Affle 3i Limited

Q1 FY2027 Earnings Conference Call

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Management: 1) Mr. Anuj Khanna Sohum – Chairperson, Managing Director & Chief Executive Officer of Affle 3i Limited

2) Mr. Kapil Bhutani – Chief Financial & Operations Officer of Affle 3i Limited

Analyst: Mr. Karan Taurani – Elara Securities India Private Limited

This transcript has been edited to improve the readability

Moderator: Ladies and gentlemen, good day and welcome to the Affle 3i Limited Q1 FY2027 Earnings Conference Call, hosted by Elara Capital.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Karan Taurani from Elara Capital. Thank you and over to you, sir.

Karan Taurani: Thank you, Manav. Good morning, everyone. On behalf of Elara Capital, we welcome you all to Q1 FY2027 Conference Call of Affle 3i Limited.

I take this opportunity to welcome the Management of Affle 3i Limited, represented by Mr. Anuj Khanna Sohum, who is the Chairperson, MD and CEO of the company. And with him we have Mr. Kapil Bhutani, who is the Chief Financial and Operations Officer of the company.

Before we begin the discussion, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve some risks and uncertainties. Kindly refer to Slide #2 of company's earnings presentation for a detailed disclaimer.

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

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

Q1 FY2027 marks our 14th consecutive quarter of sequential top-line growth and we recorded our highest ever quarterly revenue, EBITDA, PAT and consumer conversions. During the quarter, we delivered revenues of INR 7.47 billion, a growth of 20.4% y-o-y. This is robust considering the negative impact of regulatory and macroeconomic headwinds on some customer segments like RMG. Over 95% of our revenues witnessed over 25% growth y-o-y, adjusting for that impact, reaffirming our consistent execution on the medium-term guidance that we have committed to our stakeholders.

Our continued focus on bottom-line sensibility translated into much better profitability. EBITDA stood at INR 1.68 billion for the quarter and recorded a robust 20% y-o-y growth, with stable EBITDA margins at 22.4%. Profit After Tax for the quarter stood at INR 1.28 billion, growing by 21.7% y-o-y. This proven performance of our differentiated CPCU business model reinforces our compounding growth story.

As we deepen our verticalization strategy, strengthen direct advertiser integrations and expand our audience intelligence capabilities, we continue to enhance the scale and competitiveness of our AI-powered Consumer Platform Stack across connected devices, including mobile, CTV and now other agentic autonomous intelligent connected devices. These structural advantages provide a strong foundation for our sustained growth as we build on our vision of 10x.

India and global Emerging Markets continue to anchor our business growth, growing by 20.2% y-o-y and contributing 72.2% of our revenues in Q1 FY2027. Our disciplined sales execution, deeper customer engagements and continued new logo additions have also strengthened our presence across Developed Markets, which grew by 20.7% y-o-y and contributed 27.8% of our revenues. Developed Markets account for a disproportionately high share of the steadily growing global advertising budgets. Accordingly, we remain focused on progressively increasing our participation across these markets and aligning our revenue mix more closely with the underlying global advertising budget mix.

Alongside our market expansion initiatives, we are also committed to strengthening the way we operate. The strategic acquisition of AdColony assets enhances our publisher ecosystem and audience intelligence capability, further reinforcing our ability to deliver premium consumer conversions with measurable ROI for advertisers globally. We aim to unlock significant competitive advantage by activating over 100,000 mobile apps to reach over 500 million connected devices in Developed Markets this year.

Building on the launch of Niko and OpticksAI, we have also enhanced capabilities of our AI-powered Consumer Platform Stack through new AI-led innovations designed to empower mobile app marketers, growth managers and advertisers with deeper consumer intelligence and full funnel campaign visibility. By combining AI-driven campaign intelligence with real-time performance analytics, these capabilities enable faster data-driven decision making, smarter campaign optimization and stronger marketing outcomes.

In parallel to our organic growth initiatives, we would like to transparently update our shareholders that we are making strong progress on the larger inorganic acquisition, as we enter the phase of due diligence by third-party advisors appointed by us. We aim to close the larger M&A by early 2027 and the identified targets shall accelerate our expansion across Developed Markets by providing deeper and differentiated access to customers and verticals.

This quarter, we have featured five customer-approved case studies in our earnings presentation. The first case study showcases how our conversion first CTV and cross-screen capabilities maximize new converted diners and first orders for a leading QSR app in India. Next three case studies highlight how leading travel brands across Emerging Markets leveraged our AI-powered campaign optimization, proprietary audience intelligence and bid optimization capabilities to target high intent travelers, driving stronger booking performance and consumer engagement. The last case study demonstrates how a leading German quick commerce player leveraged Affle's Consumer Platform to scale its presence in a new European market, Netherlands, by combining AI-powered keyword intelligence, agentic AI and app growth intelligence to target and convert high intent grocery shoppers with sustained efficiency.

