

June 07, 2023

The Manager Corporate Relationship Department BSE Limited Floor 25, Phiroze Jeejeebhoy Tower Dalal Street, Mumbai-400001	The Manager – Listing Department National Stock Exchange of India Limited Exchange Plaza, 5 th Floor Plot No. C/1, G Block, Bandra Kurla Complex, Bandra(E), Mumbai-400051
BSE Scrip Code: 532341	NSE Symbol: IZMO

Dear Sir/Madam,

Subject: Post Earnings Call - Submission of Transcript

This is further to our letters dated May 30, 2023, May 31, 2023 and June 02, 2023, on the captioned subject. Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), we are enclosing herewith the transcript of the Post Earnings (Conference) Call held on Friday, June 02, 2023.

The above information is also available on the website of the Company www.izmoltd.com.

Kindly take this information on record.

Yours faithfully,

for **IZMO Limited**

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by SANJAY SONI
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Sanjay Soni
Managing Director

Enc: As Above



“IZMO Limited Q4 Earnings Conference Call”

June 2, 2023



MANAGEMENT: MR. SANJAY SONI -- MANAGING DIRECTOR, IZMO LIMITED
MR. TEJ SONI – PRESIDENT (IZMOCARS), IZMO LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the IZMO Limited Q4 and FY23 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the Company as on date of this call. The statements are not the guarantee of future performance and involve risks and uncertainties, which are difficult to predict.

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 touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjay Soni, Managing Director from IZMO Limited. Thank you, and over to you, Mr. Sanjay Soni.

Sanjay Soni: Thank you. Good morning, everyone. I would like to wish you all a very warm welcome to IZMO Limited's Earnings Conference Call for the Quarter and Year Ended 31st March 2023.

I would like to begin by expressing my gratitude to you all for taking the time to join us today. We have on call with us Mr. Tej Soni – President (izmocars); as well as Adfactors, our Investor Relations team. Since this is only our second earnings conference call, I would like to share a brief overview of our Company and some key recent developments before getting into the business and financial performance.

Brief background about the Company:

IZMO Limited was established in 1995 as a software development Company, specializing in digital marketing and became public listed in 1999. IZMO has grown over the years through rigorous R&D and product development to carve a niche for itself as specialists in online automotive marketing.

Based out of Bangalore, India, the Company has offices across the US, France and Belgium with a strong foothold in these regions. We entered the European markets in 2008 through our interactive media studio in Belgium. Today, we have products in across France, Spain, Italy, Portugal among others. The majority of our revenue comes from the US through our subsidiary izmocars Inc. Our core expertise in the automotive sector and our longstanding association with dealerships across the US and Europe have given us a strong brand name in the industry.

Some of our marquee clients include Peugeot Citroen, Mitsubishi Motors, Toyota, Ford, Nexus, Sony Gaming, Europcar, Autotrader, etcetera. Our product suite has also expanded over the years to encompass online marketing solutions, data analytics through our Frog Data product offering and computer-generated imaging, CGI, under which we have some gaming-related graphics projects underway.

Some of our more recent product developments include izmoEmporio and interactive solution for dealers to showcase cars on their online virtual showrooms. We take pride in the unique value addition that our products offer to customers, which sets them aside from the competition.

Coming to the key recent developments:

The last year witnessed various headwinds in the form of macroeconomic volatility, fluctuations in interest rates and geopolitical tensions impacting many sectors and regions. However, IZMO has not only sustained through the market cycle, but performed well during the year. I'm happy to share that in the last 2 quarters, we recorded our highest ever quarterly client additions, mainly driven by Frog Data. This reflects the strong calling that our products command in the market and the value proposition that we deliver, which makes us stand out in the market. It also reflects a paradigm shift in the automotive industry, which is moving from traditional marketing strategies to digital and online solutions driven by data analytics.

Innovation is part of our DNA at IZMO and we invest strongly in research and new product development as part of our strategy. In line with this, during the past year, we launched izmoEmporio, our CGI based 3D virtual showroom for auto dealers. This can be integrated into a customer's online virtual store to offer an immersive and 360-degree view of the car to viewers. It enables the viewer to interact with the image and add/remove accessories, which helps the consumer in their buying decision. The product has been received well in the market and has been fetching good reviews from users.

We also launched Frog BI, an enterprise analytics toolkit. We are also developing a VR-based solution that will offer a virtual test drive experience to users. We expect this to be a strong tool to convert potential leads into sales for car dealers and OEMs.

Our robust suite of products, AI driven analytics engine and widespread coverage enable us to command a premium with a track record of delivering higher return on investments for our customers. That is why we have a very high client stickiness. After all, Frog Data product is gaining rapid adoption among customers and is becoming one of the leading solutions in terms of returns and future potential. Frog Data is our own data repository and analytics platform which offers market intelligence information to customers based on various demographical criteria, which is helpful for auto dealers to make business decisions.

The platform harnesses the power of AI, Artificial Intelligence, to deliver unique solutions. As part of our innovation driven approach, we are developing more AI solutions to power our products. Mr. Tej Soni will talk more about Frog data in some time.

