITA CHOUDHURY
Digitally signed by PARMITA CHOUDHURY
Date: 2024.05.31 20:10:29 +05'30'

Parmita Choudhury
Company Secretary & Compliance Officer

Affle (India) Limited

Q4 & 12M FY2024 Earnings Conference Call

May 25, 2024 at 11:00AM 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. Karan Taurani – Elara Capital

This transcript has been edited to improve the readability

Moderator: Ladies and gentlemen, good day and welcome to the Affle (India) Limited Conference Call to discuss Q4 & 12M FY2024 earnings hosted by Elara 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 the conference is being recorded.

I now hand the conference over to Mr. Karan Taurani from Elara Capital. Thank you and over to you Sir!

Karan Taurani: Thank you Lizann. Good morning everyone. On behalf of Elara Capital we welcome you all to Q4 & 12M FY2024 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 the Managing Director & Chief Executive Officer of the company and Mr. Kapil Bhutani, who is Chief Financial & Operations Officer of the company.

Before we begin with the discussion, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve some risks and uncertainties. Kindly refer to slide #24 of the company's Q4 earnings presentation for a detailed disclaimer.

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

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

Growth thrives in the face of challenges! Q4 FY2024 marked a landmark period for Affle, as we achieved record growth on both y-o-y and sequential basis to convincingly cross the Rs. 500 crore mark in quarterly revenue run-rate. Defying the historical pattern where Q3 is the highest quarter for us in any financial year, Q4 FY2024 has surpassed this cyclical trend by inching above sequentially. This underscores the strength of our strategic initiatives, committed leadership and the strong business momentum.

We have concluded FY2024 on a strong note, with our accomplishments demonstrating our resilience and a clear indicator of our long-term growth potential. Let me highlight some of the key achievements of FY2024:

1. As also confirmed in the previous call, we have delivered a decisive and timely turnaround in developed markets anchored on our determined execution with increased investments in sales, marketing & business promotion and our hands-on entrepreneurial leadership.

2. We have fully integrated all our tech platforms including that of YouAppi, the business integration of which was successfully achieved within the 1st year itself. Our strategic moat is stronger than ever before with our unified Affle2.0 Consumer Platform Stack of all Demand-Side Platforms fully integrated and powered by Affle's ConvergeAI Supply Cloud, to drive deeper consumer engagements and premium conversions at scale.

3. We have enhanced our product capabilities and invested in new product use cases as well as ecosystem-level partnerships to unlock premium propositions and touchpoints for advertisers across connected devices, including CTV, Apple SKAN, iOS App Store and other OEM app stores. We have successfully implemented GenAI powered use cases on our Consumer Platform Stack to strengthen our 2Vs - vernacular and verticalization strategy to drive greater innovation as well as operating efficiencies. Our GenAI powered multi-lingual keyword recommendation engine has delivered success for our customers across all key industry verticals.

4. We have further expanded our technological prowess harnessing next-gen technologies in a responsible manner, particularly in AI by filing 15 new Gen AI patent claims, as well as received 1 US patent grant that was previously filed, to unlock competitive advantage and to augment our market position. Additionally, we have started FY2025 with significant momentum, having recently secured one patent grant in the US and one in India. This brings our total IP portfolio to 36 patents, with 9 patents now granted.

With over 5X growth delivered in topline and profitability over the last five financial years powered by our unique ROI-linked CPCU business model, we are poised to further accelerate our growth trajectory in FY2025 with gradual increase in profitability margins.

Speaking of Q4 FY2024 numbers, we delivered revenue of Rs. 5,062 million, a growth of 42.3% y-o-y. We continued to enhance our consumer-centric platform offerings progressively delivering stronger than ever quarterly EBITDA of Rs. 990 million and PAT of Rs. 875 million. Our CPCU business delivered about 88.4 million conversions during the quarter, at a CPCU rate of Rs. 57.0 that helped us achieve CPCU revenue of Rs. 5,038 million, an increase of 57.4% y-o-y and 5.5% q-o-q. We are experiencing a strong market opportunity as advertisers are consistently increasing their digital spending. This trend is driven by the widespread adoption of our CPCU model across our customer base and its application to premium use cases, further solidifying overall value proposition and enhancing our market position.

In terms of full year performance, we achieved revenue growth of 28.5% y-o-y and PAT growth of 21.2% y-o-y. Overall, for FY2024, our CPCU revenue increased by 33.6% y-o-y and has grown at a CAGR of about 56% in the last 5-year period.

Our strong anchoring across India and Global Emerging Markets continues to be resilient and it contributed 72.9% to our quarterly revenues. In Q4 FY2024, our growth for India and Emerging markets combined, was about 28% y-o-y. Our broad based growth across diversified verticals reinforces our confidence in the sustained market dynamics in India and Global Emerging Markets.

Speaking of Developed Markets, we have significantly strengthened our foundation through our integrated Consumer Platform propositions, realigned strategies and confidence in our teams to continue to drive success moving forward. In Q4 FY2024, our overall growth in Developed Markets was about 105% y-o-y and it contributed 27.1% to our quarterly revenues.

Continuing to share our customer success stories, this time, we have included 3 case studies, which are focused on Fintech in India, Gaming as a global emerging vertical and Ride-hailing business in emerging markets.

Our Affle2.0 Consumer Platform Stack continues to be recognized in the industry as the top performer and we recently won top rankings in the Singular ROI Index 2024 for our SKAN iOS performance. We also won 3 prestigious recognitions as the 'Best AdTech Company of the Year', 'Best CTV AdTech Platform' and 'Most Outstanding Programmatic Platform of the Year for Mobile Advertising', at the India Digital Awards 2024.

