

November 22, 2023

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BSE Scrip Code: 532341	NSE Symbol: IZMO

Dear Sir/Madam,

Subject: Post Earnings Call - Submission of Transcript

This is further to our letters dated November 10, 2023, November 17, 2023 and November 20, 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 Monday, November 20, 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 SONAL JAJU
L JAJU Date: 2023.11.22
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Sonal Jaju
Company Secretary and Compliance Officer

Encl: As above

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“IZMO Limited Q2 & HI FY24 Earnings Conference
Call”

November 20, 2023



**MANAGEMENT: MR. SANJAY SONI – MANAGING DIRECTOR, IZMO
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to IZMO Limited Q2 and H1 FY24 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 and operator by pressing '*' then '0' on the touchtone phone. Please note that this conference is being recorded.

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

Sanjay Soni: Good morning, everyone. I would like to wish you all a very warm welcome to IZMO Limited Earnings Conference Call for the quarter and half year ended 30th September 2023.

I would like to begin by expressing my gratitude to you all for taking the time to join us today. Mr. Tej Soni – President, izmocars is unable to join the call as he is down with fever and a bad throat. Adfactors, our Investor Relations team is on the call.

Since this is only our Third 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 is a leading software products Company based in Bangalore, with offices in San Francisco, Chicago and Paris and multimedia studios in Los Angeles and Brussels. Over the last 25 years, the Company has gained prominence as a provider of innovative solutions for the automotive industry. Today, the Company serves thousands of clients in US, Europe and India and does business with top automotive manufacturers in the world.

The Company has three core divisions:

1. izmoStudio – Interactive Media Solutions.
2. Izmoauto – Digital Retail and CRM platform.
3. FrogData – AI and Data Intelligence platform.

IzmoStudio:

IzmoStudio operates out of the studio in Los Angeles and Brussels and uses cutting-edge technology to produce the world's largest library of automotive images, which are licensed to major corporations across the world. The Company is the number one globally in this space and is the sole provider of global content for trans-national users. We are key to the global car rental and leasing companies and have the largest car rental car companies like Hertz, Avis and Eurocars and leading leasing providers like Arwal as clients.

Major online portals such as Edmunds and Microsoft MSN Auto are also our clients. With continued investment in the latest laser and CGI technology, we continue to provide innovative solutions which define the future of digital retail for automotive. The Company has made forays into interactive CGI products with the launch of izmoEmporio, a 3G virtual showroom for digital retail. It is now widely accepted as the best product in the industry and the Company is ramping up marketing and sales. Recent additions include major brands like Ford, Peugeot and Renault. The market for this product is dealerships, which will use it on their websites, automotive portals and online retail apps. We are proud to state that this is completely developed in-house and a great example of Make in India strategy of our government. The investment in this technology has also laid the foundation of our virtual reality products, which will combine digital retail with physical locations to provide experiential customer engagements that provide an alternate to pure digital sales channels. We have been developing this technology and we will launch it in the next few months. Izmoauto is a digital retail and CRM products group which operates in France, USA and in India. This was one of the original products of the Company and we have a leading position in France with the largest dealer groups and OEM's as clients.

Izmoauto:

The digital retail platform continues the steady growth and we have recently launched a Spanish language platform in the US to cater to the rapidly growing Hispanic market. The Company has launched www.autogozo.com, a Spanish only auto portal in the US, and I have already signed up more than 2000 dealers. The site is beta testing and will be launched with an advertising blitz in December 2023. There is a little competition in this space and we are well positioned to take advantage of the fastest growing automotive market segment in the US that is Hispanic customers. The total Hispanic consumer spend is over \$1.7 trillion and the automotive segment alone is over 220 billion and growing rapidly. We expect this portal to be the foundation of our growth into the online auto portal business in the US.

The Company's CRM products group has achieved a major milestone in being adopted by Stellantis for the European after-sales business. The product is now mandated for use by all Stellantis distributors across Europe and they have signed a multiyear annual recurring contract for it. There will be major expansion across all brands in all countries in the coming two years. The Company launched training and consulting division last year IZMO Consulting in France and it has received the coveted certification Qualiopi from the French government, making it an official training Company that can provide the services which will be reimbursed by the government. This has opened up a new market in automotive training and education, and the

Company plans to invest in growing this business in the new future. Current clients include Stellantis, Renault and large dealer groups.

FrogData:

FrogData – the Company's AI and Data Intelligence division, which has an early start in providing AI driven decision analytics to customers in the automotive industry is growing very rapidly. The Company has been investing in this for the last 7 years and today has the most advanced platform, delivering millions of dollars of additional profits to thousands of dealers. It is a real example of how AI and Data Analytics can be used by businesses for performance improvement and optimization to positively impact their business. The current products are FDAP that is FrogData Decision Analytics Platform; two WarrantyBoost+ service analytics with warranty uplift and third is WarrantyMind AI platform for warranty claims administration. FrogData products are well accepted by customers and the division is poised to achieve 50% to 70% growth this year. The growth has necessitated investment in additional sales team, engineering and delivery resources with additional marketing spend. The Company plans to release new products in the coming year, which will use AI to solve problems of vehicle pricing and predictive upsell in the service lane.