Speaking of geographical expansion, we recently penetrated into the Spain market with some of our products and are gaining good traction there. Based on the strong adoption rates, we aim to capture more regions in Western Europe going forward. Altogether, we shall continue a three-pronged strategy. One, introduce new products in existing markets. Two, enter new markets with existing products. And 3, expand current product suite in existing markets.

Looking ahead, we are exploring suitable opportunities for inorganic expansion in the US to capitalize on the scope for expansion there. With the anticipated growth in the new fiscal year, we are poised to grow sustainably.

I would now like to hand it over to Mr. Tej Soni, President, izmocars speak more about Frog Data.

Tej Soni:

Thank you, Sanjay. This is Tej here. Thank you to all of you for being present. Really appreciate it. I'm calling in from California today. I was in India for some time, but back here because things here are getting really interesting. As you may have all heard, AI is the big buzzword and everybody is jumping onto the bandwagon. But we've been at it for 7 years. Frog Data was founded, I think 2015-2016. And over the last 6-7 years, we've invested a lot in developing the leading platform for automotive analytics and now AI.

In fact, AI is nothing more than analytics with machine learning. And initially, it was really slow for us because we were ahead of the market 5 years back. No one was really paying attention to AI and how it could transform and honestly, it was a struggle getting people to believe in what we were doing. And during COVID, we really started getting some traction because I think in the automotive market, people have time to sit and think and look at new solutions and what's happening in the industry.

So, the investment that we've done in Frog Data basically allows us to integrate with virtually every system here in the US. If you look at the automotive ecosystem, there are several companies at play, which it could be from dealer management systems, which is the ERP system for dealerships, the CRM systems, web analytics, service management systems or even equipment that dealers use. Today, we are the only Company that's integrated with the entire ecosystem. And the really interesting thing is we are able to bring in all the data into our platform and we did it before even ChatGPT was known in the industry or people were even aware that something like that existed. We were already building the largest database of automotive data. And today, we are able to use that infrastructure that we have built and parlay it into very, very interesting solutions for our customers.

And thanks to the interest in the market, in the industry, we are getting a lot of traction for Frog Data, which is looking at 100% at least year-on-year growth. And this is with all the development that we've done has been internally financed. We've not taken any external funding. All the growth has come from our engineering team in India, which has done a fantastic job. And today we have a suite of products which take from basic analytics, which any customer can use and they can switch on and within literally a few hours start getting data about the operations at their dealerships. They can get prescriptive intelligence, that why something went wrong. And they get predictive analytics in what's going to happen, and prescriptive in how to do things.

So, it's gone from being a long-term investment and that's what we've always done, that IZMO used to do long term investments in good products with a very futuristic view and today it's become mainstream. We continue to invest in AI. We are just launching a large language model

with generative analytics, which would be something like what you see in ChatGPT, the ability to read through data and talk to you. And that product is slated to come out towards the Q4 of this year where customers will basically be able to query their data and say, how is my sales projections faring and what should I do to increase my sales or which color car should I be selling, things like that. You can keep querying the data as much as possible. Other applications include where we get all the data from the CRM, and automatically generate communications with the customer. So, it's a machine learning system where it reads through 5 years of your customer interaction and is able to form complete conversations with the customers, talk to them from the system, which eliminates the need for human. You still have human intervention, but it removes the error that humans make.

So, we believe that, you know, everybody talks about AI and robotics, that machines will take over the world. We see the future of AI actually transforming how business is done and it's going to impact everybody in how we work. And I look at a future one day where you have all the data of a corporation in one system, let's say, your Hindustan Lever and you're a district manager in a small office somewhere and you want to generate a proposal, you can just ask the system generate a proposal or write a contract and it will be able to generate a perfect proposal or a contract based on HLL's internal compliance, et cetera. Because that's how machine learning works.

So, the biggest impact we're going to see from AI is not going to be robotics or machines taking over the world, but actually machines taking over business in large organizations, and it's moving very, very fast. It's literally every day, there's new applications being released and it's really nice to be at the forefront, at least in the automotive industry and we are finding that we are so ahead of the competition in terms of the platform that we've built, it's going to take years and years for others to catch up, not because the AI engine does not exist, it's because they don't have access to the data that we have, which we've built over the last few years.

So, for us, this is literally one of the most exciting periods in the Company, and we're seeing the results. Over the next 18 months, the numbers are coming in every month. We're investing heavily in sales and marketing here in the US because the product is now built out. The main investment is going to be in the sales growth for the Company.

As far as virtual reality is concerned, that is another area where if you know what Facebook is doing with the Meta world. It's people are looking at it from outside and wondering what's going on, but if you're in the industry, we see actually billions of dollars of revenue being generated from VR in different applications, from medical, training to actual learning systems that are being built. And with our platform which we released actually before COVID, but we couldn't capitalize due to COVID, we are very excited about that as well in IZMO.

So, we are at heart an innovation Company developing new products. Sometimes it just takes a little longer for us to get the results because we are ahead of the curve and it takes time for the market to catch up with us. And I think this is the year where we'll see the results of all the products that we've been investing in.

