AIL/SE/2020-21/03 June 24, 2020

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

Subject: Transcript of the open Analyst / Investor Conference Call conducted on Friday, June 12, 2020 at 9:30AM IST to discuss "Affle2.0 and the Appnext Acquisition"

Dear Sir/Madam,

Please find attached the detailed transcript of the open Analyst/Investor Conference Call conducted on Friday, June 12, 2020 at 9:30AM IST to discuss "Affle2.0 and the Appnext Acquisition."

Submitted for your information and records.

Thanking you,

Yours Faithfully,
For Affle (India) Limited

Parmita Choudhury
Company Secretary & Compliance Officer

Affle (India) Limited

Conference call on
"Affle2.0 and the Appnext Acquisition"

June 12, 2020 at 09:30AM IST

Management: 1) Mr. Anuj Khanna Sohum – Chairman, Managing Director & Chief Executive Officer of Affle (India) Limited

2) Mr. Kapil Bhutani – Chief Financial & Operations Officer of Affle (India) Limited

Analyst: Mr. Ashwin Mehta – Ambit Capital Private Limited

This transcript has been edited to improve the readability

Moderator: Ladies and gentlemen, good day and welcome to the Affle (India) Limited Conference Call on Affle2.0 and the Appnext Acquisition, hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashwin Mehta from Ambit Capital. Thank you and over to you Mr. Mehta!

Ashwin Mehta: Thank you Neerav. Good morning, everyone. On behalf of Ambit Capital, we welcome you all to the Conference Call of Affle (India) Limited to discuss the Company's view on Affle2.0 and the Appnext acquisition. I take this opportunity to welcome the management of Affle (India) Limited, represented by Mr. Anuj Khanna Sohum who is Chairman, Managing Director and Chief Executive Officer of the Company and Mr. Kapil Bhutani who is Chief Financial and Operations Officer of the Company.

We request all the participants to restrict their questions as per the agenda of this call. Without further delay let me hand it over to Anuj.

Anuj Khanna Sohum: Thank you Ashwin. Very good morning and a warm welcome to everyone. Thank you for taking the time to understand our vision for Affle2.0 and reasoning behind the Appnext acquisition that has been announced this week. I take a lot of pride in the way Affle is **'Built to Last'** and is built with a very long-term mindset. Going into the year 2020, we have taken a decade long view to this and therefore referencing our strategy for this decade as Affle2.0. Affle2.0 marks the period from 2020 to 2029 till we transition to Affle3.0 in the year 2030.

Today, I will limit myself to what we define as Affle2.0 - our long-term strategic approach in terms of continuing sustainable growth trajectory. This is to ensure that we achieve sustainable market leadership in India as well as in our key international markets like Southeast Asia and beyond. The earlier acquisition of Mediasmart closed in March 2020 and the recent acquisition of Appnext, completes the building blocks and foundations on which Affle2.0 would thrive through this decade. Today's call will focus a lot more on the Appnext conversation but I will consistently refer to how it supports our long-term strategy for Affle2.0.

Referring to Appnext, I will talk about it with three vectors in mind:

1) Consumers

2) OEMs (the mobile handset manufacturers) and

3) Advertisers

1) Consumers: Let us look at what are we doing for the consumer and how does the consumer experience our services on the device today. Almost 100% of Affle's experience was focused on in-app mobile experiences for the consumers. This necessarily required the user to open an app on their device before they could experience any engagement from Affle whether in terms of ads or recommendations or conversions.

With Appnext, what has incrementally changed is that Affle can now engage users even before they open any app. As long as they open their device, whether consumers are on the lock screen,-1 screen, searching for an app or navigating through different folders or on the app store, the OEM app stores, Appnext empowers Affle to have 20 different touch points on the device itself before the user has even opened any app. Affle today has the capability to influence which app the user would likely use next and therefore be able to recommend the next app, therefore 'Appnext'.

The 20+ touch points on the device throughout a user's mobile journey even before an app is opened or after the app is closed, provides us strategic leverage to go much deeper in the consumer's journey. Something that we could not have done prior. In our business we were always in-app focused. However, now we are looking at it more holistically on-device before the app is opened, during the apps being used and after the apps are closed. We are able to go deeper with richer insights into the consumer behaviors/journeys and this significantly enhances our competitive advantage. In terms of quantifying it, Appnext brings 300 million daily active users (DAUs) to whom these recommendations are being served at different touch points on the device. This is what is making a material impact as to how much Affle knows and how we can engage with consumers throughout their journey on the mobile device. Out of the 300 million DAUs, more than 100 million of these DAUs are in India which is our largest market and therefore this makes the transactions even more strategic for Affle.