Coming to the key recent developments:

The Company has performed well and in line with our projections. The macroeconomic factors are in the Company's favor with auto markets seeing the rebound across the world. The interest rate increase in the US has not affected car sales as they remain the primary mode of transportation in the world's largest economy. India is another shining star in the global automotive market with double-digit growth and becoming the third largest market after Japan. EVs has driven growth and excitement about the future of automotives, though the enthusiasm is dampened by the realities of on ground infrastructure which is taking some time to build up. Chinese brands are making a big push into South American and European markets and we foresee a period of intense competition in Tier-2 brands in the near future. However, overall, the macro indicators bode well for the Company in the near future.

FrogData – the Company's AI division is the fastest growing part of the business and will continue its trajectory in the coming years as customers become more aware and AI becomes main stream. FrogData stands out for the following reasons; one, integration with major data systems in the US. We are the only platform that aggregates data from major DMS, CRM, IMS, digital retail, and other systems that comprise the automotive ecosystem. This is the result of years of development in the tech stack of the platform.

Second domain knowledge, the Company has over 20 years of automotive experience after working with thousands of dealers worldwide. Most of the key employees in product development in the USA and Europe are from the automotive industry. This gives us access to industry know how and know why of problems and we can develop the solutions to solve them. Third, development center in India, access to excellent technical resources is key to the success

of any product Company. Data scientists are the most in demand resource in the software industry, and there is a global shortage. We have developed an in-house pool of talent that serves our development needs and we continue to invest in training and development of new talent for the future. In order to meet the growth demands of FrogData, the Company has decided to do a capital raise of equity in FrogData US and have appointed a merchant banker to lead the round. The interest from the investment community is strong and we expect to close this round by the end of FY2023-24, that is by March '24. Without going into details, we would like to mention that the terms of investment will be rewarding to existing shareholders as the valuation of FrogData is comparable to other AI and Data Analytics companies. The Company will continue to remain a majority shareholder in FrogData post investment. We will make an announcement at the appropriate time. The focus for the next six months for the Company is to meet growth targets for various product groups and complete the capital raise in FrogData.

Now turning to our Financial Performance:

Second Quarter Q2 FY24, we reported Rs. 44.76 crores in revenue during Q2 FY23-24, a 25.45% increase year-on-year rise. Growth was driven by several new client additions in key markets across the US and Europe. Our EBITDA excluding other income for the quarter stands at Rs. 9.05 crores, up 82.6% Y-on-Y. EBITDA margin is 20.22% higher by 633 bps. Operational efficiencies undertaken helped offset the impact of higher employee expenses due to issue of ESOPs. Our PAT during this quarter is Rs. 5.12 crores as against Rs. 3.09 crores in the second quarter of FY23. PAT margin stood at 11.44% higher by 277 bps. EPS for this quarter is Rs. 3.81.

Coming to the First Half of FY23-24:

We reported Rs. 86.25 crores in revenue during H1 FY24, a 22.47% Y-on-Y rise. Growth was driven by a continued rise in new clients and new product launches in the US and Europe. Our EBITDA excluding other income for the half year grew 130.44% Y-on-Y to Rs. 17.33 crores while EBITDA margin is 20.09%, a rise of 941 bps. Continued investment in our skilled workforce, including the issue of ESOPs during the year were offset by higher efficiencies benefiting margins. Our PAT for the 6 months is Rs. 10.13 crores as against Rs. 5.19 crores in first half of FY23. The PAT margin stood at 11.75%. EPS for this period is Rs. 7.55.

This is all from our side. We can now take questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Sudhir Bheda from Right Time Consultancy. Please go ahead.

Sudhir Bheda:

So, my questions are like, are we facing any headwinds in monetizing our FrogData Company because we are extending the timeline again from maybe December to March '24, so can you throw some light on that?

Sanjay Soni: We have been speaking to a lot of funds as well as investment bankers and we wanted to get the right investment banker. So, that is why it took a little bit of time and also, they wanted us to prepare the deck in a particular manner for the SaaS Company, so we have to actually redo the entire deck. So, it is just a matter of getting the right partner to take it to the fund. So, there is no other delay. In terms of valuation, we are still looking at whatever numbers we had spoken of earlier. There is no change in that. Just a question of the process because we spoke to several investment bankers, but we were trying to find the one we were most comfortable with.

Sudhir Bheda: So, more or less, it will be done by at least by March '24?

Sanjay Soni: Yes, we are quite, very confident of that. We don't foresee an issue.

Sudhir Bheda: And since we are adding the plant and this Q2, we have added significant addition in our client list, so are we hoping that valuation also should go up as far as FrogData is concerned?