- Sanjay Soni:** Thank you, Tej, for that. You'd like to add something more or can I continue?
- Tej Soni:** No, you can continue.
- Sanjay Soni:** Now turning to our financial performance. For the fourth quarter Q4 FY23, we reported Rs. 43.66 crore in revenues, during Q4 FY23, 15.52% year-on-year rise. Growth was driven by several new client additions in key markets. Our EBITDA excluding other income for the quarter stands at Rs. 12.16 crore, up 51.48% Y-on-Y. EBITDA margin is higher at 661 bps at 27.84%. Operational efficiencies undertaken helped offset the impact of higher employee expenses.
- Our PAT during this quarters is Rs. 8.29 crore as against Rs. 6.03 crore in the fourth quarter of FY22. PAT margins stood at 18.99%, higher by 305 bps. EPS for this quarter is Rs. 6.19. For the full year FY23, we reported Rs. 153.83 crore in revenues during FY23, a 16.16% year-on-year rise. Growth was driven by strong rise in new clients and new product launches in the US and Europe. We also got substantially more OEM business in Europe which has been one of the major growth drivers for our European market.
- Our EBITDA excluding other income for the year grew 23.35% Y-on-Y to Rs. 29.14 crores while EBITDA margin is 18.94%, a rise of 110 bps. Continued investment in our skilled workforce, including the issue of ESOPs during the year were offset by higher efficiencies benefiting margins. Our PAT during this year is Rs. 20.02 crores as against Rs. 16 crores in FY22. PAT margins stood at 13.01%. EPS for the year is Rs. 14.96.
- That is all from our side. I think we can now take specific questions from our participants. Thank you.
- Moderator:** We will now begin the question-and-answer session. Our first question is from the line of Sudhir Bheda from Right Time Private Limited. Please go ahead.
- Sudhir Bheda:** Hearty congratulations for the super set of numbers. Sir, I have 2 questions. First, the new initiatives with Frog Data, what is the scope in a longer-term perspective and what is the growth opportunities over there? That is no. 1. And the second question is a bookkeeping question. Our intangible assets have grown to around Rs. 200 crores. So, if you can throw lights on that and any plan to write off that because the currently also there is addition of around Rs. 30 crores in intangible assets. So, if you can explain. So, these are my 2 questions.
- Sanjay Soni:** Tej, can you answer the first one, then I'll take the second one.
- Tej Soni:** The automotive industry that we are focused on is the largest industry in the US and employs 1 in 7 people in the US. It's a huge industry. The automotive dealers spend almost \$200 billion just on marketing, and another, I think, \$60 billion on services. So, the scope of growth is tremendous for the Company. And as I mentioned earlier, we're looking at 3-digit growth year-on-year. And over the next 3 years, we're going to grow exponentially. Obviously, I cannot give any numbers, but there is no ceiling in terms of growth as of now because we are literally at the

ground floor of this evolution of analytics in the industry, and everybody has to use some platform or the other and it's a given. And we are right now just starting the journey of growth.

So, I think over the next 4 to 5 years we are going to see the..you know, it's a short term but the growth is over there because the industry is so big. And we're not even talking of Europe as of now, although we are talking to major OEMs over there for their platforms and the solutions they need, but we are not including it in our forecast because we're basing it just on the US market as far as Frog Data is concerned. So, the potential for growth is huge. It's a trillion-dollar market overall, automotive and dealer services alone is about \$3 billion. So, for us, there is a huge growth potential.

Sudhir Bheda: And that's also what we are seeing in the last 2 quarters, the client attrition especially on Frog Data has been quite significant. Tej, you want to talk about that and how we are adding a lot of clients every quarter on Frog Data.

Tej Soni: We have changed the revenue model actually in Frog Data since last year. We've changed it from services to platform revenue which makes it recurring revenue. And that is one of the significant changes in the way we do business and we are seeing that customers are liking it because once they start getting the services, as you know, our platform as a service, they start seeing the results. And like I said, our biggest challenge now is to add more sales people to add to the growth, the market is there. I've set a very big target for the sales team over here and we're actively recruiting and customers are coming. You can see on our website, out of the 1,000 customers we have, some testimonials and this is the first time I've seen customers call us and say, we love you guys, thank you. So, doing the business, I've never had customers call and say, thank you very much, we love you. So, it feels good.

Sudhir Bheda: That's nice to hear, sir. And if you can throw light on the intangible assets. And one more thing is if you can also explain intangible assets is done with or still going to grow?

Sanjay Soni: I'll talk about it. Sorry, my battery is dying in my cordless phone. On the intangibles, like I had said during our last call also, we are a product Company and we invest a lot in product development and also in entering new territories. Those kind of expenditures we capitalize as the returns will come over the next few years. In addition, we have added a lot of software last year for the AI, which we have actually written off through the P&L. So, a lot of expenses which are long term in nature have been capitalized and being a product Company, we will continue to do it. We do write it off, but the expenses will start coming down once we complete the VR development, which is slated for this year.