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

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

We concluded Q4 FY2024 on a strong note and delivered Revenue from Operations of Rs. 5,062 million on an overall consolidated basis and Rs. 1,557 million on a standalone basis. On a consolidated basis, our revenue growth stood at 42.3% y-o-y and 1.5% q-o-q. This sequential growth is a pleasant change to see Q4 inch above Q3, surpassing our cyclic trend as well as we crossed the Rs. 5,000 million quarterly revenue run-rate in Q4 FY2024.

It was a broad-based growth in advertiser spends anchored on our CPCU business model, coming across our markets. During the quarter, India & Emerging Markets contributed 72.9%, while Developed markets contributed 27.1% to our revenue.

Our FY2024 revenue stood at Rs. 18,428 million, a robust growth of 28.5% y-o-y.

Our business continued to be in high growth momentum with our integrated platform & product propositions leveraging upon the evolving digital ecosystem. This helped us achieve highest-ever quarterly EBITDA of Rs. 990 million in Q4 FY2024, a growth of 38.2% y-o-y and 2.4% q-o-q. EBITDA margin stood at 19.5%.

Our FY2024 EBITDA stood at Rs. 3,611 million, an increase of 23.2% y-o-y, and EBITDA margin stood at 19.6%.

In terms of Opex, our Inventory and Data Cost stood at 61.0% of revenue from operations in this quarter, which was almost in line with Q4 previous year, while it witnessed margin improvement sequentially despite our ongoing platform calibrations on to premium inventories, touchpoints and deeper ecosystem-level partnerships.

Our Other Expenses stood at 7.8% of revenue and increased by Rs. 65.1 million on a q-o-q basis, mainly on account of our continued investments in higher sales & marketing costs and trade events participation, which was also highlighted in the previous quarter.

Our employee benefit expense for the quarter largely remained flat on a sequential basis.

We achieved a Profit Before Tax of Rs. 1,002 million in this quarter.

Our Profit After Tax for the quarter stood at Rs. 875 million, an increase of 40.2% y-o-y and 13.9% q-o-q, despite an increase in the effective tax rate this quarter and our tax rate is expected to gradually inch upwards.

We remain focused on working capital management, have been extremely prudent in customers profile and as such there were no material changes in the collection risk. Our Operating Cash flows to PAT ratio for the year stood at 88%.

Looking ahead, 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: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Karan Taurani from Elara Securities. Please go ahead.

Karan Taurani: Sir, congrats to you for a very good quarter as far as growth is concerned and also the profitability. The first question is on developed markets. We have been indicating that the developed markets are seeing strong traction. If you could break this up for us in terms of the organic revenue growth that we have seen from the developed markets.

And going ahead, what is the kind of traction as well as what are the kind of growth rates we can expect? Further, what are the kind of verticals that are contributing for this kind of growth?

Anuj Khanna Sohum: With respect to organic / inorganic split, I know this is always the emphasis point. I just wanted to share that in the US market, we have undertaken a very clear process of making sure that we are fully integrated as a premium platform. We are focused on those verticals where we think we will find long-term sustainable & profitable growth in the US market. We have already combined or we are already in the process of combining even the entities of YouAppi and Jampp, the US entities which we had in the US as well as the operations, the sales process and so on. It is taking effect fully at this moment.

Now, when we look at the organic growth of our company in this Q4 at an overall consolidated level, and not just at developed markets or emerging markets level, we achieved organic growth of about 18.5% y-o-y in this quarter. This is after considering the global impact. Now most of the global impact was in the International markets, developed as well as in few emerging markets. The sequential basis of looking at the number is actually perhaps more important because Q3 comprising of the months of October, November & December, is usually our peak quarter.

Now, Q3 to Q4 is better comparable because there's no organic, inorganic adjustment needed. Typically, Q3 is the peak quarter and Q4 would be a slight dip on a sequential basis. In Q3 to Q4, we have sequentially seen a favourable impact.

We are seeing that the Q4 trend even in international markets was in line with the Q3 trend. So, the growth momentum is there for us.

I can safely say to all our investors that we have fully recovered and bounced back from all the complications that we were facing with respect to rebuilding and turning around Jampp. We have fully integrated all the acquired companies. We have also successfully fully integrated YouAppi, and the synergies of that are more or less already visible in the Q4 results and would be even better realized as we go proceed further into FY2025.

Within the next few quarters of FY2025, you would find more synergies emerging from how all of these platforms are now completely integrated to the Affle ConvergeAI supply cloud. That is having a very positive impact in the way we are able to expand, scale, drive premium conversions to our advertisers. I'm bullish about the way we have integrated and going forward in Q1 FY2025, almost 2 months of which have already passed, we are already enjoying the benefits of this integrated approach of running our company.

Karan Taurani: Any verticals that you will point out, maybe in emerging or developed markets which are doing strongly well. Anything on the verticals level point of view?

Anuj Khanna Sohum: Thankfully in Q4, all the pressure points have been neutralized and balanced out. We are seeing broad-based growth across verticals and across all markets. We are calibrating carefully to ensure that we are not having any overdependence on any specific vertical.

Our goal is to keep it broad-based as much as possible across geographies and verticals. At the moment, I have no pressure point to report to you that we are feeling any stress or pressure in any particular vertical. In fact, we are seeing positive momentum everywhere at the moment.

Moderator: Thank you. We will move on to the next question. That is from the line of Anmol Garg from DAM Capital. Please go ahead.

Anmol Garg: Congratulations on strong sequential growth in our seasonally weak quarter. Just had a couple of questions. Firstly, going ahead in FY2025, now as you are indicating that most of the complications are over. Would it be right to assume that the company can grow 20% plus again for the foreseeable future?