Sanjay Soni: We already have a very good valuation number, which is based on the next 2 years' projections. So, we are in line with those, and I think if we get that valuation, we should be very happy. So, we can't get too greedy, we have to leave money on the table for the new investor who comes in. So, we should get value and fair value. So, I think the valuation range we had given earlier, we will stick to that.

Sudhir Bheda: Maybe \$80 to 100 billion or what?

Sanjay Soni: That is what we had indicated earlier. So, the range is still there.

Sudhir Bheda: Sir, my second point is as our second half is much better than first half and margin also we have clocked very good margin in the Q2 as well, so this kind of margin is sustainable and what kind of growth we are looking in the H2 for the current fiscal?

Sanjay Soni: Rahul, can I answer that on the numbers?

Management: Not to give any specific projections, but overall guidance can be given without any numbers.

Sanjay Soni: Historically, second half is always better. So, even this year, we don't foresee any change and given the pipeline of expected orders and the deals in the closing stages we expect a very good second half in line with whatever.

Sudhir Bheda: Compared to last year, second half, you would be doing much better, right? That is what?

Sanjay Soni: At least definitely better than last year's second-half.

Sudhir Bheda: And sir, my last question is the FrogData revenue share is 25% of the overall revenue pie, so for the next fiscal, the growth driver would be led by FrogData or how you are looking at the next year fiscal? What would be the growth driver for the next fiscal?

Sanjay Soni: See, we are trying to push all three divisions. We are getting good traction in all the three. FrogData, of course, in fact client accretion is the highest, but even in izmoStudio we are signing up new clients and even in izmoauto. So, going forward, yes, the share of FrogData will go up, but we assume as a part of the overall percentage it will not become a majority, it will always remain number two.

Sudhir Bheda: So, all three devices are expected to grow significantly next year?

Sanjay Soni: Yes, based on our current pipeline of expected orders, especially with the OEMs, because our OEM engagement has been quite significant in the last few years and that is now paying dividends now. So, as they get more and more confident and as they start rolling out existing products to other regions, the revenue from there will be quite high and with very little incremental investment from our side. So, that will definitely show up even in the bottomline.

Sudhir Bheda: Catering to gaming industry, we took some initiative?

Sanjay Soni: Yes, we are pretty strong. We are still trying to catch up with our biggest client's requirements. We are scaling up, but like I said earlier also the training time is very long and we have our team size increasing steadily, so there the business is there as much we can do, we are trying to scale up as fast as possible. So, it is good. For SONY, it still needs a lot more and we are trying to see how fast we can ramp up to meet that demand.

Moderator: Thank you. Our next question is from the line of Akshada Deo from Vivog Commercial Limited. Please go ahead.

Akshada Deo: I am new to the Company and so I was just trying to understand that you mentioned that you are also looking at 15% to 20% product growth this year in a specific quarter, is that right on my part?

Sanjay Soni: 15%-17% over the year.

Akshada Deo: Can you tell me more about this growth that you are anticipating?

Sanjay Soni: This is in the FrogData AI platform. So, we last quarter also, we added a significant number of clients. If you read our release on the results, we added nearly 137 clients in the last quarter just on FrogData. So, we are seeing a significant growth there and compared to last year, we are looking at 70% growth in total number of clients in FrogData in this year.

Akshada Deo: Sir, what type of recognition do you do for this? Is it recurring revenue? Is it onetime revenue? How is this?

Sanjay Soni: It is recurring revenue. Most of our products are sold on recurring revenue including our izmoStudio and izmoauto and even this is all recurring.

- Akshada Deo:** Sir, do you have multiyear contract typically or is it just renewed every year and that is how?
- Sanjay Soni:** There are some contracts which are multiyear. FrogData is relatively new, so most of them are annual contracts, but like izmoStudio we have multiyear contracts. Izmoautos, we have multiyear contracts but typically, new customers normally sign for one year and it auto renews unless they cancel.
- Akshada Deo:** And the Microsoft MSN is also part of your client base, is that right?
- Sanjay Soni:** They have been a client for nearly 7 years now.
- Akshada Deo:** Sir, can you just tell me how the process was, if it is not disclosing too much, just how you ended up getting that order and what that order is meant for you as a Company?
- Sanjay Soni:** So, 7 years ago, they approached us for images for their MSN Autos because we are the largest provider of images, having a global catalog and they are very stingy and how they pay. That is how they are Microsoft. So, there is a lot of negotiation, but eventually we worked out a fair price and it has been ongoing ever since. It took around 6 months to correct the deal with Microsoft, but it has been a long-term client.
- Akshada Deo:** Is that typically how long it takes for you to crack as a client, six months or is it?
- Sanjay Soni:** It depends like, such big companies they have a lot of bureaucracy, it takes time. Smaller dealerships can close even in a week or 15 days or so. The bigger the Company, the more the bureaucracy, so there is always a sale cycle which they take, it goes through various layers, something and Stellantis may take even a year. We have contracts which have been signed after one year with Stellantis, that is a big OEM, so, but then it is multiyear. We know that once you are in, you are going to get returns for the next few years because they don't change vendors and they don't change product very frequently. Once they adopt something, it is for the long term, especially since they are rolling it out geography by geography, they can't afford to mess around with it, so they stick to it. So, that is the nature of the game. With small clients, dealerships, it is very quick. The bigger companies take longer. We will need to be patient.
- Akshada Deo:** And one of my other questions was, you mentioned that Chinese brands are increasing in density for the Southern American market, so what does the Southern American market mean to you and what exactly are Chinese brands looking into from this market as well?
- Sanjay Soni:** Chinese brands like the Koreans earlier are looking at the lowest end of the market. So, that is how Koreans entered earlier, and that is how Japanese entered before that. So, it is the same strategy.
- Akshada Deo:** So, this is also for izmoauto?
- Sanjay Soni:** Yes, this is mainly for izmoauto, we are talking about it.