And also, we are looking at new geographies like Germany and couple of other countries in Europe going into that as a new market. So, this is a constant this thing for us. We are writing off substantially as well, and we hope this will start coming down soon.

Sudhir Bheda: So, intangible assets, this will continue to grow in the next couple of years?

- Sanjay Soni:** Overall, this starts coming down as we finish most of our new product development, which should happen by the end of this year. We also had Emporio launched last year. So, that was the major product, it was nearly 4 years of development. And then the entire AI retooling of the products is being done now. So, we are taking AI into our other products as well other than Frog Data. All that is happening this year and we are planning to do it this year. So, that means next year onwards it will start going down.
- Moderator:** Our next question is from the line of Vikram Mehta from Shade Capital. Please go ahead.
- Vikram Mehta:** Good to reconnect and thank you, Tej, for joining us early in the morning. Congrats on a good set of numbers. Couple of questions. No. 1, you were looking to raise some funds in the US for Frog Data. How is that fundraise coming along and by when do you expect a closure on that? Number 1. And number 2, what was the quarterly run rate of Frog Data in Q4 FY23?
- Tej Soni:** So, I'll take the first part of it. We delayed the fundraising in Frog Data by a couple of months because we're seeing some strong numbers come in and I wanted to capitalize on that because the momentum is very good, as well as the market here is for automotive. The services of platforms is very, very good right now. So, we have just added it. The valuations in the industry are astronomical. I think there's a Company called Technion which is about our revenue and which has got a valuation of \$ 1.5 billion, that's where it is headed because there's a lot of excitement around automotive platforms. So, we are working on it. We hope that in the next 90 days, we should have a closure.
- Sanjay Soni:** The valuation range, I don't know if we can give it, but we are looking at \$80 million to \$120 million valuation for Frog Data alone. That's the kind of numbers we think we can try to shoot for. What we eventually get is another matter, but this is something which we feel is achievable based on the kind of client growth we are seeing, the kind of numbers of clients we are adding. We are in fact adding sales people also because we need to reach as many dealerships as possible. The closure rate is very high. So, it's a matter of reaching more dealerships, getting more numbers. And using that also to drive the investment. The potential investors see that the product is doing well. We have more than 1,000 customers, definitely, there is something there. That along with the AI engine will give us a reasonably good valuation. That's the confidence we have because it's not something which has come up yesterday. Frog Data has been around for the last six years. So, it has a very solid foundation, solid base in the industry. People know about it. They've been hearing about it and now they are talking about it. So, given that and given the run rate we have of client additions, I don't want to talk numbers on that, but client addition is very strong. So, as we add more clients, definitely it will show up in the numbers.
- Vikram Mehta:** But you don't see a slowdown in the US affecting your fund raise?
- Sanjay Soni:** Not for this sector. Tej?
- Tej Soni:** Well, it's actually slowing down in e-commerce and that related businesses. But the big investment flowing into anything which is to do with data analytics and AI. In fact, I'm in San

Francisco with half the city empty, the offices are empty and they're now being taken over by AI Company because all the money is going into that. People are all trying to find the next big bet. And unlike Facebook or a social media platform, analytics cannot be just built on hype. You need to have the data and you need to have the technology, which is what luckily we've invested in, not, luckily, it was a plan for the last so many years, and we have demonstrated that our platform works. So, there is a lot of interest. We're just making sure that we get the right valuation.

Vikram Mehta: Well, all the best on that one. And what was the run rate of Frog Data in Q4?

Sanjay Soni: We added 150 odd clients on Frog Data last quarter, which is higher than the previous quarter. So, we are adding more and more clients as we go along. It's definitely increasing at a very fast clip.

Tej Soni: This year, we'll double the client base, I can only say that without giving numbers.

Vikram Mehta: Well, good luck on that. And the third, I'm just curious, how come we're not paying any income tax?

Sanjay Soni: Our local income is very low and in the US, we still have earlier losses which were there from the past, which we can still use to set off our income there. So, I think we will have to start paying after 2 years, but till then we have a tax shelter.

Vikram Mehta: And lastly, could you just talk a little bit about how the business in Europe is evolving?

Sanjay Soni: Tej?

Tej Soni: Europe is very stable. We have as you know, a new contract with Stellantis, which basically mandates, I think I've mentioned it before, we finally signed it. So, they're moving it towards all of Stellantis in Europe for our CRM product. And I think we may have mentioned it earlier, we set up a new subsidiary for consulting which comes under the French government's certification as a certified training Company. It's kind of an addition to our business because we do a lot of automotive, since we work with OEMs and dealerships. In Europe, we've got this niche where we do consulting as well. And being a certified Company means we can tap into the training and consulting budgets. And every French Company, by law has to spend 2% of their turnover on training. But with a certified Company and since we are a certified Company now in the automotive space, that side of business in Europe is growing, the outset of just the digital piece, which is very stable. So, Europe will not be as large as US because our main focus is France and Spain. But it's a very healthy market for us.

Vikram Mehta: And lastly, you mentioned something about doing some support work for gaming companies in India. Could you talk a little bit about that?

Tej Soni: Support work for?