Anuj Khanna Sohum: Well, I have always said it very clearly that I measure our team internally as well as I measure my own performance internally at that kind of a benchmark where at least from a bottom line perspective, whether it is cash flow, whether it's profit after tax, I wouldn't settle for anything less than 20%. So in terms of revenue growth, I think it should also be in line with that. I would always be pushing for that.

Having said that, given the backdrop of how things have been last year, it should be easier to do this year than the last year. So, if you just look at the run rate that we have in Q4 which is typically our weak quarter, and it's important to take note of that. There is no one-off event, which has helped us to look better in this Q4. What we have delivered is a broad-based all-round, sensibly calibrated growth which we will definitely be able to defend and improve upon as we execute into FY2025.

It's a simple math. You look at INR 506 crores in Q4, give it some sequential uptrend and calculate H1 FY2025, you would naturally see that the math will add up that in FY2025, if we defend our Q4 run rate and do a little bit better, you would see that the math would land up in that zone of numbers that you're seeking for me to confirm.

But I mean, I leave that to you in terms of modelling. Long term, as long as the consumers are still using smartphone devices and connected TV, and that consumer trend is intact, I would expect nothing less than a 20-odd percent growth from our company.

Anmol Garg: Sure. Secondly, I wanted to understand the non-CPCU business part. In Q4, it's almost non-existent now. So, just wanted to understand if we have deliberately reduced the work over here and what's the outlook over there?

Anuj Khanna Sohum: I've been pushing the entire organization & teams and saying that let's make sure every product, every use case in every vertical is pushed on the CPCU business model. That is our differentiation. That is how we stand. If you noticed a few quarters earlier in the earnings call, I mentioned that even our CTV product is now getting blended with the CPCU business model and accordingly pushed into the market. We have found that to be our anchoring transition. I have given a deadline to our team that starting CY2024, we have to push really hard in that direction and we have been successful in doing it. I am very happy with that outcome. In fact, you have to see it as the CPCU business is like the single cash-generating unit for us as a company.

Anmol Garg: Sure. Last question from my side. As we are seeing more synergies coming in YouAppi and Jampp business, particularly in developed markets. So can we expect that as more synergies play out, margins will increase going ahead?

Anuj Khanna Sohum: Absolutely. See, when we acquired Jampp - one of our thesis was to enter into Latin America markets, North America markets, go into gaming. Jampp was struggling to kind of achieve those goals. In order to augment that and to solve it, we had to take some decisive steps last year.

One of the steps was absolutely to acquire YouAppi and see how we can create those objectives and get to those growth targets that we have as an organization at the consol level. Affle has done fantastically well in that execution.

This year, I am super proud of how we have integrated this whole go-to-market approach. At the same time, I think rebuilding Jampp. Now synergies-wise, there are 2 areas of operating synergies that we will be working towards. One - the ConvergeAI supply cloud, which is like the Affle's core engine for the platforms, which is essentially making sure that all our DSPs have clean supply. Clean meaning that there should be no bot traffic. How do we filter out the not so good traffic and really have clean access to the consumers and target premium consumers, on-premium inventory. So this efficiency we are bringing to all our integrated platforms.

The second area is compliance, making sure that we are dealing with data privacy, we are dealing with all of those aspects and providing that baseline level of compliance as well as clean premium scale up in terms of the traffic.

This is leading to great outcomes because all the platforms are leveraging the same sort of central platform capabilities. That is helping us in dropping certain areas of cost and optimizing the margins or even growing more premium, maybe the cost is the same, but we can charge more to the advertisers. We can go and inch up our pricing. I think those synergies are now starting to show in our numbers.

I am feeling the power of it in the execution. That's why we have also said that progressively we will see some incremental improvement in profitability as we execute and scale from here onwards.

Anmol Garg: Sure Anuj. That's helpful. Thanks for answering.

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

Rahul Jain: First question for Anuj. I know you said growth is really broad-based. But is it possible to attribute it in some manner such as, let's say, is it more client wins, is it revival in spend from some of the troubled clients such as the Fintech in US or RMG in India? Any flavour for this quarter and in general demand environment across key markets, would be of great health?

Anuj Khanna Sohum: Thanks for that question. I will give this answer in 3 dimensions to you. Let's look at India. In India, we are seeing more broad-based bounce back across verticals. We are no longer feeling overdependence on gaming or real money gaming. We broadened our approach towards that. So I think that effect is weaning off. In terms of emerging markets, global emerging markets beyond India, we never had any issues. So we are doing fine there. But what we are benefiting from is that we are selling more integrated product propositions. We are going and winning new logos and customers and we are winning it with a competitive advantage of bringing an integrated suite of capabilities. A lot more upselling and cross-selling is happening with the way we are approaching the market. That's really working well for us in markets like Brazil, Southeast Asia, Middle East Africa and so on.

In terms of the developed markets, I have already commented earlier that we are going out there, again, with an integrated approach and finding positive outcomes. But there is less pressure now on the Fintech vs. the rest of the year. In this quarter, we have seen budgets coming back from those customers who had tailed back before. So there is an all-around favourable impact. The pressure points have been released. The strategic integrations of our products and platforms coming together are being realized across markets.

When you see existing customers, you see there's a lot more upselling and cross-selling happening. When you look at new customers, we are winning better in the verticals that were under pressure, as well as the integrated proposition is a competitive moat versus our competitors don't have all these integrated platforms in their capabilities. It is definitely helping us get budgets on these basis.

Rahul Jain: One question for Kapil. Given the fact that our organic growth is back to about 20%, is it safer to assume you may get operating leverage of nearly 70 to 100 bps here on? And any specific reason for the jump in the unbilled revenues, if you could highlight?