- Akshada Deo:** So, the market size for you for South America would be?
- Sanjay Soni:** Not very significant at the moment. We have Mexico as a major market for us, but the rest of it not yet.
- Akshada Deo:** And last, I just wanted to know, what was the rationale for raising capital?
- Sanjay Soni:** We need to expand FrogData's product development as well as sales reach. Right now, we are in Chicago, LA and San Francisco. We need to have a lot more marketing network offices, Texas, Florida, New York, New Jersey, Michigan because what we have seen with FrogData is if we are able to reach the customer, we get the sign up. So, I need to have more office location, I need to have more people and then we need to also increase the product development for the next generation of products based on the new AI platform. So, it is basically for that.
- Akshada Deo:** The success hit ratio has been quite favorable for the Company as well into getting these orders?
- Sanjay Soni:** Yes, we were among the early starters with analytics. When we were talking analytics and automotive, nobody was even talking about it and when we started AI, in fact, we have an AI engine which came out 4 years back, much before AI became fashionable. Now, of course it is becoming a snowball effect, so we need to capitalize on that. For that, I need capital to really go out there quickly and ramp up my sales network. So, they will bring in the results. We know it will bring in results if, it is a question of how fast we can do it.
- Akshada Deo:** What percentage of dilution is a shareholder supposed to expect from the capital raise?
- Sanjay Soni:** I think 10% to 15% maximum.
- Moderator:** Thank you. Our next question is from the line of Milan Shah from Urmil Research Consultancy. Please go ahead.
- Milan Shah:** Sir, I want to know, you mentioned gaming industry is it for our IP or it is we are doing the product?
- Sanjay Soni:** No, for the gaming industry, it is not a product. So, it is not an IP, It is basically a service we are doing for SONY. They are one of their only, for the PS5 they have Gran Turismo that is the flagship game. We do a lot of work for that game in CGI.
- Milan Shah:** So, we are not going to any financial tie-up or mix with them only we are going to get some money from them, okay?
- Sanjay Soni:** No, there is no financial involvement. It is basically, they are outsourcing work to us, and we are doing it. It is very high-end CGI work because of the kind of quality they need at and it is at 8K and 4K resolution is really very high quality work. So, it is something very challenging and

that is what we have been building the team for the last 3 years. So, we expect a lot more work to come from them and that is why we are ramping up the team there.

Milan Shah: And sir, you have mentioned Spanish language website you did for USA, right?

Sanjay Soni: Yes, correct.

Milan Shah: We have got 2000 dealer right now and it is the chances to grow in this business?

Sanjay Soni: Yes, of course that is the whole idea. That is what we are doing.

Milan Shah: What is the potential for?

Sanjay Soni: There are 17,600 dealers in the US. Right now, our penetration is very low. So, we have a long way to go, a lot of room to grow, so there is a lot of potential.

Milan Shah: Sir, I joined lately, so any development in FrogData dilution?

Sanjay Soni: We have appointed the merchant banker, and we hope to finish the fundraise before March '24.

Moderator: Thank you. Our next question is from the line of Parth Kotak from Alpha Plus Capital. Please go ahead.

Parth Kotak: I have two questions, one from an accounting perspective, we have reported 25% of our sales from FrogData which probably is around Rs. 20-odd cross, is my understanding correct that this is only 75% of the total sales that we are taking into consolidation?

Sanjay Soni: We report the complete sales. We don't take this thing as 75%.

Parth Kotak: Our shareholding in FrogData, if I rightly understand, is at 75%, right?

Sanjay Soni: Correct.

Parth Kotak: Then the profit would then be taken FrogData?

Sanjay Soni: Yes, that is right.

Parth Kotak: We have also seen employee addition or employee costs up by 17%, if you could probably give us some bit of light on what these employee additions are?

Sanjay Soni: Most of it is due to ESOP cost, in fact 61 lakhs we have given the note is due to ESOP.

Parth Kotak: So, there is no fair bit of new employee addition because I guess from?