- Vikram Mehta:** Gaming, Sony.
- Sanjay Soni:** CGI a bit.
- Tej Soni:** Sony remains a big client for us and it's been now 7 years that they've been a client. We're the only studio outside of Sony worldwide that they use for production of CGI, in fact in their game, which is, I forget the name.
- Sanjay Soni:** Gran Turismo.
- Tej Soni:** Sorry, Gran Turismo. All the 3D models in that game are now built by us now. So, it's a niche business for us, but it's very prestigious and very solid. And Sony will not work with you unless you are the best quality in the industry. So, for us, it's more of an achievement that they're a client of ours.
- Sanjay Soni:** And we see that business growing. The only constraint there is the quality which is required. So, for us to hire someone and train them takes nearly 6 to 9 months to achieve the quality level which is required for Sony and such gaming companies. So, the work is there. In fact, we are backlogged on deliveries because they want a lot more from us than what we are to deliver just. And we are ramping up slowly. The team has been increasing since we started working with Sony, but it takes time to build that quality team. So, it's 1 step at a time. So, I can't go and hire 50 people and then have them on the project because they just won't be able to get the quality which we need and which Sony expects. So, it's a slow and steady growth in that division.
- Vikram Mehta:** So, we are seeing Frog Data potentially doubling in the current year. On an overall basis, what kind of growth are we targeting for the Company as a whole?
- Sanjay Soni:** We are, I think looking at around 25 to 30% overall growth. That's what we are shooting for.
- Vikram Mehta:** Well, that's it from my side. All the best. I think you've got your hands full. So, look forward to an exciting year.
- Moderator:** Our next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.
- Darshil Jhaveri:** So, firstly, congratulations on an amazing set of results. So, sir, we're now poised for good revenue growth also. So, now I think we were spending more on marketing and our cost. So, going forward, will our EBITDA margin of Q4 be the norm or how should we look at it?
- Sanjay Soni:** See, the EBITDA margin of Q4 has a couple of this thing, normally is always the highest because we do a lot of billing in that quarter. So, historically last 10 years, if you see, the Q4 is always the highest and then it dips in the next quarter. But the dips will not be very sharp because it's as we keep adding more clients and since most of it is ARR, you see a gradual growth in the numbers. There are some one-time billing which happens in Jan to March quarter. It doesn't happen in the rest of the year, so that's why it can't be taken as a yardstick that it will be repeated

Q-on-Q. But like I said, Y-on-Y, we will see better numbers. So, overall, you'll see the numbers improving as the year goes forward.

Darshil Jhaveri: So, sir, as a rough range would around 23%, 25% be apt range?

Sanjay Soni: I think that's quite achievable.

Darshil Jhaveri: And sir, as we're trying to expand in US, do you see any kind of risk due to some kind of recessionary fear or how is it? Is there a market slowdown or something that could potentially hamper or cause bump to us.

Sanjay Soni: Tej?

Tej Soni: The market, actually, it's very interesting that we are very happy to see the debt ceiling bill has been passed here, so the actual uncertainty in the market has gone, okay, seeing stabilized and automotive market remains very, very stable. There was a dip in the used car pricing 2 months back, but it's come up again. So, the market is quite healthy as far as we are concerned and if the market gets tighter, it's actually favorable to us because our price point, we are very competitive at the end of the day because all our services, everything is rendered from India. Very few companies can compete with the product offering we have at the price point that we have. I think even Mr. Narayana Murthy said, whenever there's a recession in US, it's good for Indian companies.

Sanjay Soni: And especially our products help the dealerships make more money by reducing their other costs. So, their other marketing costs, which are quite high, they cut back and then spend more on digital and using our kind of product. That's what we are seeing.

Darshil Jhaveri: That's very helpful, sir. And that's very good to hear. Thank you so much for all the answers and all the best for the future.

Moderator: Our next question is from the line of Milan Shah from Urmil Research Consultancy. Please go ahead.

Milan Shah: Congratulation on good set of numbers and wish for the best. And very well that Tej sir is also connected from California. I want to know Frog Data is valued approximately \$ 80 million to \$100 million. It is 100% ownership by IZMO?

Sanjay Soni: Around 75% and there are stock options to the main technical people, balance. We have some very, very talented individuals and the founder of Frog Data also. So, we have given stock options to them.

Milan Shah: Sir, what is the percentage of dealers acquired by us in USA and maybe in Europe?

Sanjay Soni: Sorry, come again. The question was not clear.