Affle continues to be recognized as a technology thought leader across industry forums. This quarter, our platforms won 18 awards at Connected TV Asia Symposium 2026, including Best CTV AdTech for Addressable TV and Best CTV Technology Company of the Year award. We were recognized at the e4m India Digital Marketing Awards 2026, including Best Campaign - Use of Mobile and Mobile Monetization. We also received the Gold Award for the Best Cross-Channel Programmatic Campaign at the Agency Reporter Programmatic Asia Awards 2026. Further reinforcing the global recognition, our platforms continue to be recognized across multiple categories in Singular's latest quarterly trend reports.

We continue to strengthen our technology IP portfolio through sustained innovation. Our robust IP portfolio, representing 300+ unique enforceable patent claims, spans across fraud intelligence, human versus non-human data distillation, precision targeting, contextual and gesture-based advertising and next generation AI native ads and engagements across key industry verticals, reinforcing our differentiated and defensible position as the digital advertising ecosystem continues to evolve rapidly.

As we look ahead to the upcoming festive quarter, we remain encouraged by the demand environment across our key markets. With a disciplined strategy, a resilient business model and a clear roadmap for the next phase of Affle's growth journey, we are well positioned to sustain our momentum and create long-term value for our stakeholders.

With that, I now hand over the discussion to our CFO – Kapil Bhutani, to take you through the financial details of the quarter. Over to you, Kapil.

Kapil Bhutani: Thank you, Anuj. Good morning and hope all of you are keeping safe and well.

Building on our 7-year track record of consistent execution as a listed entity, we have started FY2027 with a strong financial performance in Q1. Our disciplined growth, with focus on operational efficiency, supported by robust profitable growth.

Let me now take you through our financial performance in Q1 FY2027:

On a consolidated basis, we delivered a y-o-y growth of 20.4% in our revenues from operation, 20.0% growth in our EBITDA and a 21.7% growth in our Profit After Taxes. We reported a consolidated revenue of INR 7.47 billion during Q1 FY2027, marking a 3.1% sequential growth over our robust growth of Quarter 4 in Financial Year 2026. This was driven by a broad-based momentum across industry verticals in both India and international markets.

On a standalone basis, our India revenue grew by 20.4% y-o-y and 9.2% q-o-q. While on adjusted basis, our India revenue increased by 18.1% y-o-y and 5.9% q-o-q. Our revenues grew across geographies as India and Emerging Markets expanded by 20.2% on a y-o-y basis and 4% on a sequential basis, while Developed Markets expanded by 20.7% y-o-y and about 1% sequentially.

Our continued investment in scalable platform operations and intelligent automations have enhanced productivity and operational efficiencies. This has supported us in our business growth with disciplined workforce, thereby strengthening our operating leverage while sustaining healthy profitability.

Consequently, we posted EBITDA of INR 1.68 billion, an increase of 20% y-o-y and a robust 4% growth sequentially. Our EBITDA margins also improved from 22.3% to 22.4% q-o-q. Further, we did not see any major volatility in Forex rates in the current quarter as seen in Q4.

Coming to our Opex, our Inventory and Data costs stood at 63.2% of revenue from operations and remained broadly in line with our previous quarter. Our Employee Costs increased by 3.4% sequentially, primarily on account of annual release of appraisals and bonuses in few geographies. Year-on-year, our Employee Costs increased by 7.8%, despite higher outflows due to impact of currency. Our operations have been executed efficiently with team strategies led by AI-supported workflows as we continue to scale our businesses.

During the quarter, our other expenses stood at 5.6% of our revenues from operation and increased marginally by INR 2.3 million q-o-q due to our ongoing spending on business promotion activities to support expansion across Developed Markets.

We achieved Profit Before Tax of INR 1.58 billion, reflecting a growth of 22.1% y-o-y and 6.6% q-o-q. Further, we grew our Profit Before Tax from operations by 4.7% sequentially.

Our Profit After Tax stood at INR 1.28 billion, an increase of 21.7% y-o-y and a 7.5% q-o-q. Our PAT margin improved to 16.6% of the total revenue, up from 16% in Q4 last year. On a sequential basis, our PAT margin improved by 60 bps with effective tax rates of 18.6% for full year. *(this statement has minor corrections to address an inadvertent error made during the earnings call)* This is based on full year basis of FY2026.

We continue to prioritize efficient working capital management and as such, there were no material changes in our collection risk. The company is on track to achieve robust OCF to PAT ratio for the full year.

We had achieved 110% of operating cash flows (OCF) to PAT in FY2026. This upfront higher OCF of the last year is being reflected in the OCF for the current quarter. We believe that as we move to Q2, OCF to PAT ratios will normalize.

Backed by our strong performance, balance sheet and disciplined capital allocation, we remain well-positioned to pursue both organic and inorganic growth opportunities in line with our 10x vision. We continue to invest in scalable technologies and strengthen our global revenue mix, to be executed with financial discipline as we create long-term value for our stakeholders.

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

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. We have our first question from the line of Karan Taurani from Elara Capital. Please go ahead.