- Sanjay Soni:** We are increasing sales people in the US; we are increasing programmers here wherever required. We are increasing the SONY team, so wherever we required, we are ramping. I think we have a consent service for our FrogData clients. So, we do that from India. So, that team is going up because as the number of clients goes up, we increase that, but these are low level resources, not very expensive.
- Parth Kotak:** Lastly, in your presentation, I think you have given quarter-on-quarter growth, probably I could take this separately, I would be very happy if I could get the year-on-year number for the half year, probably for all three segments, FrogData is more primarily because the sales have been really impressive, so just to see the trajectory of how we are doing year-on-year?
- Sanjay Soni:** We will work with Rahul's team to get this across to you.
- Moderator:** Thank you. Our next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** My first question is on FrogData, so if you can talk about the typical journey of our clients once we acquire them, how do the scaling of the client happen? Normally, how long does it take and what is the initial business that they give us? And say after a couple of months what is the potential business that these clients give us?
- Sanjay Soni:** The initial pitch to them is basically we look at whether they are, what is the kind of business volume they have, whether they would be wanting to start with just one of the modules, say Warrantyboost or maybe warranty claim or maybe they would like to go for the whole platform, depending on how comfortable they are and what they would like to start off with, we actually pitched that. The main time taken is in getting the data cube ready because we need to collate the data from various data sources before the AI engine can actually start analyzing the data and then throwing up the results for them. So, once we get the sign off on the contract, then we start creating the data cube which normally takes two to three weeks, sometimes more, depending on if their data sources are not very clean or not very organized. And then we start working on the data and then the conscious team here starts working with them on how to suppose there is warranty claims, then how to improve the claim ratios, what is the data which has been thrown up by the system and how we can help them or how they will be benefiting and then they start engaging with them on a weekly basis and helping them navigate the action items being thrown up by the data and then handholding them for the first three months. Once they are comfortable, then they are on their own and then we go back to them after six months with the second, now you are seeing the results, would you like to add some more and that is how it goes.
- Aman Vij:** And typical client revenue, is it like initially they have a kind of like, what is the typical fast rate sense?
- Sanjay Soni:** There is a setup field which we take depending on the product, and then there is a weekly study, monthly billing for the annual contract. So, it depends on product to product.

Aman Vij: But I wanted to understand if the typical client will start with, say, \$1,000 to \$10,000 kind of business for us, if you can talk about that part?

Sanjay Soni: It could be around \$1,800 going up, if we start with just one product going up to \$18,000 for the whole thing if they sign up for everything dollars a year.

Aman Vij: \$18,000 a year?

Sanjay Soni: It could be \$1,800 to \$18,000. That is the range.

Aman Vij: For all three?

Sanjay Soni: Yes, for all three.

Aman Vij: So, the client will minimum start at \$1,800 with my understanding correct or lower?

Sanjay Soni: Yes, that is correct.

Aman Vij: And then eventually if they take all, they might move to \$10,000-\$15,000 also.

Sanjay Soni: Yes, that is right.

Aman Vij: And typically in this business model, I think we now have maybe 1,200-1,300 clients, it might be more, what is the attrition rate?

Sanjay Soni: It is around 1.6% or 1.3%. I think it was 98.4% retention earlier. Now it has gone up to 98.7%.

Aman Vij: And if you can talk about what is the kind of investment we are planning in this platform over the next. 2-3 years?

Sanjay Soni: We are looking at around 10 to 15 million in product development as well as sales and marketing and then taking it to Europe, because right now we are only selling it in the US, we haven't yet taken it. Our European customers are asking for it. So, 10 to 15 million is the number we are looking at.

Aman Vij: And in terms of your estimated market share today in US, there are like 2-3 peers only if my understanding is correct?

Sanjay Soni: Correct.

Aman Vij: So, what is our market share today in the US and how is the market growing?

Sanjay Soni: See if you look at, we have a majority market share as of now in the analytics space, but number of customers totally, there is still a lot of room to grow. So, that is what we are looking at that

we need to increase that and become even bigger in terms of size because there is a lot of room there, so why not.

Aman Vij: And any reason given, the market itself is very small and I think US itself will have ample opportunity, so any reason we want to try this Europe market also because that they have?

Sanjay Soni: Europe is actually we are being pushed by our OEM clients. So, that is why, there it will give us good, if they give us good orders for this as from the corporate level then it makes sense because there will be big contracts. And we have some large dealer groups also who are pushing us, out of the top 20 dealer groups and nearly 12 are our customers. So, we are looking at those as well and again they also want it. So, we will see. That is why we are not doing it this year. We may look at it next year once we raise the capital and we are able to deploy some additional people there for this. Right now, the focus is the US market, but we can't take, if my customers there are asking for it and I can't say keep saying no to them forever. Everybody realizes today that analytics is very important for any dealership.

Aman Vij: But out of that \$10 to \$15 million which you are trying to raise, will this require a significant amount in Europe or most of it will be in the US?

Sanjay Soni: Most of it will be US, Europe will not be significant. Like I said, we will be mostly selling it to our existing clients there. So, it will be we don't need to really spend too much money to sell in the US.