- Milan Shah:** How many dealers are acquired with us in USA or what is the market share in USA of izmocars?
- Tej Soni:** Actually, it's very interesting. In terms of market share, we have probably, let's say, out of 16,000, about 1500 dealers, so 10%. So, there is a lot of room to grow, little less than 10%.
- Milan Shah:** Sir, we have provided ESOP in the current year?
- Sanjay Soni:** Sorry.
- Milan Shah:** Value term, what amount is provision for ESOP in current year? What amount is provided under the ESOP amount?
- Sanjay Soni:** Maybe for ESOP or for salaries?
- Milan Shah:** No, ESOP. What amount is provided in ESOP?
- Sanjay Soni:** One second, I will tell you, just hold on. It was around Rs. 51 lakhs.
- Milan Shah:** Sir, what is the gross debt of USA or Indian Company right now on book.
- Sanjay Soni:** We don't have any debt.
- Milan Shah:** So, we are at debt free Company right now, right?
- Sanjay Soni:** Yes, correct. Except for like car loans and all that, which is nothing much. There is no long-term debt or any working capital.
- Milan Shah:** Can you repeat the Company, which is your Tekion, what's the exact spelling of this Company which has valuation of \$1.5 billion?
- Tej Soni:** Tekion, T-E-K-I-O-N.
- Milan Shah:** Thank you sir for your kind answers. And expect that Tej sir all time con call so we can understand easily the US and Europe market.
- Sanjay Soni:** Definitely, he will attend it.
- Moderator:** Our next question is from the line of Saurabh Sadhwani from Sahasrar Capital. Please go ahead.
- Saurabh Sadhwani:** So, I just wanted clarification that our product is not involved in the car design process, right? It's involved in the sales and customer side aspects of the auto Company. Is that correct?
- Tej Soni:** Yes. We are totally on the retail side, front end.

- Saurabh Sadhwani:** So, you don't directly sell your products to auto companies, but you sell to individual dealers, right?
- Tej Soni:** We do both. On one side, you have design and manufacturing. On the other side, they have to sell cars and manage that whole business. So, on the operational side and anything to do with retail or selling, we get involved. So, there's a lot of opportunity there with big brands. In Europe, we do a lot of Stellantis and with Reno. In the US, Ford is big client of ours. And in fact, in the past, virtually every OEM has been a client of ours at one point or the other, like Nissan. So, we work with OEM. There's plenty of business on the retail side and on the sales and marketing and operational side where they need software.
- Sanjay Soni:** And now even on the training, the consulting we're doing is for OEMs. That's being driven by OEMs, and we have done lot of product development for OEMs, especially in Europe. And we are increasing our engagement with them significantly. So, there is a lot of traction happening building with OEMs also now, which of course it takes time because OEMs takes a lot of time to build up, relationship with them when we started in Europe since the last few years and it's now gradually increasing, steadily. And in fact, during COVID, we had done a lot of work for the OEMs during the most difficult time and they appreciate what we did. And we are looking forward to getting a lot more business from the French OEM's.
- Saurabh Sadhwani:** And apart from auto, retail and also gaming, are there any verticals that we are working on?
- Tej Soni:** Right. Right now, our focus is automotive because we want to remain focused on that vertical. The potential there is huge. We can potentially go into other verticals, but it would be a distraction and then you have to invest heavily in each side. So, we'll just stick to our automotive for the time being.
- Sanjay Soni:** Penetration in the biggest market in the US itself is low, so there's still a lot of room to grow in this market itself. So, right now, it does not make economic sense to go and spend a lot of money trying to enter a new vertical when we can definitely grow here substantially. So, we will continue doing this for some time.
- Saurabh Sadhwani:** And just another question on the data platform that you have built. So, what is the revenue model for the data model? Do you charge on a per user basis? Or is it on per counter basis? How are you charging it?
- Tej Soni:** It's a monthly fee, per month per rooftop as we say, per dealership or an annual fee.
- Sanjay Soni:** So, it's a SaaS model, basically on SaaS.
- Tej Soni:** We don't do user count because it just complicates billing. It's just easier to do a flat rate per month and we calculate. We've already done the averaging cost per user and built it into that.

- Saurabh Sadhwani:** And there is no long-term licenses that you have signed for this data platform. All the revenues are per month per dealership basis, right?
- Tej Soni:** So, it's all annual license. So, we call it a monthly license fee, but we have annual licenses. So, it's an ARR, annual recurring revenue, but when you want to position it to a customer, we'll say, hey, it's only so much per month, but it's an annual contract.
- Moderator:** Our next question is from the line of Piyush Mehta from Caprice Investments. Please go ahead.
- Piyush Mehta:** So, quick question. So, as of now, Frog Data would be how much percentage of the overall revenue?
- Sanjay Soni:** It's around 9%.
- Piyush Mehta:** And as Frog Data helps us to add more clients for our licensing business as well, how do you think this whole revenue breakup shapes up when we look at FY24 and if possible FY25?
- Sanjay Soni:** I think FY24, we are looking at around 15% to 18% from Frog Data. And probably FY25 around 30%.
- Piyush Mehta:** And you did mention that like 25%, 26% margins are sustainable. Over the next couple of years, the another new product that you mentioned, what is the response to that one? And how do you think this margin trajectory moves?
- Sanjay Soni:** See, margins should be quite steady to growing. We are trying to keep costs under very tight control. We are spending of course on marketing because we're adding feet on the street. And new territory, if we want to enter, we will have to spend on that. But otherwise we see the margins being stable to going up.
- Piyush Mehta:** And how is the response been to izmoEmporio?
- Tej Soni:** So, izmoEmporio when we launched it, it took a little time for it to pick up and we are releasing an upgraded version as a complete sales tool, which will be out in the market within by mid June. And you can see it on our website, izmoEmporio. And with just 2 partnerships for reselling that product to the website companies here in the US, which comprise of almost 80% of all the dealers. And they'll be reselling our product. So, it's digital retail and this year we'll see with the new product launch, we had to add some new features which the market wanted, which we've added now and we are re-releasing it, and we believe that after doing that the traction will be much better. And with the new reseller arrangements, we'll see good market penetration.
- Piyush Mehta:** Is there any revenue contribution from Emporio as of now?
- Sanjay Soni:** There is, but it's still in single digits. We hope to make it double digit in this year because it was launched just in the fag end of last year. This year is when we really see the numbers coming in.