2) OEMs: The second vector is the OEMs. Now from the OEMs perspective, there are two things that OEMs are getting from Affle and Appnext.

(A) They are able to surface a greater recommendations service to consumers throughout the journey of the consumer using the device. Think of it from the OEM perspective. No OEM would want to push a device to the market that will have ads all over the device. So, the OEM needs to necessarily provide a genuine recommendation and app discovery service to the consumer. OEMs want to bring the app recommendations out at different touch points which are contextually relevant to what the user is doing on the device. If a user is going to a particular folder for entertainment or games then recommending apps within that folder seamlessly blended as part of already installed apps is the experience OEMs are looking to enable. The OEMs are clear that they want a strong consumer service experience from Affle and Appnext on the device.

(B) But OEMs also want incremental monetization. So how do you monetize this? If we can seed at least 20% of the recommendations as monetizable through advertising on conversion business model, the OEMs have a strategic recurrent ARPU from the users' journey. OEMs are not just wanting to sell a device but also want to make recurrent revenue from the consumers' usage of the device as a long-term strategy. Affle and Appnext together are now powering most of the large global OEMs. In India particularly the OEMs that we are now in partnership with, through Appnext, contribute to 70% of the new smartphone shipments in India as on date. Now this is a very meaningful market share and Affle is enabling the ecosystem of OEMs to not only have a recommendation service to consumers but also have a clear monetization model. This becomes extremely strategic from an ecosystem perspective and we become a dominant player from an OEM market share perspective. I am happy to say now with Affle and Appnext together, we will be the largest recommendation platform and monetization partner for most of the large OEMs. We will enable advertising revenues based monetization for the OEMs through our platform. We will be the single largest partner for them not just in India but also Southeast Asia and very soon globally.

3) Advertisers: The third vector from a strategic lens is the advertisers. What are we doing for the advertisers so they can get higher conversions and transactions with the consumers? As I mentioned earlier Affle was enabling in-apps consumers' engagement so far. We were advertising inside the apps to the consumer and if the consumer convert then the advertiser would make an ROI. Now in this particular scenario with Appnext, we are able to advertise to the consumers through our recommendation service platform. Some of those recommendations would actually be sponsored recommendation ads which are seeded in a way that consumers are finding it acceptable. Consumers find it acceptable since most of the time (almost 80% of the time) recommendations are largely relevant and the experience is organic recommendations as a service. Think of it like what happens on search.

If you go to search, the consumers are organically seeing the search results but there are sponsored search links also appearing next to that. Similarly in this case, the consumers are seeing the app recommendations as organic by default but they are also seeing sponsored recommendations. Therefore, now the advertisers are able to put their budgets not only for in-app advertising but also have a separate budget for OEM on-device discovery and advertising as well. I would like to make a clear distinction that the advertisers that Affle works with as well as the advertisers that Appnext works with, there is a 100% incrementality involved in these two budgets. One is a budget for on-device discovery of the advertisers, second is the budget of in-app discovery of the advertiser and therefore it would result in 100% incrementality.

In terms of the business model to the advertisers, we were very pleased to see that Appnext business model was already modeled on what is our CPCU business model. CPCU essentially means that the advertiser is only paying when there is a conversion. It implies that the consumer has looked and clicked on the recommendation, gone to the app store, installed and launched the app and thus done a deeper conversion within the app of the advertiser. Therefore if you were looking at modeling or enhancing the model that you already have for Affle, the way you would look at Appnext is very similar to Affle's CPCU model. How many more conversions is Appnext adding to the Affle business and at what CPCU rate is it adding that and therefore contributing a certain volume of revenue.