Aman Vij: And in Europe, whenever we enter, will the model be similar \$1,800 to \$18,000 kind of revenue run rate or will it be different given it is OEM based?

Sanjay Soni: It will be different because we are looking at larger contracts, per dealership may be lower, but ticket size may be more. So, there the dynamics will be slightly different.

Moderator: Thank you, sir. Our next question is from the line of Sunil Patel who is an Investor. Please go ahead.

Sunil Patel: Actually, my question is follow-up to the earlier participants question of CAPEX of close to \$10 to \$15 million, which you are in this project over next 2 odd years, right, so this year you will be generating close to Rs. 40 crores of free cash, almost around Rs. 40 crores of free cash and the Company being debt free, so why are you looking to dilute equity rather why not use internal accruals and some debt to fund the CAPEX rather than diluting the equity?

Sanjay Soni: We have looked at various options. There are two reasons to dilute equity, one is of course to raise capital. More importantly is to get a valuation benchmark for the business, especially for FrogData, so it sets the number there, which is valued by an outside investor. And we also have a lot of capital spending happening for our VR platform and on the other products which we need to keep looking at revamping our main product suite of izmoauto, so investment keeps recurring, but more importantly, we would like to focus on trying to get a valuation number,

which makes the whole, which gives a lot of clarity to investors about what is the actual value of our AI platform. So, diluting 10% to 15% is not an issue there.

Sunil Patel: So, it is more of a value discovery process which will happen?

Sanjay Soni: Absolutely.

Sunil Patel: And sir, this fundraise will happen at the FrogData level, all the money will flow to the India Company, the parent listed Company and then India Company?

Sanjay Soni: Only at the FrogData level.

Sunil Patel: So, in that context, how will the listed shareholders benefit? I agree with the part of value discovery, but how will the listed shareholders benefit will then....

Sanjay Soni: There will be a lot of business coming in FrogData, it eventually majority owned by IZMO.

Sunil Patel: I was wondering if the listed Company will start distributing dividend, undertake some sort of buyback also going forward because then?

Sanjay Soni: No, we don't believe in buybacks. I don't think we want to do a buyback. We still have a lot of room to grow, not that we don't have any avenues for investment that we will go and do a buyback.

Sunil Patel: Sir, one more question, just a quick look at from the December '22 shareholding till date, we have seen a marginal decline in the promoter shareholding, is there any issue?

Sanjay Soni: That is due to ESOPs. No, it can't be because we have taken warrants this year. So, as the ESOP, this thing keeps getting done, maybe that is why. We have not sold any share, not even one share. Why would I have taken warrants? There is no reason for me to sell anything.

Sunil Patel: Yes, warrant conversion is pending that is why probably it must not be reflected in the shares?

Sanjay Soni: Yes. And every quarter, I think last March we gave ESOPs, so those would have impacted this thing.

Sunil Patel: Sir, my last question was, during your first conference call, which you did in June '22, you had alluded to growth of close to 30%-40% for FY23 for the full fiscal year, right, but FY23 we closed with a lower growth of close to around 17%-18%, so there were reasons for this which you mentioned, do we see any sort of risk happening, any sort of downside risk to the projections we are guiding for now like 30%-40% growth going forward again?

Sanjay Soni: Not at the moment. We are seeing a very healthy pipeline and especially from the OEMs. So, I think we are quite confident we will achieve a good number and if you see the first half year

results, it is showing a good number. So, we will continue and normally the second-half is always better.

Sunil Patel: Yes, but your last year second-half was much better, you reported almost Rs. 14 crores of PAT, the margins were also up during last year's second half, so were there any one offs during last year's second half?

Sanjay Soni: Yes, there were and that is what I said in my last call.

Sunil Patel: That other income part?

Sanjay Soni: Other income, there are some projects we had done which was project income, which we had done for Stellantis. So, that came what build out in March.

Sunil Patel: So, this year then that might not be the case, right, because those were sort of nonrecurring income, it was not like?

Sanjay Soni: We have other things in the pipeline. We are doing other projects where we probably will have another \$1 million of other income from people who have not paid for our images and have used them. So, we hope to recover \$1 million just from there. So, there are a lot of other things which are there I can't talk about, but that is why I said we are pretty hopeful.

Sunil Patel: So, that Rs. 14 crores benchmark we have budget.....

Sanjay Soni: We hope that we can achieve better than that. We are working towards it.

Moderator: Thank you. Our next question is from the line of Pulavarthi Sai Kiran, who is an Investor. Please go ahead.

Pulavarthi Sai Kiran: Just trying to understand, sir, one of the earlier participants when they said that you own 75% in FrogData subsidiary, but when I look at the annual report, it says that 100% shared by your US subsidiary, which is nothing but Izmo Inc. and in Izmo Inc., you have 100%, is there any dilution happened after 31st March 2023, sir?