- Piyush Mehta:** And you mentioned, of course, with the OEMs, with the dealers as well, what would be the split between this, the revenue between the OEMs and dealers plus-plus?
- Sanjay Soni:** We don't actually categorize the revenue in that manner. So, we have not done that. A lot of revenue gets captured in the dealership but is actually OEM driven. So, it's very difficult sometimes to you know, is this OEM business or is this dealership business. So, we can't really go down to that kind of level. So, it's like Stellantis mandates the product, which is sold to the dealers, but it's actually mandated by Stellantis. Would that be an OEM this thing or is it dealership? So, then we don't do that. It becomes very complicated.
- Piyush Mehta:** Last question. On taxation, you mentioned we had some past losses on the US side and they are being used to set off. How long do you think this continues considering we are on a higher path?
- Sanjay Soni:** We have another 2 years, I think, and then we have to start paying tax.
- Moderator:** Our next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** My first question is if you can talk about the investments which we have done till date on the 3 platforms.
- Sanjay Soni:** It's quite substantial running into several crores in each one because it's years of development. Actually, I can't give you the numbers offhand. But it's pretty high.
- Aman Vij:** Will it be like Rs. 1,500 crores or Rs. 200 crores, Rs. 300 crores, rough ranges also?
- Sanjay Soni:** Not so much. That figure is over the life of the Company. This should be like between Rs. 10 crores to Rs. 20 crores.
- Aman Vij:** Combined over all the 3 platforms.
- Sanjay Soni:** No, each.
- Aman Vij:** And my second question is if you can provide the current split of revenues. Frog Data, you have talked about, but what is the contribution from izmocars and Izmostudio for this year?
- Sanjay Soni:** if you go through the presentation sent by Adfactors, we have broken it up in that quite in detail. So, you can actually find break up there. So, we have 47% interactive media licensing. Then we have digital web 21 data analytics, gate and then there's some in recurring services. So, we have actually done very well in that. So, Rahul, can you send it to them?
- Aman Vij:** I have seen, sir. I have seen that.
- Sanjay Soni:** Slide 10 of the presentation.

- Aman Vij:** I have seen that. You talked about this platform as a service model, although it's yearly instead of monthly. But still this is something we have moved to in this year. So, as a percentage of revenue, where do you see, first of all, if you can talk about what was it this year and where do you see this number in the next 2-3 years?
- Sanjay Soni:** This is for which one specifically? Your voice is not very clear.
- Aman Vij:** Platform as a service, sir.
- Sanjay Soni:** Is that relating to Frog Data?
- Aman Vij:** Yes.
- Tej Soni:** It's Frog Data where from going from the services which we did till last year, we've gone into platform as a service. So, basically, what it does is it takes the entire revenue that we're doing and splits it into a recurring revenue where instead of we deliver it once and then we have to go and resign them. It automatically renews year-on-year and because they start using the platform, it becomes, a habit, something they need to use every day as opposed to a service which you order when you need. So, the idea is to get the customer hooked on to it. So, we expect our revenues in Frog Data to be almost 95% recurring revenue this year.
- Aman Vij:** My next question is, so we have around 1500 dealers as of now. So, if you can talk about in terms of what were say, number of cars sold on the platform and the transaction value you would have these numbers? Just to see how those numbers are scaling up for the Company.
- Tej Soni:** So, we are not a platform where you sell cars. It's like the portals that you might see, cardekho or the others. We are an operations tool. We work inside the dealerships, helping them manage their operations or improve their operations, whether it's on the service side or it's on the sales side. So, we are like, what should I say, we are like the operating system of the dealership. We are not the online e-commerce platform, which is a very small part of what they do.
- Aman Vij:** So, you are saying that base platform billing per dealer, that is not a significant business for us. I understand we are not like cardekho and all those things. But because we were providing these services to dealers, I thought there will be some kind of tracking linked to their growth. So, what is the right metrics to then feed?
- Tej Soni:** What happens is that irrespective of how many cars the dealer sells in 1 month, if he sells less or he sells more. If he sells less, he needs us to figure out how to increase sales. If he sells more, he needs to find out how to continue to that growth. So, we go into operations, we tell the dealer look, this is how you should be pricing your cars to sell, this is what you have in your inventory. This is the right price for this car if you want to sell it at a profit. Or we'd be telling them that these are the models that you should order. This is your projected sales. There is more demand for black cars with yellow seats, whatever. So, we are able to give them that insight or that prediction that this is what you should do in order for you to operate better. It's like picking a

stock, how do you make sure you're betting on the right thing? We use analytics to help them make that decision. Not exactly the same, but it's more scientific than that. It's completely data-driven. There is no emotion involved. So, we're looking at billions of data points. And we're able to advise the dealer that this is your next action or this is a recommendation that you should do. Now it depends how many of them take up the recommendation. So, it's like if a doctor gives you medicine, you don't take the medicine, you're not going to get the benefit. But our job is to always give them the recommendation. So, it is not dependent on car sales at all. It's dependent on operational efficiency.