Karan Taurani: My first question would be on this geopolitical impact.You mentioned that about 95% of your markets grew 25% and above. Could you throw some light here in terms of which markets exactly saw the negative impact? Obviously, one doesn't know in terms of how much time this can last, but could we say that, organically, if things were to be normal, we are on track of reporting growth rates in excess of 25% on an annualized basis, assuming that second half would be higher growth because of festive season and other things. Can you throw some light on this, please?

Anuj Khanna Sohum: Thanks for that question. What I was mentioning was that due to regulatory and macroeconomic headwinds, certain customer segments like, we already know RMG had an impact. Last year RMG was a contributor, this year it is not. Similarly, there were certain areas of impact we saw in FinTech and certain categories.

But overall, when we normalize it, it gives me a lot of confidence and even deeper conviction, because on an adjusted basis, 95% of our revenues have actually seen over 25% growth y-o-y. I believe that is defensible.

How long will it take for the market forces to adjust till we see, across the board, on 100% of the business, 25% growth? We will wait and see how that works out. The internal confidence, the on-ground momentum is very strong and it gives us a lot of conviction to give guidance on medium-term basis that if the analysts are modeling us at 20% growth, they should derive confidence from the fact that 95% of business is actually growing at 25%+.

Karan Taurani: Your gross margins have also been coming off since quite a few quarters. Obviously, this is on the back of investments in some new markets, as pointed out by you. But any update over there? When could gross margins see a recovery or utilization of data cost and other things will lead to gross margins being in a similar band right now?

Anuj Khanna Sohum: We are doing quite a few things strategically to enhance the competitive moat of our company, specially in Developed Markets. I believe the strategic acquisition of assets of AdColony is a meaningful addition to what we will unlock as a significant and sustainable competitive advantage. As we activate over 100,000 apps, we believe we will get to a reach of over 500 million connected devices in Developed Markets.

This will actually help not only with margin expansion, but actually greater ROI delivery to our advertisers and potentially even better performance for the publishers who we will integrate with.

This is definitely the direction that we are taking. Margin expansion should happen based on the efforts that we are already doing and that is fundamentally lifting it up versus one of the reasons why you see impact on the margin.

In the last earnings call, Kapil had mentioned that if you look at the average CPCU rate, which is now above INR 60, but on a currency-adjusted basis, we are actually passing some of the benefit to advertisers because of the currency adjustments that are happening. That has actually impacted the margins in the short term a little bit.

But overall, I think our business is robust. We are able to create enough value for the advertisers, even with these macroeconomic currency-related headwinds and yet our margins are actually expanding from a bottom-line perspective.

You look at our Profit Before Tax, it has grown 22%, versus revenues growing at 20.4% and that actually shows that margins are expanding. Yes, we are negotiating these headwinds, whether regulatory or macroeconomic headwinds, very well while creating value for not only our customers in terms of delivering ROI, but also to our shareholders. I believe you will see that within this financial year, we will see better margin expansion, especially in Developed Markets.

Moderator: We have our next question from the line of Vijit Jain from Citigroup. Please go ahead.

Vijit Jain: Congratulations on a great, broadly diversified growth rate in the quarter. My first question is on AdColony. It has been a few months since you acquired it and Anuj, I heard you talk about the 100,000 app unlocks, 400 million-500 million devices that you aim to leverage with this acquisition. It would be great to know that right now, in terms of those live app integrations, where it stands and whether getting to that 100K app unlock requires sales effort from your side. Just a general flavor of what it requires to get to that level of app integrations as well would be super helpful to understand. That is my first question.

Anuj Khanna Sohum: Thanks for that question. It is an organic, natural course of business execution where we are taking the technology and the brand assets of AdColony and going to the markets. AdColony is a very well-established brand name in the AdTech ecosystem.

In fact, in year 2020-21, we had an opportunity to look at the acquisition of AdColony as an entire company, not just the assets that we acquired, but the entire business and the entity of AdColony. At that time, the pricing that we were asked to bid was around $400 million.

So, AdColony is a big name in the ecosystem. What we have now managed to do in 2026, which I see as a windfall strategic gain, is to buy those strategic assets with which we can now organically, in the normal course of business, with our own existing teams and as part of our business development activities, without incurring dramatically new costs or anything like that, the apps that we already deal with, we will be able to activate them with the SDK integration in the normal course of business through this year. It will actually unlock deeper reach, deeper audience and consumer intelligence across 500 million connected devices in Developed Markets alone. This is the kind of strategic advantage that we will unlock with this business.

So, AdColony is meaningful and it will just happen in the normal course of business. It is not that we have to invest any humongous amount of ongoing capital. I see this as organic unlock of value by utilizing this technology and brand asset that we have acquired.

Vijit Jain: Thanks, Anuj. You said in your opening remarks that global ad budgets in general and I am guessing this is more specific to you guys, where you operate, is growing faster in DM than in EM right now. Is that understanding correct? Is that what you were alluding to? Would be great to understand why you think that is happening.

Anuj Khanna Sohum: For us, India and Emerging Markets will continue to grow meaningfully in a sustained way. We don't see any challenge in that. In fact, we are bullish about it.