In terms of latest run rate on a quarterly basis, in Q4 FY2020 Affle delivered 16.3 million conversions at Rs.40.1 Average CPCU rate. If we were to look at had Appnext been together with us, the CPCU business would have gone up by about 40% which means over 7 million incremental conversions for the advertisers were to be added. The CPCU rate for Appnext at the moment is around Rs.32 to Rs.35 on an aggregate basis, 15% to 20% lower than the CPCU rate that Affle is realizing. So when we model this business of Appnext, it is basically on lines of Affle's CPCU business only. Number of conversions x the Average CPCU rate what the advertiser is paying and that is the revenue model for Appnext as well. This is completely incremental because the budgets that the advertiser has for the in-app advertising to drive conversions are actually incrementally served. It is about going to the advertisers and saying that now we can do on-device discovery as well. Therefore, it is really about Affle building greater market share in this CPCU business in the India market, in the Southeast Asia market and also globally. For Appnext, 55% of their revenues are coming from the India today and therefore this is a very meaningful transaction for us. You would note that all prior acquisitions done by Affle were either about products or market/customers expansion into new international geographies and having on ground presence in international geographies. So far, Affle's growth in India has been 100% organic.

Appnext is the first transaction which is going to help us to consolidate our market share in the India market. This will further strengthen our sustainable market leadership position in the CPCU business model in India as well as international markets. In terms of expansion or up-selling opportunity, Appnext is 100% incremental. But what Affle can do incrementally for Appnext is that today Appnext is only doing user acquisition based advertising within its recommendation's platform for the advertisers. Affle would be able to help Appnext complete its offering with two other use cases of (a) Retargeting and (b) Online to Offline conversions which Affle platform offers. Retargeting would be beyond the first user conversion, how we can get a repeat conversions from that user for the same app/advertisers. We can complete Appnext offerings for the on-device propositions and how much budget they can charge from the advertisers. Our immediate year view as well as the next five-year thesis on Appnext is that we will be able to grow it at a CAGR of over 25% for this year as well as for the next five years. Therefore in view of Affle2.0, Appnext is a meaningful transaction for us and the growth outlook for Appnext is at par with the growth outlook that Affle has for its own organic business. Incrementally, we should be growing market share and with that grown market share still sustaining over 25% organic as well as the Appnext growth on a long-term basis for our model.

Summary: Just a quick summarization on the consumer side, it is about deeper data access within current markets as well as new international markets. With OEMs, we are enabling an eco-system strategy where not only are we delivering a service to the OEMs and to their consumers but also enabling immediate monetization for the OEMs. For the advertiser, we are providing them an opportunity for app discovery outside the apps before the users have even opened the apps on the device on a CPCU model. This is consistent with Affle2.0

strategy and we are able to consolidate this across India, Southeast Asia as well as international markets.

Deal Rationale: Finally, why now? Why did we do the Appnext transaction now? Could we have waited and seen their growth trend line continuing for a bit longer? Let me give you the thesis on that. Over past three years of our courtship period with Appnext since they first launched the app recommendation platform in Mobile World Congress in 2017, we have been evaluating this company closely. We evaluated how they have grown in the ecosystem with OEMs and how long-term are their contracts with the top OEMs. Very significantly, their contract with one of the largest OEM was renewed for five years in March 2020 and that is when we started realizing that this is the right time. I know there is an ongoing COVID situation but this company will now achieve sustainable growth predictably. It has reached a point where I can also tell you that in Q2 FY2021 i.e. July-August-September, it will break-even and start contributing to our bottom-line performance also.

In H2 of this financial year, I am expecting to get 8% to 10% PAT contribution from the Appnext business on a standalone basis for the ten months of contribution, incremental to the overall growth momentum. This is a key factor that made us realize that we should acquire it now before it turns profitable. We should acquire it now before it scales more on a global level with OEMs and also in the context of COVID where the value that we will generate from the deal for our shareholders would be much better. So, overall the long-term thesis as well as why we did the transaction now after having evaluated it for three years is very clear. We have gone in with a lot of conviction and confidence and done this transaction.

Deal Structure: In terms of the structure of the deal, we have acquired 100% of the IP, the platform with immediate effect and we have acquired 66.67% of equity ownership in the entity Appnext Singapore with immediate effect. We have a clear agreement to own the remaining 33.33% in the next 3-5 years, directly linked to how Appnext achieves certain growth goals and targets together with us. I am also happy to tell you that whatever we will pay them at the end of third year or fifth year will be almost funded from the profits and cash flows we will generate from the Appnext business in the next 3-5 years. So the long-term alignment with the team and the bottom-line sensibility around this transaction has been completely taken care of in the way this deal has been structured.

Now, i would like to take your questions and request Kapil to help answer them.

Moderator: Thank you very much. We will now begin the question and answer session.