Aman Vij: That helps, sir. My next question is you talked about Tekion valuations, and you talked about their revenue are similar to us. I didn't understand that point because what I've understood is Tekion is a much bigger Company. So, which part for you is bearing revenue?

Tej Soni: Tekion is not in terms of revenue bigger than IZMO as of now. They're growing very fast, they're adding customers, but they're still startup, literally.

Aman Vij: But shouldn't we compare Frog Data with Tekion instead of the whole IZMO Company with Tekion?

Tej Soni: We operate in that Frog Data is what we are talking about when we talk about valuation in the US market.

Aman Vij: But you you're saying that we have like a \$2 million sales, that Company also has a \$2 million sales? I didn't get that point.

Tej Soni: No. let me put it in context. We're talking about if you take the revenue of a Company like Tekion and they've got about 1000 dealers, they're sub 20 million. And their valuation is \$1.5 billion. Another Company, Roadster, which is doing digital marketing, digital retail, their revenue was something like \$7-\$8 million and they got sold for \$350 million a year and a half back. So, that's the valuation that the US market gives on the forward multiple on the digital side or on the analytics side or on the operational side where you have platforms for dealerships. And I, it's not that Frog Data revenue same as Tekion, i.e., our valuation should be that, but just to give you a comparable.

Aman Vij: This makes sense, sir. My next question is on the Frog Data front. You have explained nicely what growth we are seeing for next 2-3 years. If you can talk about similarities for izmocars and Izmostudio, what kind of growth are we expecting for these 2 divisions?

Tej Soni: So, on the Izmocar side, our growth is driven like we said from 3 areas. One is new products in existing markets. So, we've got our Emporio product, which is moving ahead, and we've got the virtual reality platform which we plan to release later this year. Then we have existing products in existing markets. So, we've got our digital retail, which is bringing back to US. We had exited the US 10 years back and focused on the European market. And we find that our platform is actually pretty good and the market here in US is open for us. So, it's a little slower process, but

eventually we'll get our market share in the US, so that's the existing product. And then we have the new products that we're launching in these markets, which is all the time we have. IZMO is now taking the Frog data AI and embedding it into our products, which makes our products more intelligent. So, these are all new ventures that will add on to our products as we go forward in this year. On the IZMO side, the growth is going to be about I think 25% easily year-on-year.

Aman Vij: You're talking about izmocars facility, this 30% growth?

Tej Soni: Yes.

Aman Vij: And Izmostudio, if you can talk about that as well.

Tej Soni: It's, we look at it combined because the Izmostudio products eventually go into our izmocars product. So, when I talk of a web platform, it incorporates Izmostudio. And so when I sell something like a web platform for \$1200 a month, \$400, \$500 out of that is the studio content. And outside of that, independent licensing of content, it's a unique market because we are the only provider in the world that can provide global content. So, if you're a global Company and you want automotive content, you have to come to IZMO. There is no other supplier in the market. And so, we keep having discussions with all the major players, whether it's big e-commerce companies or big portals, they all talk to us all the time about adding our content and we should have some significant new licenses signed this year on that side. We're already in negotiations like, obviously can't say anything till it's signed, but once it's done, we'll make that announcement.

Aman Vij: Sir, my final question is in terms of employee addition. What is the employee count today and what is the employee addition we are planning for this year and next year?

Sanjay Soni: We have around 350 employees now. We are adding people like I said for several of the teams, especially the AI and also the Sony team. So, I mean, we don't hire large numbers. We are particular about quality of the people we hire because being a product Company, our needs are very different. So, we are gradually increasing our head count, but again being very judicious about not adding too much cost. So, as and when for whichever division we require, we are hiring. Especially on analytics side, we are beefing up the team in India, as well as the sales team in the US.

Aman Vij: What was the addition in FY23, sir?

Sanjay Soni: We added I think around 55 people last year.

Aman Vij: Similar number should we expect for this year?

Sanjay Soni: Yes, should be in around the same levels.

Moderator: Due to time constraint, that was the last question of our question and answer session. For any further questions, please get in touch with IZMO's Investor Relations team. I now hand the conference over to Mr. Sanjay Soni for closing comments.

Sanjay Soni: I thank the entire team of IZMO for the untiring efforts, hard work and dedication which drives the Company forward. I thank all of you for participating in our conference call. Please do get in touch with our Investor Relations team for any further questions. We shall be very happy to respond to them. Take care and have a good day. Thank you. Bye-bye.

Tej Soni: Thank you everybody.

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