In terms of Developed Markets, we are saying that with organic as well as inorganic investments that we are making, we will calibrate up because in Developed Markets, if you look at the total ad spend in the world, Developed Markets would easily take more than 50% of the share of the ad budgets that are getting allocated or spent in those markets. It is the size of the markets and the economies. Therefore, what we are saying is that we are also looking at investing towards that and capturing more of those advertising budget mix for ourselves because we are a global player. When we work with our advertisers, we want a meaningful percentage of that wallet share. It is our ambition to get to that. The most effective and efficient path in terms of capital allocation and value creation is what we are going to be navigating towards, both organically and inorganically.

AdColony acquisition is one very clear evidence of that because it is super efficient. Had we acquired it in 2020-21, we would have paid $400 million for it. We have been very prudent. We have waited. We are patient and we have taken the assets that we value, which we know that we can unlock value with.

Developed Markets is clearly a focus area and there is huge runway for unlocking long-term growth. In the next 5-10 years, I believe because our base is still small, we can grow fast. There is a long way to go there because we are still small. The addressable market is very large in Developed Markets and that is what we are highlighting here. In Emerging Markets, we have great competitive advantage in India and other Emerging Markets and I believe most of the competitors are finding it hard to keep up with us.

Vijit Jain: My last question - In general, now we are seeing AdTech industry, you guys as well as the larger guys, everyone build out AI and agentic AI in their digital ad product. I would like to understand how have costs of data assets moved in response to that. When I look at the broader industry, some of the walled gardens, like on the social media side, have reported higher yields in general on their ads, whereas other large platforms are seeing a lot of competitive pressures. Some of the open web platforms, specifically like The Trade Desk, have clearly seen a lot of competitive pressures. So, in general, for you as a player in this ecosystem, in Developed Markets specially, how have these costs moved? Is there any advantage and opportunity specifically from that?

Anuj Khanna Sohum: You have asked a very tactical question related to costs and so on. I would like to tell you that the essence of what is happening with AI is way more strategic and impactful.

In my discourse I specifically talked around autonomous agentic intelligent connected devices. For example, mobile phone is a device which works with human input - you have to click and touch and do something to make it work. But it has agentic intelligence in it. You can have AI agents inside your mobile device assisting you in your human experience in what you are doing. Similarly, you will also have autonomous intelligent devices. For example, a smart TV, as we call it today, is smart, is context-aware, who is watching it, what kind of content should be shown. It will become even more autonomous. and even more agentic, intelligent. You would see vehicles becoming more autonomous and having agentic intelligence. You will see screens outside homes, in retail stores, not just being smart screens and showing content, but perhaps the screen could have a camera where they are seeing who is coming and if it is a sports person who is walking nearby, the kind of content it would show would be different when an older person or an adolescent walking by.

So I believe a lot of screens and a lot of digital connected devices will see autonomous Agentic intelligence. That is the kind of AI disruption that we are seeing, which we are working towards and we are making sure that our innovations and patent portfolio is covering all of that, not just in Emerging Markets like India, but also in Developed Markets.

Also, people are using AI majorly as an automation tool. Now, I believe that is where it comes with either cost saving or what is the cost-benefit analysis of that. I believe that is very basic and tactical and it is a no-brainer. So anything that you can automate with AI, you should absolutely go ahead and do that.

But what we are talking about is much further ahead in terms of human versus non-human content. What is getting created by humans, what is getting created by AI? Are you showing an ad to a human? Are you showing an ad to an AI? Are you showing an ad on a content created by a human, or are you showing an ad on a content created by AI? I believe that kind of human versus non-human data distillation technology, that is something that will be a key differentiation and we are already not only working towards that, but ring-fencing that IP.

So my answer to you is that we are seeing a lot of advantage and we are keeping ourselves future-proofed and future-ready with respect to AI at a very strategic, at a very deep level.

Moderator: We have our next question from the line of Dipak Saha from Ashika Institutional Equities. Please go ahead.

Dipak Saha: I have just one question, sir. If we see last week in U.S., one of the SSPs have reported their numbers and CTV is growing quite rapidly, almost 45%-46% and the commentary around CTV is very strong. If we see your PPT there is a very interesting case study for the CTV conversion on Domino's.

Just trying to understand the unit economics for CTV and our broader strategy for CTV, because the base would be relatively smaller on the CTV channel and how are we seeing CTV as a space growing?

Anuj Khanna Sohum: I know which SSP you are talking about and quite frankly, I am not particularly impressed by any channel-specific commentary. If you look at Affle, one of the biggest differentiations and competitive differentiation that our platform offers is that we are a consumer platform.

Now what do I mean by consumer platform? It means that we are a consumer-centric platform which is mapping and ensuring that we are engaging with the consumer across the entirety of the connected devices that this consumer is engaging through his journey, which includes mobile.

The same consumer who is on his mobile phone may also be watching the CTV at their own home. The same consumer might move out of their home and go to their car and may have another, either an autonomous or an agentic intelligent connected device in their car. Then that same consumer may go into a pharmacy for a healthcare-related issue or to a retail store to just do their usual grocery kind of shopping in a physical sense and may have another screen that they engage with there. So, these are called AICDs, which is autonomous or agentic intelligent connected devices.