Kapil Bhutani: I will answer your second question first. There is no specific reason for the contract assets or the unbilled to increase. If you compare it from the last year, the turnover of the revenues from YouAppi have added in. So that is first reason. Second reason is the developed market billing either for Jampp and YouAppi was earlier being done on the 31st of the last month which has gotten changed into the 1st or the 2nd of the next month.

The dating of the invoice has changed, and that is in line with our SOPs and RCMs. On the cutoff date that has brought in a higher unbilled versus the previous year opening. With regards to the efficiencies on the organic growth, as we have mentioned that we are working for the premium inventories, so we are striving there also. It cannot be assumed that it will be 100 bps. Yes, there will be some efforts to notch it up. But yes, we are spending a lot of efforts to prove our inventory base on the premium inventories also

Anuj Khanna Sohum: To add here, we are also seeing the Gen AI-related efficiencies. Gen AI is helping in two dimensions. One is innovation. Clearly, bringing new use cases and power of Gen AI to make our advertisers get better ROI. The second area is improving efficiencies. Efficiencies means we can do the same things faster, better and with less manpower involvement and so on.

Whether it is coding, testing, creating media creatives, creating data science decision-making or reports, many things are getting automated inside the office. We are embracing Gen AI like a full embrace on the innovation, on the product side as well as on operating efficiency. There will be definite positive impact on the margin. Let's not quantify it and take a forward forecast or basis points but let us execute and deliver the numbers and you will see the trend as it emerges, but let's not nail it down into some specific number forecast. But I'm pretty optimistic that we are seeing efficiencies for sure.

Rahul Jain: Yes. That's helpful. Congratulations on achieving the milestone.

Moderator: Thank you. The next question is from the line of Swapnil Potdukhe from JM Financial. Please go ahead.

Swapnil Potdukhe: Congratulations on a good set of numbers. First question is on the breakup of your revenue growth across India and other emerging markets. I know you have given the combined number, but it will be helpful if we can break it down and help us understand separately. Any particular reason why you have changed the reporting structure with respect to growth in these markets? That would be my first question.

Anuj Khanna Sohum: Okay. In terms of year-on-year growth in India, we have seen over 15% year-on-year growth. In the rest of the markets, we have already provided that. If you see India and emerging markets on a combined basis, that's over 28% and in developed markets over 100%.

But what is happening is that the advantages that we have of our business in India, in terms of data, in terms of data science, capabilities, product, processes, efficiencies, dealing with the mass sort of volumes that we are dealing with in terms of the Indian consumer and how tens and thousands of servers are running to process that efficiency, the same efficiencies are absolutely replicable across all other global emerging markets that we are running into, where the pricing is always under pressure. The number of users is very high. The data science algorithms are also finding that what we do in India is actually finding great success in terms of how we apply it directly into the other emerging markets. So we see that as an important sort of segment that emerging markets globally are behaving in a certain pattern.

And what we are doing, of course, is anchored on India. India's anchoring and how we report India is super important. It is anyways as a listed company, India stand-alone is being reported and consol is being reported. But from a growth perspective, we are seeing that India and emerging markets is one segment. Let's take out the developed markets and see how we're going to ramp up there, bringing it back into the focus versus blending it as one, I think it was important to see it in that lens. I hope I've answered your question.

Also, it is all around growth and I'm very happy with what we have achieved. It's super important to exit FY2024 with this kind of a growth momentum where organically overall consol basis, we are seeing 18.5% growth year-on-year. This is very positive. I hope to improve it in further as we execute into the rest of this financial year.

Swapnil Potdukhe: Got it, Anuj. The second question is - The other emerging markets growth seems to be significantly higher over the last two, three quarters. In fact, if I'm right, it would be more than 30%, 35% kind of a number. Now what kind of confidence we have that this growth will continue in FY2025 as well given that the base itself would have changed? Any particular verticals within these other emerging markets that are doing significantly better than others?

Other question is with respect to developed markets as well, wherein there has been tremendous growth in those markets as well. Any particular thing that you're doing differently this time around, which is helping you penetrate the customers in those markets. Because there is a significant competition in those markets already. What is helping us penetrate the customers. Some examples could be helpful.

Anuj Khanna Sohum: In terms of other emerging markets, we have seen a consistent pattern of growth all along. What has helped is that there was no particular pressure point that, oh, there is a problem in this vertical or that vertical. Unlike in India, there was either an Edtech issue, then there was challenges in gaming verticals and so on. There were different moments of challenges coming in different verticals in India. Then in developed markets, there were similar challenges coming across certain verticals and issues, but I think in other emerging markets, we were fortunate that there was no such stress point at any moment.

Now it is benefiting overall from the fact that we are doing all the integrated propositions. We are able to do upstanding and cross-selling of those propositions. Therefore, there's a broad-based growth both on existing customers and new customers. Regarding developed markets, I already answered that question earlier. So if you have any specific clarification on that, I'm happy to clarify.

Swapnil Potdukhe: What I meant in the developed markets is what exactly is helping you win more revenues from those customers which otherwise would have been working with some of our competition earlier?

Anuj Khanna Sohum: What's helping us there is in, let's say, one, that the customers we already had in Fintech before who had pulled back quite a bit because of their own industry dynamics, are coming back. Those budgets are coming back. So that is one factor. The stress point has been released. Second is, we are also pushing our gaming as well as non-gaming products in an integrated fashion, like I mentioned that we are creating synergies across how we can push certain use cases in an integrated way in the North America market and that is helping. Third is the execution. Our base is so small.