Sanjay Soni: The dilution is due to the ESOPs, which have been given, not converted to shares to the FrogData employees.

Pulavarthi Sai Kiran: So, currently it is like this, correct me if I am wrong, IZMO's listed entity owns 100% than Izmo Inc. and is Izmo Inc. owns 100% in FrogData subsidiary, as of now FrogData employees were given ESOPs and potentially after conversion the holding Izmo Inc. goes to 75% from 100%, is my understanding right?

Sanjay Soni: Yes, that is right.

- Pulavarthi Sai Kiran:** And over and above that, you also intend to raise capital at FrogData LLC and potentially that dilution will be around 10% to 15%?
- Sanjay Soni:** That is correct.
- Pulavarthi Sai Kiran:** And another thing, sir, just want to understand, last year approximately the FrogData LLC's revenues were around \$4 million?
- Sanjay Soni:** Right.
- Pulavarthi Sai Kiran:** And that is where you are seeing an exponential growth and what you have explained over a period of time, is my understanding right, sir?
- Sanjay Soni:** That is correct.
- Pulavarthi Sai Kiran:** And just one more, what I can say very broad level question sir, you have been detail about 3 divisions what you have, if you can explain us what are the key drivers for the growth in the respective 3 divisions and probably if you would like to explain why US economic slowdown might not impact your business, that will be really helpful?
- Sanjay Soni:** See the growth driver in the izmoStudio is in fact new client signing up for images worldwide. We are seeing a lot of, Edmunds was a new client, which we signed up beginning of this year, after many years, so similar clients like those we are talking to quite a few of them. Izmoautos, we are izmoEmporio is being sold well, we expect a lot of returns to come from there and even on the digital retail platform, we are seeing very good response in the US and in Europe. Stellantis is rolling out the CRM across Europe now. It was earlier rolling in France, so we expect a lot of good revenues to come from there. We are also engaging with Renault on many similar products which they want to roll out across geographies. So, we feel that these are lot of things which are happening which can help us achieve the numbers we are looking at and as digital becomes more and more prevalent and things start moving more towards the AI, I think we are well placed to take advantage of that.
- Moderator:** Thank you. Our next question is from the line of Anil Nahata from Parami. Please go ahead.
- Anil Nahata:** My first question is, you mentioned that you are redoing the presentation for the merchant bankers and bringing in the SaaS kind of metrics in that presentation is that correct?
- Sanjay Soni:** That is correct, yes.
- Anil Nahata:** So, Sanjay, can I request you from the next quarter onwards, can you start reporting some of those metrics also in your quarterly investor presentation, would that be feasible?
- Sanjay Soni:** Maybe not next quarter, but I think a full year we can look at doing something like that.

Anil Nahata: Please do so, that will be very nice. And secondly, similarly on reporting, so there are just two things that there are warrants which have been issued which will mature at some point of time and similarly in FrogData while officially still we have 100% ownership, but we don't have the 25% which will dilute, so we can also start reporting our numbers on fully diluted basis going forward?

Sanjay Soni: I will have to check with the auditors about that because that is more of accounting and legal thing, and depending on what advice they give, we will follow that. This is what they have been informing us, so we are just following that. So, that we they will have to refer to them and depends on them.

Anil Nahata: Because that will give a more accurate idea about the business and what actually accrues to the benefit of the shareholders of IZMO from this?

Sanjay Soni: Yes, let me talk to them.

Anil Nahata: And third question was, I just wanted to understand, if you look at the numbers, Q2 is now slightly higher than Q4 in terms of revenue numbers, right, however the EBITDA margin are like pretty much lower than Q4 and I know there are some one time revenues and other things, but and even after adjusting for the ESOP there is nearly a 700 bps difference in the EBITDA margin, so what is the expense increase that we are seeing vis-a-vis quarter 4 that is leading to the lower operating margin?

Sanjay Soni: Legal cost we have incurred, like I said, we are going after a lot of companies. So, there are legal costs and then the employee cost has also gone up because we are adding people and of course ESOP is there. So, it depends on quarter to quarter. There is some curves get booked in the quarter and some don't. So, it is difficult to pinpoint any one particular reason. There may be a lot of marketing costs because people are travelling, we have added sales people in the US. So, could be a combination of various factors.

Anil Nahata: My basic thing to understand is what, there is no systematic issue at place, right like that you are seeing lower margins overall or any of those things, none of these things that is some onetime expenditures that you are doing?

Sanjay Soni: Yes, as we keep expanding, these margins will keep going up and down slightly. It is not, I don't as overall as we grow, we will see better numbers coming forward and going forward.

Anil Nahata: And my last question, can you give some more details on how has the IZMO, I think we launched the izmoStudio or izmoEmporio somewhere in the last couple of months? How has been the response to that? What kind of sales we are seeing on that?

Sanjay Soni: Response has been very good. We have signed up around 45 clients there and now it is becoming, we hope that by end of this year we should sign a couple of 100 at least, if not more. So, it is picking up now.