When we, as a consumer platform, look at a Mr. Consumer with whom we want to drive a conversion, we can show this user an ad on a mobile screen, on a CTV or other AICDs and drive one efficient conversion with this consumer for our advertiser, which could be looking at branding and driving offline conversions, or it could be online performance and driving online conversion. This is what we are doing.

Now, in terms of how the consumer attention is moving between mobile, CTV and other devices, we believe that the advertising budget or the number of impressions or the amount of engagement that we want from the consumer on those devices should be directly proportional to the consumer's own attention on those devices and where we get maximum attention to conversion ratios. At the moment, CTV is showing very positive engagement with our consumers.

The case study was about conversion-first CTV and cross-screen capabilities, i.e., CTV working with smart QR codes or other engagement models with mobile phones driving conversions - that is the methodology we have.

Now, these other companies which are not having a consumer platform-based approach, they are just selling inventory at a particular touch point. In my opinion, that business is commoditized and they are selling whatever the buyer is asking for and trying to make their margin on it. I am glad they are making some money for now.

But the core difference in our approach is that we are consumer-centric.I If the consumer is spending more time on CTV and we can drive conversions from there, then Affle is absolutely on it. But we are conversion centric and which channel do we show an ad on, whether it is mobile, CTV, or other AICDs, that will be algorithm dependent from our side. But we are seeing good outcomes at the moment with CTV and combination on mobile.

Dipak Saha: Just one quick follow-up, sir. On the Developed market side, if you can help us understand the CPCU unit economics. My understanding is it would be fairly higher, but that margin will stay more or less same, but the absolute flow through would be relatively higher. Is it the right way to think about it?

Anuj Khanna Sohum: Yes, it is the right way to think about it. In terms of the Affle servers and our Consumer Platform Stack at the back end, because we are globally anchored on Emerging Markets in a strong way and now we are calibrating up in Developed Markets as well, the volume of business and the volume of traffic that we are dealing with for the level of revenue that you see is much higher. I would say it is 5x higher, because in Emerging Markets, there are a lot more users, a lot more connected devices connecting. Whereas in Developed Markets, you get paid more for less level of activity.

So, in terms of our competitive advantage, we are seeing two things. One, we are able to run almost a 22%-23% EBITDA business with an anchoring on Emerging Markets, which is extremely hard to do given the volume of activity that we have to deal with and the unit economics are harsher.

When we go to Developed Markets, the math is slightly different, but it is to our competitive advantage and favor, because our technology stack is already dealing with great efficiencies and a much larger volume of data that we are able to filter, distill and manage well.

So when we go to Developed Markets, we are seeing better unit economics in that sense. I wouldn't go into the exact margin profile and the CPCU numbers, but it would be sufficient to say that it is an easier journey for us in Developed Markets versus what we have been used to in terms of unit economics of Emerging Markets.

Moderator: Next question is from the line of Kavish Parekh from 360 ONE Capital Market. Please go ahead.

Kavish Parekh: Anuj, on the broader global industry today, are you seeing any early signs of an impact from slowing smartphone adoption globally as high memory prices take device costs higher? Are you witnessing any sort of moderation in the incremental device additions that you typically record each quarter or any impact on replacement cycles across your key markets?

Anuj Khanna Sohum: Thanks for that question. No, we are not seeing any impact. I believe what we are seeing instead is a lot more time that the consumers are spending on their devices. The time spent on digital content consumption is actually going up across the board, across markets and I believe this trend would continue.

Now, we don't really look at whether the device is necessarily a new device or an old device. What we are looking at is the consumer's attention and the time spent. So in terms of just purely number of devices, I think with connected devices, with mobile devices, we are seeing a steady, consistent number and pattern without any particular deviation versus what you said.

It could also be that some of the people instead of buying a new device are going for a secondhand device or just not upgrading or keeping their phone active. So we are seeing number of connected devices following a consistent pattern and there is no impact at this moment, at least on all the data that we look at.

Kavish Parekh: Second question, Kapil, OCF to EBITDA conversion was relatively weak this quarter at about 41%. You did allude earlier that we also saw a couple of quarters of weak cash conversion last year as well and that subsequently normalized by year-end. Can you just dive a bit deeper into what drove this weak conversion in Q1 FY2027? Is this an active call to deepen penetration across certain geographies or verticals? Does it pertain to that?

Kapil Bhutani: No. It is just the flow of the funds. I had 110% OCF to PAT ratio in FY2026, that means I collected about INR 40 crore, INR 45 crore in operating cash flows in the month of March, ahead of the year-end. When you are left with less receivables to be collected over the next 90 days or 80 days, these get affected. You had an up-fronting of the cash flows. This will get normalized when we go into Q2 and Q3. You will see about 80%-85% OCF to PAT ratio by Q3.

Kavish Parekh: And lastly, on the strong growth and margin performance, could you help us understand the impact of currency movements on this quarter and maybe the last few quarters? What part of our cost base is dollar-denominated and how did the dollar movement affect revenues and costs? How much did it contribute to the reported growth? Costs other than data and inventory seem to be fairly in control, despite part of it being impacted by dollar. So, some clarity on this would be great.