Our base in developed markets is quite small. So it's not a scenario where one has to think that okay we execute well on the ground, sharply on the ground with the right kind of sales and marketing positioning our product, definitely has the capability to deliver and be competitive versus those competitors out there. How to win business out of them is just about sales execution. That's why you would see that last whole financial year, we have invested disproportionately more money in sales and marketing efforts. I think that has yielded results. I mean first, you start investing, then you build a pipeline. If your product and merits are good, you will convert those pipelines. So that's what is happening. Just sensible execution on the ground.

Moderator: Sorry to interrupt Mr. Swapnil may we request you to return to the question queue. There are participants waiting for their turn. Thank you. We will move on to the next question that is from the line of Mayank Babla from Enam AMC. Please go ahead.

Mayank Babla: Congratulations on a great set of numbers and a great exit to FY2024 despite the seasonal weakness. Anuj, my question is to you that you mentioned earlier in the call that there were no one-off events in this quarter and also the integrations are coming through nicely for you. So in the future, can we see the seasonality in Q4 disappearing in the foreseeable future?

Anuj Khanna Sohum: No, I wouldn't say that. I would say that this Q4 is a better outcome because of several unresolved things getting fully resolved. I think I made that statement last time also that by the end of Q3, a lot of the challenges were already overcome. I was keeping fingers crossed that my assessment be right and then we will show it in Q4, and we have shown it in Q4. I think that's how you should look at it.

The fact that Q3, October, November, December has always been higher than Q4, it's more of a function of advertising industry and budgets. The consumers are in a happier state, it's festive moment. So the advertisers are also spending and the consumer is also spending more. There is a clear correlation there. I would expect that trend to continue. But at the same time, this Q4 is not a one-off in the sense that this is the new base. This is the new base where we are at, and on this base we will be able to continue to build up. So what you're seeing here is that, oh, this is about an exceptional Q4. It is a normalized 3 month result that we are seeing. This is the base on which the business will continue to build forward.

But as you go and model FY2025, you would say, Q1 should have some sequential growth. Q2 should have some sequential growth. Q3 should have that better spike that used to happen each year. And then Q4 of FY2025, I would still model it slightly lower than Q3 FY2025. Does that make sense?

Mayank Babla: Sure. Got it. My second question to you is I wanted to understand what is your vision or strategy with all the patents that Affle has. I mean how do you plan to monetize them? Or is there any aspiration there?

Anuj Khanna Sohum: The patents are monetizable in many ways. The constructive way of monetizing is to be innovative, put into your products those patent concepts and then go and make money by selling to the advertisers. So a lot of big companies respect that. A lot of big companies would respect that and say that you are the inventor. So we will work with you because using another company's product which may have patent infringement issues later on. The best way to monetize is by taking that first mover advantage back into your products and taking it to market and winning.

The other way of monetizing is to go and issue notices to all your competitors and say, start paying me royalty because you're trying to use this particular invention that is assigned to us in this patient. But Affle has not taken this approach so far.

We are winning business on the merits of our products versus trying to go after the industry and say, "Hey, this is our patent. Start paying us the royalty." We have not exercised that option yet. Someday maybe we might look into that. But it is much more prevalent in US. I will look into it maybe FY2026 onwards. But for now, the patent is an indicator of the future readiness of our company, of our products, our mind-sets and it is also a great opportunity for us to defend areas of future invention. In Gen AI, when there will be more companies and products doing many things and we will have the patents in those areas. I think we will have some clear advantages whether in terms of acquiring those companies or investing in those companies, and we will use it to our advantage at the appropriate time. But it's been core to our philosophy.

Mayank Babla: Got it. Thanks. Best of luck for the future and hope you will drive higher and higher growth.

Anuj Khanna Sohum: Thank you.

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

Arun Prasath: Anuj, the YouAppi performance looks very good. When we acquired it last year and compared to that, it has kind of doubled. If that is the case, I know our exposure to gaming is very small. It's a very big market. But can we double this? Can we grow in this space in this vertical? What is our right to win? Now you have seen YouAppi closely for the last 12 months. How can we sustain this growth? If you can add some color to this?

Anuj Khanna Sohum: Yes. A few things I want to share. One, YouAppi has achieved for us what we once thought Jampp would achieve for us. We have achieved the right level of integration points. One of the things that we have also seen with YouAppi is that we have been able to enhance the upsell opportunity with the CTV initiatives of our company that were built organically by our company over time and have now been fully integrated with YouAppi as well as Jampp.

We are able to integrate these platforms and use cases in a way where considering that with the CPCU business model, we are creating a greater right to win for us. The differentiation is on the product. The differentiation is on the business model. And of course, you have to still execute well on the ground.

I think with all of these things combined plus the Gen AI innovations that we are doing; we are really lifting up the differentiation and the moat of all of our companies by combining the power of the use cases across our platforms. We have already seen success stories on that. If you see the case study that we have shared this time, it's a gaming case study, gaming customer but on CTV. CTV was not something that Jampp and YouAppi or any of these platforms were doing before. We have built it over time internally across these platforms. We are able to augment these use cases to create success. Upselling to existing customers of YouAppi, Affle's products and propositions as well as bringing new differentiations to these platforms so they can compete better in the market, that's something we have done exceptionally well.

Earlier during COVID times when we were doing acquisitions, we were already conservatively guiding 3 years to integrate. And actually, we took that time as well because we were figuring things out. But now our confidence is so high. We have seen the good cases. We have seen the not so good cases.

We know how to manage it, fix it and deal with it and while communicating transparently with all stakeholders like yourselves, So I'm very positive about how our company is shaping up to take on FY2025 convincingly.

Arun Prasath: So Anuj, where today CTV is, how it is growing and how big an opportunity you have in gaming, is it fair to assume that you yourself will be disappointed if you don't sustain this kind of a space in YouAppi?