- Anil Nahata:** What is the ticket size we are seeing there?
- Sanjay Soni:** It is between \$3,000 and \$6,000 a year.
- Moderator:** Thank you. Our next question is from the line of Raian Sorabjee, who is an Investor. Please go ahead.
- Raian Sorabjee:** I just want to know what can we expect as the sales number that we are targeting for FrogData for FY24 and FY25?
- Sanjay Soni:** FY24 we are looking at around 70% to 80% increase over last year. So, we are looking at, I would say 7 to 7.5 million and another 100% on that in FY25 because by then the new sales teams and all will be in place and the new offices.
- Raian Sorabjee:** So, we can say 15 million in FY25 that is the number that we are looking at?
- Sanjay Soni:** 15, yes.
- Raian Sorabjee:** And this is subject to the fundraise?
- Sanjay Soni:** If we don't do the fundraise, we will probably grow another 50% at least, if not 100 so.
- Moderator:** Thank you. Our next question is from Parth Kotak from Alpha Plus Capital. Please go ahead.
- Parth Kotak:** Just one follow up question regarding FrogData, have we expanded to different geographies as per our last conversation, we were probably restricted to two or three regions within the US?
- Sanjay Soni:** Not yet. That is why we need to do that. That is why the fundraise is there. So, we are from Chicago, LA and San Francisco, we are targeting dealer groups. So, there we are getting clients in different geographies, but we don't have feet on the street there as yet. So, that will probably happen in Q1 of 24-25.
- Moderator:** Thank you. Our next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** Sir, on the margin side, so last four quarters, we have been consistently over 20% kind of EBITDA margin, so if you can talk about do you think this number is sustainable and also if you can give the range of margins of the three different divisions?
- Sanjay Soni:** I don't have those margin numbers off hand for the divisions, but we definitely are working on improving the margins. In a product Company, it is very simple as the topline keeps going up and you sell more product, the margins should increase. Yes, there is added investment in terms of people, but it is not linear, so the idea is to reach a run rate which is really significant, and

then you will see the margin improvement happening even more dramatically. So, we are pitching for that.

Aman Vij: And any kind of exit run rate, do you think we can achieve maybe like when do you think we can achieve that Rs. 60-Rs. 70 crore kind of quarterly run rate?

Sanjay Soni: I think by next year, '24-25.

Aman Vij: And we have talked about our repository being an advantage, if you can talk about with the AI coming in, is there a risk that the advantage we have over the peers can reduce because now?

Sanjay Soni: AI cannot reproduce the CGI image or a very high-quality photo of a car, so these are very high resolution taken in the studio. It is not replicable by AI, so those are okay for social media and all that the photos which they generate, but not this high quality. So, as of now, we don't foresee any competition from there.

Moderator: Thank you. Our next question is from the line of Sudhir Bheda from Right Time Consultancy. Please go ahead.

Sudhir Bheda: Just two follow up question, sir, one is like we have as I think what I heard clearly was like second half of the last year had one of the kinds of income from the projects and we did around Rs. 15 crores of net profit in the second half, so this year also we are doing some project and I think we will have some income from that as well, so is it a right understanding that we would be doing profit much higher than the second half what we did last year?

Sanjay Soni: We hope to do it, but I cannot give you a guarantee in this thing because.

Sudhir Bheda: No, but the aspiration is there, right?

Sanjay Soni: We are working towards that. We are working very hard. All the ingredients are there, so we hope that we will be able to achieve that.

Sudhir Bheda: That is music to the shareholders ears and sir, the second question just on the tax side, so tax will be continued to be charged like whatever has been charged in the last couple of quarters?

Sanjay Soni: Yes, correct.

Moderator: Thank you. Our next question is from the line of Vikram Mehta, who is an Investor. Please go ahead.

Vikram Mehta: One, what are the key risks you see for the business going forward? And the second is, what is the kind of headcount ramp up you are envisaging from this year to next year and then after in terms of number of people in the Company?

Sanjay Soni: See, I think the key risk is the US, if it goes into a full-blown recession because the interest rates are very high if the FED increases more and there is some sort of melt down, that is risk which may be there, but as of now we are not seeing anything like that happening, but we are waiting and watching and we are just watching it very carefully. That is why we are very cautious in spending and in adding too much of overheads because it is always better to be cautious. Headcount, I think like I said, we are, I think headcount, but mostly at the lower level and not high-cost headcount. So, it is either feet on the street in the US or then it is low level headcount in Bangalore, and we will probably add another 20-25 people by end of this year, so nothing very significant.

Moderator: Thank you. Ladies and gentlemen, that was the last question of our question-and-answer session. As there are no further questions, I now hand the conference over to Mr. Sanjay Soni - Managing Director for closing comments.

Sanjay Soni: I thank the entire team of IZMO for their untiring efforts, hard work and dedication which drives the Company forward. I appreciate all of you for participating in our conference call. Please do get in touch with our Investor Relations team regarding any further questions. Thank you very much and have a good day.

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