Kapil Bhutani: As I mentioned in my commentary, this quarter had a stable USD to various currencies, not only INR. So we didn't see any additional impact what we had in Q4 or Q3, when there was a spike in the USD to other currencies. 72% of our business is largely coming from Emerging Markets and India, where we have other cross currency ROIs guaranteed or promised to the clients.

You need to adjust to the CPCU rates because the billing may happen in dollars, but you will need to adjust it to the ROIs required in their local currencies also. Only 20% of our business of U.S. is dollar to dollar and for the rest, you have to adjust the CPCU rates to the ROIs promised.

We are not a service company where you can have a manpower rate and then converting all the revenues in dollar. It is a ROI-based, CPCU-based business where you need to calibrate the cross-currency ROIs for the clients.

We had a steep increase in the U.S. currency rates across last quarter and that affected the take rate or you can say the inventory cost, in the previous Quarter. This quarter, if you see sequentially, we were largely flattish because the dollar movements were not that steep.

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

Anmol Garg: I had a couple of questions. Firstly, Anuj, if we look at in terms of increasing penetration in Developed Markets, which are the key areas, industry we want to target through organic or inorganic route?

In addition to that, given that that market is relatively more mature, do you think that it can have an overall impact on our growth rates going forward? Because given that if in this quarter, if you look at ex of currency, our Developed market growth will be on a y-o-y level, maybe in the range of 11%-12%. So, is that market relatively slowing growth overall and will as we sort of increase our presence over there, can it affect our overall growth rates?

Anuj Khanna Sohum: I don't quite agree with that analysis, Anmol. Yes, they are mature markets in the sense that the addressable market is large. It is so large that the overall growth might, from an overall high-level micro perspective, be less. The fact that we are entering with a smaller base, with a differentiated business model, with a differentiated technology stack, we see that we will be growing at least at 20%+ in Developed Markets consistently.

We see many growth pegs there. We see growth pegs in Gaming. We see growth pegs in E-commerce, Entertainment. We are seeing positive growth even in areas of Healthcare. We have a strong thesis across some of the top 10 verticals that we are deeply verticalized for. When we go into this market with our approach as a consumer platform on a CPCU business model, covering the entirety of the consumer journey, we should be very optimistic and clear that at least 20% growth is sensible to be pegged at.

I did mention earlier that when we execute all our business plans, internally they are pegged at 25% growth and we are convinced and seeing the right kind of momentum on the ground to realistically peg ourselves internally on that.

So when our external stakeholders and analysts are modeling us at around 20%, I don't see why that should be tapered down with view of Developed

Markets, given that the addressable market is so large. We are small and we are giving you a very clear thesis of our differentiated execution pathway.

Anmol Garg: Thanks for this. Just one second question from my side is, in terms of the SDK integrations for us in Developed Markets, are you seeing greater willingness among premium app publishers to integrate Affle's SDKs? How should we think about potential SDK penetration there within the Developed Markets?

Anuj Khanna Sohum: Thanks for that question. I'd answered it in the context of our AdColony acquisition of strategic assets, which includes the tech stack, the SDK of course. It includes the brand of AdColony as well and it has the goodwill and the reputation, especially in Developed Markets where the publishers have made money by integrating the AdColony SDK for last decade or even two decades.

Now, with that kind of a reputation when we are going in there, our execution pathway clearly shows that within this year, we will activate 100,000 mobile app publishers and that should result in 500 million connected devices in Developed Markets and that is a significant competitive advantage being unlocked in the process.

It is not just about what AdColony stood for. AdColony, powered by Affle, will have unique differentiations in the way we will unlock value for the ecosystem. We will see it in due course in time. But this is again, an organic business development journey for what we were already doing and what we are doing. But this will give us an accelerator because of the AdColony brand and the trust that it has built in the ecosystem there.

So, Affle may have a shorter runway in Developed Markets, but with AdColony, we are bringing a lot of credibility and goodwill as we go and engage with the brands and the advertisers to deliver performance to them.

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Moderator: We have our next question from the line of Onkar Ghugardare from Shree Investments. Please go ahead.

Onkar Ghugardare: Congrats on a consistent performance. I have a question regarding the new large acquisition which you are talking about. Can you give a ballpark how it can look like for Affle and how big it can be, how the margin profile will look like? Because earlier, the margin profile used to be lower for the acquisitions which you had done and that had dragged the overall margins for you. So, this time, how it can look like?

Anuj Khanna Sohum: Thanks for that question. First of all, with respect to our M&A, our Board and our management has always been very transparent with our shareholders throughout the process because we know it is a meaningful decision for the future.

All along we have been very clear, whether we had shortlisted a certain number of companies or went into due diligence on a few of them and now we have reached a stage where we have appointed third-party due diligence advisors to do deeper due diligence on the targets.

Now, what we are looking for is completing the process by early 2027. In terms of our approach, I think we are clear that any acquisition that we would do has to be accretive on the bottom line. It has to be supporting the sensible margin profile for the business and more importantly, not slowing us down on the growth trajectory.