Anuj Khanna Sohum: I think you have to go beyond this. I've been saying it very clearly that it is 1 integrated cash generating unit and 1 integrated platform stack. I am seeing it as 1 integrated body with many limbs, and those limbs are all being integrated to the one common central ConvergeAI supply cloud of Affle. Now that is how you're going to see it. So you say that, okay, there is 1 DSP that's focused on gaming. There's another DSP that's focused on CTV. But this is all working in an integrated fashion across one sort of central system. It is not going to be a one-trick pony that okay, this one is doing well or that. There's no such cross-platform hedging that is necessary. It's really an overall market.

So an overall market, we have a right to -- and by the way, if I break it up like that, we will not have the competitive moat that we enjoy today. The way we have integrated it, that was always the plan, that is how it was supposed to be done, and I am glad to report that we have achieved it. Today, every single acquired platform is fully integrated as one cash-generating unit within the Affle Group, powered by our Affle ConvergeAI supply cloud and we are doing well.

These platforms, I dare say, wouldn't have done as well, if not for these integrations. Had we not put in the CTV, had we not put in our supply efficiencies to deal with it or introduce certain mechanisms, I don't think we'd be doing that well. So now is the time to say, is the overall advertising budget of the advertiser is going to support our growth plans and the answer is yes. We are seeing growth in advertising budgets in some of these emerging areas. Our advertisers are coming to us and saying, "Hey, show us what we can do in CTV." And it is not about just TV. It is integrated right, saying what can we do in the consumer journey? How can we leverage some of these innovations and drive better consumer conversions. End of the day, what an advertiser wants is to engage with their right quality of consumers and to convert with them.

Now whether you touch them on a mobile or a CTV or other variable computing or you use Gen AI, whether you deal with them on a vernacular context of trying to convert, are you using video, or are you using banner, those kind of things are what we need to absolutely integrate and all our platforms are able to do those integrations to bring conversions to the advertisers.

We are seeing budgets across verticals, across our markets. It's also a blessing our base is still small. Affle has a long, long runway of growth ahead. Our base is still small, whether in developed markets, other emerging markets or even in India. There is room for a lot of growth.

Arun Prasath: Very interesting. Anuj, you are saying you have integrated very well. You have greater resources and bigger team, more proficient team as compared to, say, what -- what was that in 5 years. So you have all the levers to grow and then you have a bigger market. So given all this is growing at the industry level slightly higher, it is given. But what are the specific challenges that you are seeing so that you can grow at higher rate than the industry growth? Because you have all components in place with you right now.

Anuj Khanna Sohum: When you say industry growth, you have to see that not all ad revenue in the industry is worth 20% EBITDA, not all revenue is equal. When the industry growth metrics is reported, it's only reported on revenue, correct? That how much ad spend increased. But some of that ad spend, I would reject that budget completely and say about the pricing, the way those guys are asking for it and whoever is chasing for it, that business. I don't want to do that because that business will give us nothing. There's no margin. There's no profitability. You have to choose the battles that you will fight. If you look at our commentary, we are saying that Affle is not just going for growth, it is going for cash flow positive, bottom line sensible, high-margin premium profitable growth.

Now when you add all of that together, then you'd say that, okay, which segment should we be playing in? Which vertical should we be playing in? Should I be going for more iOS? Should I be going for more SKAN & iOS, should we be going for OEM app stores, premium, etc. Kapil had also talked of our premium inventories.

I just want to explain to you that we are going for the highest profit pool segments in our business. And then going for those with great efficiency and therefore, delivering superior financial results on top line growth and bottom line sensible outcomes. That's how you have to look at it versus saying, industry average growth industry average profitability is also not that strong.

We want to be that and therefore, going premium selective, I will choose my rate of growth and the profitability and build for sustainable, sensible growth. So therefore, I think as long as we are operating in that sensible range of about 20% growth, I think that is a good, healthy place to be in, in our industry.

Arun Prasath: Thanks Anuj. Thank you very much.

Moderator: Thank you. The next question is from the line of Moez from Ambit. Please go ahead.

Moez: My first question was that in previous quarters, you had called out some slowdown in real money gaming in India. Has it changed incrementally is in this quarter? And what's your outlook on this sector moving forward?

Anuj Khanna Sohum: Thanks for that question. Whenever there is any major change, where suddenly an unexpected change comes and then everybody has a major reaction, there will be a period of time within which that reaction will get digested, normalized and things will get a little bit better.

I wouldn't say real money gaming has bounced back fully. It's yet to be back to its past glory, and there is definitely some impact. But Affle has gone beyond that. We are not interested in just talking real money gaming because Affle is way more than that. For us, It was just 1 vertical in 1 market. And yes, it was a big exposure point, but we have gone beyond that. I am no longer going back to that discourse anymore. We will grow in India on a broad basis. Real money contributes more, great, but I'm not channelizing or keeping a baggage of that in our minds nor in my discourse. But yes, real money gaming, there's still some room for it to bounce back, become better, but our solution to that is the same. What is the issue with real money gaming? The cost of doing that business has gone up. The incentive for the consumers to play those games has gone down because they can't make enough due to taxes. So the only way to do is go to more premium base of users.

Now, if you go to more premium base of users, those have bigger lifetime value, contributions to the advertisers then they can afford to spend. The solution to most of what we are talking about from a strategic point of view is, play in the premium segment, go higher up in the value chain, go on CPCU business model, price higher, get higher ROI to the advertisers, that's the name of the game, and that's exactly what we're doing.

We are going on iOS platform in a big way. We are, of course, programmatic CTV. We are going for innovations and Gen AI. We are going for CPCU business model. All of these are indicators of going more premium for higher ROI customers. Then similarly, on the supply side, we are saying we're going to target more premium touchpoints. Just see the trend line that we're talking about, it solves not only for real money gaming, but most of the challenges in the industry.