Ashwin Mehta: While the question queue assembles, I will take the first question. What are the key determinants of the OEM relationship and what factors OEMs look at when they partner with someone like an Appnext? Secondly, if you can provide some details in terms of the cost side of the equation. How does this differ versus the inventory and data cost that we typically have in Affle?

Anuj Khanna Sohum: Thanks Ashwin for that question. For OEMs, the first and most important thing is selling more of the devices to consumers and growing their market share in terms of how many smartphones they sell in different markets. This is very important to them. In that context, it is also important to them that whatever technology integrations they are doing on-device or changing the consumer experience on-device, should clearly be a consumer acceptable service. Something that the consumers should like and accept. I will give you a quick analogy to help visualize this. We are used to recommendations as consumers. If you are using an e-commerce app, based on your previous behaviour the e-commerce app will also recommend certain products. If you are using an OTT/entertainment app, you will be recommended certain content. If you are using an app store, you will be recommended the top apps or the relevant apps. Now these are personalized recommendation and consumers accept that. So the OEMs are seeing that the device is not just about connecting and calling people but device is where the bulk of the time is spent on apps. Therefore the apps are being recommended in the device as a service to the consumer at several touch points. The OEM partner is looking at which is the best recommendation platform that will provide the right quality of consumer experience to the users. Now Appnext has found great success in it because there are not many other recommendation platforms that have disproportionately focused on delivering scalable recommendations of such nature in the OEM ecosystem. Having the OEM partners with over 70% market share of the handset shipments integrated, live and expanding in not just one market but globally is a clear credit to the Appnext platform.

Secondly, OEMs are also looking for monetization. Appnext has not only done a good job of building a scalable platform but also in bringing reasonable scale of monetization. Such scale of monetization where the amount of money being paid to the OEMs in this process is also making Appnext the largest monetization partner for the OEMs on this model. We had talks with all the OEM partners of

Appnext and they are very happy with coming together of Affle and Appnext. OEMs are seeing that with Affle they can get even greater volumes of potential recommendations and conversions and therefore higher monetization.

In terms of the business model, this is again something which makes us very confident. Because the OEMs are not seeing it like - if Appnext has served a recommendation, then it has to pay them. OEMs are seeing it as a service where we are enabling the service without charging them anything and therefore nothing is to be paid to OEMs for just serving a recommendation to the consumer. Rather paying the OEMs, only when a conversion happens. So if a consumer looks at a recommendation, clicks and goes deeper to a conversion where we make money from the advertiser, only then we have to pay the OEMs their share of the monetization. The inventory cost here is completely variable. I mean on the data cost side, of course we are paying some cloud computing cost because of processing such large volumes of recommendations whether paid or organic. But the actual monetization share that we pay to the OEMs is completely variable. If we make money we will pay them, if we do not make money, we do not pay them. But of course in a worst case scenario, if we do not make money then the OEM also do not make money and they will be wanting to figure out why are they then partnering with us. However, thankfully we are at the moment giving a strong service to the consumers and also giving good monetization to the OEMs recurrently. Since the OEM share is completely variable, so there is no risk or worry that the inventory & data cost will shoot up. The cost is largely in line with Affle's business model where for Affle, the inventory & data cost is largely contained in that range of about 60-65% of the revenue. In case of Appnext, because their CPCU rate is around 15% lower than Affle, so their margin profile is also a bit lower with their inventory & data about 65%. But together with Affle, we will add more use cases in value and further optimize as how Appnext is running this business. Because we have run the CPCU business much longer/stronger, we hope to bring them up to the same CPCU rate level of about Rs. 40 odd overtime. Therefore, help move Appnext business from 8% to 10% PAT contribution on a standalone basis that we expect this financial year from them to hopefully same level of bottom line performance in the next financial year, the way Affle runs its business.

Ashwin Mehta: Fair enough Sir. Neerav can we take the other questions in the queue?

Moderator: Thank you. The next question is from the line of Manish Poddar from Nippon Life India. Please go ahead.

Manish Poddar: Anuj, congrats on the acquisition. In terms of mode of payment for the acquisition, could you please explain, why are we going with the cash consideration mode compared to let us say the stock consideration mode?

Anuj Khanna Sohum: Kapil, I would request you to answer this question.

Kapil Bhutani: The rationale for deciding on the payment mode for the acquisition is that we value our equity much higher than the cash which we are paying. Second is, they also had a debt on the books which had to be cleared so the cash was needed by them for clearing the debt. The part consideration paid by Affle has been used by them to clear off the debt portion from their books.