I would only sign on the dotted line and invest if I am convinced that under the Affle leadership, the existing business as well as the new inorganic acquisition would continue to deliver combined at least 20% growth and will deliver a meaningful bottom-line performance, growing our Earnings Per Share, growing our cash flows meaningfully.

Overall, that is the kind of mindset with which we are going to execute on this. So you should be very comfortable that we are not looking at something that will either slow us down or will not be accretive on the bottom line.

Onkar Ghugardare: Yes. You mentioned that investors shouldn't be worried about slowing down, but actually speaking, this should enhance your growth, right?

Anuj Khanna Sohum: Absolutely. What I am saying is that the enhancement in growth is not because of inorganic alone. I am saying that the combined entity on an organic basis henceforth, would still grow above 20% and would be accretive.

What is important to know is that you are not just accumulating size. What you are accumulating is that even at that bigger size, your speed,velocity and efficiency in terms of the spirit and the DNA of the organization will absolutely remain on track. So we are not going to do something that will fundamentally change that thesis. Does that make sense?

Onkar Ghugardare: Yes. Another question is that on the 10x target which you had set. So, if you look number-wise, you want around 25%, 26% kind of growth for a decade from the date which you announced 10x target.

So, right now, if you look at last one, two years, it has been somewhere around 20-odd percent, 20%, 21% kind of growth. I mean, is this more of a backward-looking growth than the forward-looking growth you are talking about because of this M&A and other things which you will be doing?

Anuj Khanna Sohum: When we made the 10x growth target and with the decadal view to that, we had also mentioned that we will achieve it in hopefully half the time of the decade, which means our past track record shows that we achieve 10x in five years and I would like to maintain that.

Now, to get 10x in five years, you need to do it as a combination of over 20% organic growth, plus do some meaningful, important strategic acquisitions, which when combined, should also continue to grow at 20%+ growth rate. If we achieve that, I think the next milestone for us should be $1 billion of revenue, which should be around the corner in the next few years with organic growth as well as an acquisition. I believe we are very well on track for the 10x plan that we have.

I tell this to my team internally. I am 48 years old. I think I have at least two more decades ahead of me in terms of providing meaningful, productive leadership to Affle. I would like to at least see two to three 10x growth cycles in that period of time, hopefully taking us to a much greater height that Affle deserves to be at.

So that is the mindset with which we are navigating this journey and I think the first 10x journey, you should see it in the next few years. It should not take so long.

Onkar Ghugardare: Correct. Just one clarification on that front. The numbers which you are talking about, when can we actually see those numbers on the ground? Because currently, last five, six quarters, it has been around 20%. So, that is why I asked this question. When can we see accelerated growth?

Anuj Khanna Sohum: The answer is that the last few quarters that you have seen at 20% should give you the right kind of confidence. And we have also given you that the other step up change will also happen through the acquisitions. The strategic acquisition of AdColony, I have already told you about and told you how organically we will unlock differentiated competitive advantage there. We have given you guidance that the larger M&A is going to happen. We have been consistently telling you that we have been working on it for the last year or so.

We have also raised the appropriate amount of funding to get ourselves ready for that. We have given you a consistent timeline that now we have third-party due diligence partners working on it. In early 2027, we will close the transaction and we will report back to you on the progress. We will keep the transparency as far as it is allowed legally.

Now, you should have a lot of confidence in our thesis because of 20% organic growth is the right level of anchoring, as that over six quarters, that you are saying that you saw and it should give you validation of that thesis. With that, a step change of an acquisition-based M&A stepping that up is the way to get to that 10x growth.

Then with the acquisition, we want to make sure the combined entity is still proceeding ahead with the same kind of growth velocity and efficiency, both in terms of revenue growth and margin expansion. So, that is our thesis and that is how we are executing and we are absolutely on track.

Moderator: Thank you. We have our next question from the line of Samarth Patel from Equirus Securities. Please go ahead.

Samarth Patel: My first question was, if I just look at this particular quarter, the direct customer contributed around 79% of the revenue, which was around 74% for the entire FY2026. So, this is a sharp step-up. Is this a one-off or genuine mix shift that we are currently seeing and how do you expect the agency channel to trend from here onwards?

Anuj Khanna Sohum: For us, serving the advertiser either directly or through its agencies, we don't distinguish between that. We don't show any strategic preference one way or the other.

What is most important for us is that whether the advertiser is having a billing relationship with us directly or through its agency, it must have a direct technology integration with us. Because that data integration of advertiser intelligence and marrying it with the audience intelligence is important to the way we execute our consumer platform, CPCU-based business model. So 100% of our business has direct advertiser integration.

It is important to report from a revenue standpoint that how much portion of the revenue is flowing directly from the advertisers versus the agencies. But from a strategic point of view, you should be seeing it as a direct advertiser integration that we have, where we are delivering conversions for the advertisers with the technology integrations that we have.