Moez: All right. My next question was on your average CPCU rate. So now with your focus on targeting more premium customers, is it fair to say that your average CPCU rates would go up in the future? And how would that split be between, say, the developed and emerging markets?

Anuj Khanna Sohum: Pricing is always a sensitive topic and to command a higher price, you have to first demonstrate higher value, right? So the way it works is that as you go more premium, we'll be able to show to the advertisers that when they're working with us, they're getting higher value. Consequently, we should command better pricing. To command better pricing, we have to deliver that higher value and create competition for that amongst many advertisers.

All of them coming to our platform and bidding and saying, you want more volume on our platform, you got to bid higher price. So there is a gestation period. First, you invest in the innovations to go premium, deliver that value proof of the pudding, get enough competition in the market then influence the pricing. That whole process is underway, and you will see that inching up as we go along.

There is room for revenue growth, there is room for pricing improvement, there's room for margin improvement and efficiencies. I am optimistic.

Moez: All right. Thanks.

Moderator: Thank you. We'll move to the next question that is from the line of Rishit Parikh from Nippon India Mutual Fund. Please go ahead.

Rishit Parikh: Congratulations on a decent quarter. Just couple of questions. One, how are we splitting responsibilities given that we've had some changes in the US market especially where you've taken up responsibilities, but now obviously you've got India and emerging market which is also growing fairly well. Just sort of help me understand on how the management responsibilities are playing out? Have you relocated or how are you looking at that business?

Anuj Khanna Sohum: See today, in my opinion, and I've said it many times that Affle is still a very small company. I mean over 600 people is not a very large company. In my view, it's a 19-year-old company where in the last 12 months I would travelled to every single office of Affle from Argentina to US to Japan to Korea to Southeast Asian offices, of course, India, every other time, Israel, including pre as well as during and post war and so on to Spain. It may seem like we are all over the place, but we are still a small company.

All of the 600+ people in the company, I would have either already met or known with great proximity. But this is not only about me. What I am saying is that we have a big management team for the 600 people. So if you go to our website, you look at the management team profile of our company. The Chief Revenue Officer, the Chief Operating Platform Officer, the Chief of Architect of the Platform, the Chief Strategy Officer, all of these people, a lot of them have been with the company for 17 to 18 years. Many of them have been with the company for 10-plus years. And then you have the next line of leaders who are already strong professionals which we have acquired. So YouAppi, which we acquired, within Mediasmart which we acquired, within Appnext and so on. That bunch of people are the non-entrepreneurs, the professionals who are CXO level people in those companies, haven't made much money from the exits, they are in it for the stock options that Affle (India) has given to them.

They believe that, hey, we're going to grow 5x in the next 4 years of their vesting schedule because we have seen in the last 5 years, we've already grown 5x in terms of at least our revenues and profitability. So they are seeing that, okay, hey, this is a team that knows how to execute.

Next 5 years, if they stay together with us, there is a lot of incentive alignment. I would say there's at least a good 20 to 25 people who are CXO VP level people in this company of only 600 people. So we don't have a management bandwidth issue at the moment. I'm still picking up my children from school and helping them to bed in the night. There is a balance of life. Though there's a common joke in the family that I love Affle more than the family, but other than that, I think we are a young team. We are ready to work hard and fight it out, and we have a strong team, a big enough team, and we feel that our potential within management team to lead this to 3x to 4x growth from here and still be the leadership team without making any dramatic leadership changes or upgrades is possible.

I don't see us growing too much in the employee base. So if we have 600-odd people strong, to grow 3x, 4x from here, I mean, I don't think I am needing that many more employees. It's going to be a test. In fact, with Gen AI capabilities the way we're implementing it I don't think we have to grow the employee base too much.

Rishit Parikh: No, that makes sense. The second question is on Developed Markets. That's interesting. Now look, it's 27% of our revenue base, right? But on an absolute number, it's still much smaller considering the size of the market that we are operating in. So, just sort of help me understand that, look, from the capabilities, what is the strategy, let's say, from a 3-to 5-year perspective in this business. Are we sort of targeting niches? What is the kind of competition that we typically run into? And then from a growth & outlook perspective, are you sort of being a little more conservative because that business, in my mind, can grow multi-fold. And your India AUM is already growing 20% on an aggregate basis, right? So I mean just sort of help me sort of put that puzzle in the DM, even a little more perspective around 3 year to 5 year strategy.

Anuj Khanna Sohum: I have been advised by all our top institutional investors, Anuj, you are too aggressive and bullish all the time. I say but that's who I am. I mean that's how I lead my role as a CEO, as an entrepreneur. The advice is under promise and over deliver. By no stretch of imagination, am I saying that 20% plus growth is under calibration.

All I'm saying is that when we are looking for growth, we are looking for sensibly calibrated growth, which I think there is a lot of revenue in this market. I mean, if you tell me just grow the top line without worrying about the bottom line too much, yes, I mean that game, I could have played even 10 years ago.

We have built this company on the DNA of profitability, cash flow, positive and sensible execution. So I think the philosophy of running the business that way is actually something I would never trade-off for anything else. I think that has been a huge advantage for our company, especially in the context of being a public listed company because we were always building Affle the same way. So I wouldn't change that for anything.

Can we get a lot more growth? The answer is yes. Can we get it now this year, this is, sure, we can. But I don't want to grow in a way that is not sensible. So we will pick our battles. We'll pick and focus and grow sensibly. If we over deliver on that, that would be cause to celebrate.

Rishit Parikh: What I'm trying to understand is, look, you've got gaming, you've got couple of verticals today. So that 3 year to 5 year strategy is what I was looking for. How do you sort of penetrate into customers. What is the strategy of expanding slow deals strategically across some of these customers. I get the profitable part which is something that you highlighted earlier in the call as well.