Manish Poddar: How much is the debt on the books now, let us say after the acquisition?

Kapil Bhutani: So we are not taking any debt on the books. The existing debt will all be cleared from the consideration which Affle will pay.

Manish Poddar: The entire payment before Appnext, how much is Appnext debt before the acquisition that is why I am trying to gauge?

Kapil Bhutani: Close to about $12 million was their debt.

Manish Poddar: $12 million. Okay. Also, if I look at Appnext revenue from 2018 to 2019, there is a big shift but you are trying to say that it is not yet profitable at the PAT level. So was there an increase on the cost side also from FY2018 to FY2019, or is it largely because of the debt part?

Kapil Bhutani: Can you just repeat your question because your voice was cracking. I could not get the full question?

Kapil Bhutani: If you see the statutory disclosures, we have declared two line items. One is the business that we are acquiring and other is the total business Appnext had. The other portion of the business has been discontinued, so the cost was earlier being borne by the other part of the business which has been discontinued by the Appnext. So the entire cost could not be rationalized immediately because they were earning from two verticals and now they have discontinued one vertical and the second vertical has been taken over by us in this transaction.

Manish Poddar: So what is the EBITDA margin which you are now clocking for Appnext? That is all from my side. Thank you.

Kapil Bhutani: It will be in the single digits negative, single digits.

Manish Poddar: Negative single digit, okay thank you so much.

Moderator: Thank you. The next question is from the line of Rishit Parikh from Nomura. Please go ahead.

Rishit Parikh: Thanks for the opportunity and congrats on the good acquisition. Just couple of questions from my side. One, given Appnext's partnerships with OEMs, I assume that our access to data will materially improve compared to competitors given OEMs data will not be available to a large part of the competition. Right? Second, is there a base underlying contract with the OEMs which talks about percentage of monetization required from you to be continuing the business with them or it is more on an ad hoc basis?

Anuj Khanna Sohum: To the first question – Yes, it is about getting incremental deeper data insights on-device which is only possible through partnership with the OEMs. There is no other way of gaining that on-device intel. Before the user goes into the apps or after they come out of apps or searches on the device, there are so many touch points. Therefore, yes it is a competitive advantage not just in terms of data but also in terms of having a direct to consumer service powered through the OEMs. Taking second question on the monetization aspect, like I earlier said, the OEMs are looking at two clear aspects. Monetization is very important in any business model but it is also that it has to be a good service to the consumers. The monetization that we are already giving to the OEMs is of the highest orders. Appnext is already the number one monetization partner for the key OEMs at this point in time with respect to the app recommendations and the connected service to the consumers. The understanding there is that we will make a fair share of our revenue and they will be given a fair share on what we calculate as effective CPMs (eCPM). eCPM is dynamically looked at how many ads sponsored recommendations were actually served and on the sponsor recommendations what we get and what is it that we will pay to them if and when we get that monetization for the daily active users. So there is no minimum number that is promised in the contracts that Affle and Appnext have to deliver eg: no minimum X amount of monetization is defined in the contracts. Contracts are fairly long term like I said the largest contract is already renewed for five years and it is global not specific to a particular geography. It is already clearly communicated by the OEM's that they are very happy with what we are doing and they are also thinking about it as an ecosystem play. Even advertisers are saying they want to advertise across the OEMs ecosystem. When Appnext and Affle go into the market, we are able to deliver a much larger base and the OEM's have a collaborative perspective with each other. If we have one OEM who is working with Affle, the chances of having other OEM's also working deeply with us increases and enables big scalable access across devices. We are consolidating the market and playing at an ecosystem level with the OEMs as the OEMs as this is the main recurrent monetization model for them. Like the Google apps or the android ecosystem is largely controlled by Google. So OEM's are now finding some more voice in this part of the play with the recurrent monetization from the consumer. We are playing a key part in enabling this ecosystem and I believe we have a strong defensible position for the long term.

Rishit Parikh: Perfect. Further, if I look at the previous acquisitions, comparatively Mediasmart and Appnext are more stable, mature businesses and in fairly different segments. Affle now is operating 3-4 business lines which are running in different directions where the growth could be materially faster. So just want to understand how are we looking to expand all these businesses? If you could give a broad context around the place and ensure what is the strategy call for that?