Our relationship with the agencies are strong and it will continue to get strengthened. It is also that in certain Emerging Markets, certain industry verticals, the advertisers have a tendency to work directly with our platform because we are very strong in these markets. It could be slightly different as we grow and expand and calibrate in Developed Markets.

This percentage will change based on how we evolve from here. Also, what kind of an acquisition that we do, the math might be slightly different on that front. So I wouldn't give you a guidance on that, but what is important for you to note is that the end advertiser has a direct technology integration with us and that is the most important aspect here.

Samarth Patel: That was very helpful, sir. Now, my next question is, what would be our vertical mix across, let's say, the categories E, F, G, H and specifically in India for this particular quarter? Any qualitative flavor that you can give to us, which are the verticals which grew fastest, etc, would be really helpful.

Anuj Khanna Sohum: Absolutely. So, category E and category F are the categories that are absolutely robust and doing really well for us across the board. In category G, RMG, the recovery phase is still on, on that front. I believe it is well understood. In category H, healthcare, hospitality, I believe we are also doing really well there at this moment and I have very strong convictions.

Overall, in categories E, F, G and H, I would say you can order it as category E, F, H and G in terms of qualitative ranking on how we are doing in India and Emerging Markets. But if you look at Developed Markets, then it would be category E and G doing better at this moment, versus category F and H. Again, F and H, we see strong momentum and possibilities ahead. Just giving you a qualitative color on that.

Moderator: Next question is from the line of Sagar Karkhanis from Ashika Institutional Equities. Please go ahead.

Sagar Karkhanis: I wanted to understand in the Developed Markets, for our growth going forward, do we see higher growth in the U.S. market or higher growth will come from the non-U.S. market?

Anuj Khanna Sohum: We would see meaningful growth in Developed Markets. We are very convinced with the kind of case studies we have built and the inroads we have already got, the team that we are building. We have strong momentum at this moment. We see competitive advantage in the way we are executing. So U.S. versus non-U.S., we have not split that up, but we are seeing meaningful growth in the U.S.

U.S. is the largest one and I would say that U.S. is where the strategic focus would be, both organically and inorganically. So U.S. should be growing across the board in categories E, F, G, H for us. The verticalization strategy is working, the CPCU business model is working and the consumer platform business approach across mobile, CTV and other AICDs is working really well for us.

Moderator: We have our next question from the line of Sanjay Ladha from Bastion Research. Please go ahead.

Sanjay Ladha: Sir, I just wanted to highlight that we have highlighted in the press release that INR 136 crore of investment for sale for Bobble and in the recent press release, this company has filed for bankruptcy due to non-payment of debt and interest.

As a prudent company, do we have to write off this amount or make a provision for this become sooner or later? And now, sooner or later, this can be the case that either we have to write it down because the company is no longer doing any more business, or some sort of that. So, just wanted to have your views on that side. What is the things which we are doing on that side?

Anuj Khanna Sohum: Thanks for that question. Well, fundamentally, our management and our Board believes that Bobble as a technology, as a keyboard platform with over almost 15 million to 18 million active users in India, is a valuable asset.

What we strongly believe and it is validated by some of the court orders, by Singapore's arbitration as well as the Indian High Court orders, that it is not being managed well by the management of that company and the courts have ordered inspection rights for our company to go and inspect into how it is being managed or mismanaged.

And the inspection rights, even after the court orders and the SIAC orders, have been denied by the management. In order to avoid a lot of these very clear court orders that have gone against the management of the company, we believe for a very paltry sum of INR 5 crore or something, they have allowed for this insolvency proceeding to happen. But the matter is, with the courts, we have appealed and challenged. We think that something inappropriate is happening and we will take the appropriate action with the advice of our lawyers.

We are also evaluating what should be done with respect to it. Therefore, our auditors, our audit committee and the Board have all approved the right level of disclosures that need to happen. And therefore on your question - we will be very prudent. We will take a decisive step in the next few quarters.

At this moment, we are of the view that the underlying asset, we will need to have more clarity and inspection ability to know what is the real sort of reliable value of this asset.

Kapil, do you want to add to it? I hope I have answered it appropriately. But if there is any qualifications you need to give to it from a legal perspective, otherwise, please complete it on my behalf.

Kapil Bhutani: From the accounting perspective, it was discussed and since it is in early stage, there is no reliable basis to make a permanent impairment on the asset. So, it has been discussed that the impairment would be tested once the appeal is decided in NCLT.

Moderator: Thank you. We will take that as the last question of the day. I hand the conference over to the management for closing comments.

Anuj Khanna Sohum: Thank you so much for your continuous support and belief in our journey. As I mentioned, we are on course for our 10x growth plans and we will deliver it well ahead of the decade ending. Our track record shows that we have done it in five years before. I would like to achieve it. It will be a combination of organic growth, modeled sensibly at around 20% and I think we are showing you clear evidence that why that is reasonable.

We are very transparently giving you guidance on what we are looking to do inorganically as well. There is a lot of conviction that we will achieve our 10x growth plan sensibly. While achieving that, we will maintain our velocity in terms of growth as well as efficiency on the bottom line.

So, with that, thank you very much and stay tuned.

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

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