Anuj Khanna Sohum: That's right. So I was just commenting on your last comment that are we under calibrating at 20% growth. And I'm saying no. I'm just being more balanced about it. Having said that, let me also put it this way that our strategy is already very crystallized on vernacular and verticalization. Adopting Gen AI capabilities for greater innovation and efficiency, integrating all of these platforms and use cases, offering a full suite of services to the advertisers, right from mobile to CTV to wearables, give them something that they cannot refuse in a business model with CPCU pricing. Then say, that when you get ROI, pay us, you're not successful, don't pay us. But give us your budgets for across-the-board budgets. TV budgets are going to CTV, let's fight for that. Mobile is already continuing to grow, let's get greater ROI and make the consumer centric CPCU business model. You know our vernacular verticalization strategy, how we are putting the Gen AI together. You know how we're executing deeply with the committed team in India, not letting that be focus for anything under the sun. Yet, having local teams in Southeast Asia, Middle East Africa, Latin American markets, also looking at CIS markets going forward, looking at North America. Our team is already doing so well in Japan.

Focus is local execution. And for those local teams, let's power them with the resources for the highest level of market share win in those markets. So verticalization is an important execution strategy because we can start small. We don't have to go and say, let's attack all 10 verticals in every market that we are in. So when we open North America or Japan market or when we go into Spain or UK, you're looking at it which are the verticals that we can go in and shoot for like a snapper. Have a small team, have a small sales team there, 5, 10 people, and then let's go and win against competition on the merits of our products and integrated proposition.

That's a very simple strategy. I'm not sure how else to paint it, but we are not going with some massive attack on let's go North America and hire 100 people, that's not how I have ever executed. We would always do incremental movements but very strong incremental movement backed with great team members and winning at the back of product and giving the heat to the competition one step at a time. That's how we'll execute. So nothing dramatically different from what you have already seen.

Rishit Parikh: Got it. That’s helpful. Thank you.

Moderator: Thank you. The next question is from the line of Arushi Shah from Sushil Finance Services. Please go ahead.

Arushi Shah: Thank you for taking my question. I wanted to know we have been done multiple acquisitions. So any more acquisitions which we might have in pipeline for say next foreseeable future FY2025 and FY2026. If you could shed some light on that? Also what is a typical ticket size for our acquisition?

Anuj Khanna Sohum: Regarding acquisitions, you would notice that Affle's acquisition approach has been very systematic, consistent and conservative. One, every acquisition we have done is in the consumer platform business. We are not acquiring to diversify. We are acquiring to integrate, consume it and make into 1 integrated cash-generating unit.

So, the consumer platform business as one single cash-generating unit is growing organically on a CPCU business model. As it generates cash, we are also conservatively saying how much cash have we generated in the last few years. We are using that as a basis to define how much of a budget or hand do we have for acquisitions.

So if you look at all our past acquisitions largely funded from cash generated from operating cash flows of the company. So that discipline is there that, hey, we're not going to go around borrowing dramatically or going outside our means in order to do any acquisitions. So that discipline is there in terms of your question of size.

In terms of your opening remarks that you said that it's multiple acquisitions, let's say, we wanted to enter into Latam. Our strategy is - Let's get a team there rather than hiring one by one, let's go do an acquisition also in North America. You can do it. You can achieve faster movement through acquisitions. You can think of it as actively hiring, acquiring customers, acquiring teams of people that are functional and then doing it conservatively, winning sensible valuations, sensible size of the deals. And have realistic expectations to integrate it together so that we can expand the margins using the power of our integrated ConvergeAI supply cloud capabilities. I think these are the methods that are already proven, tested and we are confident of. Going forward, will we do any acquisitions? I think time will tell. We are keeping ourselves resource ready and capable in order to do it, but we are very selective.

We are also very experienced now within all dimensions of it, whether it is an acquisition in Israel or Spain or Latin America, US, etc. We have covered significant ground and experience to understand the various challenges and dynamics. So we will be carefully calibrating. If the right opportunity emerges, we'll guide you towards that. At the moment, can I tell you if we are going to do 1 this year, in 1 next year, there is no such prediction or clarity that I can give to you at the moment.

Arushi Shah: So what would be the approximate investment amount for the acquisitions which you might do for, say, this year or next year and are you looking at a typical rate of return to integrate with your growth rate?

Anuj Khanna Sohum: First of all, that question has an assumption that we are doing an acquisition and therefore, it assumes that I will give a budget, I will give neither. So one that we are not forecasting that we will do any. If we do, there's no budget rate that I can give you, but let me give you some clarification. Historically, our largest transaction was around USD 40 million to USD 45 million. If you calibrate that, is that equal to the kind of EBITDA levels that we are doing in those periods of time, in the trailing 12 months of run rate, I think we typically see that can we pay it off from 1 -2 years of EBITDA worth? I think that's how we typically calibrate.

We're not going to outsize our deal transaction. It's not like you're going to buy a USD 1 billion company and say, let's create some complicated merger structure. That's not my mindset. And I don't see that happening. So it will be more bitesized.

If it adds incremental value great, if it doesn't, we should be able to either digest it and integrate it or reject it, but it should not fundamentally change us in any way.

Moderator: Thank you. Ladies and gentlemen, that's the last question. I now hand the conference over to the management for their closing remarks.

Anuj Khanna Sohum: Thank you very much everyone for taking time on a Saturday. I know we typically do our earnings call on Monday. But this time, I appreciate you all taking the time out on the weekend. I wish you and your families a happy weekend and healthy rest of the financial year ahead. I hope to see you soon. Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Elara Securities Private Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.

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