Anuj Khanna Sohum: The way to look at our business is that we are the consumer marketing platform which is powered by our CPCU business model. Most of our platforms comprise of three use cases: 1. new user acquisition, 2. re-engagement and 3. online to offline. When we go to an advertiser on the CPCU business, we are able to cover 360º budgets of the advertisers. This is our first/primary business model. The second business model, what we have been talking about for last 1 year is SaaS and PaaS. That is Software as a Service or Platform as a Service where we would license our tech to certain partners in the ecosystem and charge them one time or recurrent long term licensing for our platform. And the third business model and the smallest one is the enterprise business model which is more project based. These are the three key business models. When we look at the Mediasmart acquisition, the goal there is very clearly a self-serve demand side platform for the agencies and the advertisers covering omnichannel connected devices. The connected devices approach is becoming an important play for us in developed geographies. That is our growth focus for developed geographies leveraging Mediasmart complete product suite and platform reach across devices, households and connected TVs. That is the road map for Mediasmart. In terms of the other acquisitions, RevX is lot more powering the CPCU re-targeting use case. Vizury is our marketing automation SaaS and PaaS related business case. And now with Appnext, it is clearly opening the user acquisition, with consolidation in India and Southeast Asia, as 55% of their revenue comes from India and another 15% from Southeast Asia. So 70% of Appnext revenue is in our home ground markets and we are consolidating that in a completely incremental fashion gaining much deeper market share. The growth plans and the strategy for us in Affle2.0 is very clear. First and foremost, sustainable market leadership in India, Southeast Asia and that I think we are already well on track to achieve. Secondly, growing it globally across developed markets as well and entering new markets with the right products which are also self-serve and do not require heavy selling or on-ground presence thus using platform as a service to enable our business. Overall, the foundational blocks for Affle2.0 are fully laid out. The only missing link that we are still working on and we think we will complete that within this year is to go deeper in India with more vernacular innovations. Today, we are let us say covering over 600 million connected devices in India. The next 300-400 million connected devices users that will come on board will be deeply vernacular users. That is an area we will also be looking to strengthen - either through some minority strategic investment therefore gaining access into that realm or organically building propositions. Hence, Affle2.0 foundation is reasonably complete and now it is about building consistent growth and execution. I am pretty confident that our team will do a really good job overall.

Rishit Parikh: Thank you.

Moderator: Thank you. Next question is from the line of Varun Goenka from Nippon India Mutual Fund. Please go ahead.

Varun Goenka: Good morning and thank you for the opportunity. Very clear and concise opening remarks as always. Sounds like a good opportunity that we have taken up. So, what could you be the considerations for Appnext to sell out to you and how is the management team in terms of their equity ownership in the company post this transaction?

Anuj Khanna Sohum: In the case of Appnext, the entrepreneurs or the co-founders are based out of Tel Aviv, Israel. Their tech team is based as a services unit there. Their India monetization ad sales and ops team is in Bengaluru. Their Indonesia team is based in Jakarta and it is a small closely collaborative and entrepreneurial team of over 40 people. So, in terms of size of operations it is not complicated and complex for us to integrate and lead. All the team members are continuing with long term alignment. As mentioned earlier, the 3-5 year earn out based structure of the remaining shares has been carefully planned. This is to ensure that their alignment is not just revenue growth but also the bottom-line growth has been factored in. Let us say that 100% of the company belonged to the founders of the Company. Around 50% with one founder was a financial founder who was providing the necessary debt capital but is also seen as a strategic founder within the team. And 50% by the Executive Founders - CEO and the CTO that is Elad and Eran respectively. Both of the Executive Founders are continuing with earn out models and the remaining 33.33% has to be paid at the end of the 3-5 years. This makes sure that they have enough skin in the game as entrepreneurs to make their wealth because the first part of the transaction has largely gone to pay off the debts. Also, even for the $17.25 million, it has to be paid over the 12 months. We are not paying all amounts upfront. In the first year, there is alignment to release the pressure they had to repay the debts. But going forward, the real wealth creation for the founders would only happen towards the end of the third year and fifth year. I am reasonably convinced that we/they are aligned. Now why would they want to do it besides financial parameters. Running the business remotely from Israel, with almost 70% revenue coming from India and Southeast Asia combined is going to get more difficult and running it remotely from Tel Aviv for them means travelling to India every month and it is going to be harder given the COVID situation. With Affle it is going to be a strong competitive force. So, either they combine with Affle or Affle would need to build stronger push for market share in the OEM space. For us, it was a build versus buy position and they wanted to join forces for their long-term wealth creation as well as meet any immediate financial obligations. I believe it is a win-win deal and makes a lot of sense. We are very spirited and passionate about it and therefore we are treating each other as all founders in the Affle 2.0 journey. Affle 2.0 is not just a strategy for the long term but rather a collaborative journey for all the 340+ Afflers today around the world. Building that sense of ownership belonging both emotionally, entrepreneurially as well as linking it to financial sensible earn outs for the period has been fully taken care of. I am reasonably confident that we know how to run this business together with the team. Our team is stronger than ever before because all the entrepreneurs are very credible and also very long term minded. They have already been running this company for 8 years and they have gone through tough decisions. They have successfully pivoted to the recommendations platform and have scaled at our home ground markets of India and Southeast Asia so well. I am very happy that we have on-boarded them and aligned ourselves for the long term.

Varun Goenka: Thank you.

Moderator: Thank you. Next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Thank you for this call. Just to get some basic understanding on the android apps, to conclude by the Google and the Apple controlling its own app store. So where exactly is the app recommendation shown by the OEM guide which is not including the android app?

Anuj Khanna Sohum: Thanks for that question. I will talk through the consumers' journey of experiencing our recommendations on the device. After you buy a new phone, you can either go to the app store to download the apps which could be the Google play store or the OEMs app stores on the device. With app recommendations we channel the consumers to go to the OEM app stores by creating these app recommendations on the device eg: the -1 screen or within certain folders. Now when the user clicks on the app recommendations we lead them to the OEM app stores or other app stores as agreed with the OEMs. Once they go to the OEM app stores, we are actually building the eco-system play for the OEMs now have at least some traffic which is moving from Google's control to the OEM control. So that is one strategic play for the OEMs and in doing so because of the ads as sponsored recommendations, they also make recurring monetization. The user experience of an app recommendation could happen at the launch of device, launch of app store or folders or the browser on the device and such OEM integrations would enable apps recommendations powered by our platform. There are multiple touch points – 20+ different touch points in a device where these recommendations would surface as a service to the consumers. So far the OEMs adoption and feedback is favourable and the consumers are also finding it to be an acceptable consumer experience. While OEMs are mostly on android platform, they are also getting a reasonable volume of app discovery business through sponsored recommendations from advertisers through us.

Dheeresh Pathak: If my understanding is correct, the revenue of Appnext used to be much higher, then it came down and now it has went up again. Can you just explain that what happened in that phase?

Anuj Khanna Sohum: Though the company has been around for over eight years but they launched app recommendation platform business in 2017 only. They started seeing material scale up in 2018-2019 and now in 2020 (post acquisition) we are expecting that in this coming quarter they should break even and have some bottom line contributions going forward. The earlier business that they were doing prior to 2017, they were trimming it down systematically to make sure that their entire team is focused on the app recommendation business. They were not finding their other vertical profitable. They have closed the other vertical down at least as far as our due diligence report goes their other business was almost as of the last quarter and the current April and May period. They have also contractually signed that they will not be doing any other business but just this app recommendation business going forward. Therefore, the carved out result of what we are buying should be looked at and the three years carved out revenues for that business has been detailed out in our statutory disclosure.

Dheeresh Pathak: What is that they were doing earlier and not doing now?

Anuj Khanna Sohum: That was the ad network kind of online marketplace for advertisers and sellers to come on board. A lot of that business was happening through lower quality publishers (some based in China) and there was the issue of non-human robotic traffic and so on. They did not have full control to filter out the fraud and there were a lot of complications in that business. They were finding it difficult to scale up profitably and therefore pivoted the focus fully on the OEM and app recommendation platform with quality access to inventory on device and working with advertisers to scale that instead. The biggest markets for OEMs were India and Southeast Asia, and the deals must have been structured, to roll out their recommendations platform first in these markets. That is how they managed to find scale here. But in the other business they were not finding enough control on how to manage it in an honorable fashion and they took the tough decision to trim it down completely.

Dheeresh Pathak: In this business when you report individually the CPCU of Rs.30 to Rs.35, then in the inventory and data cost will you show us the share of the money that you will pay out to the OEMs?

Anuj Khanna Sohum: That is correct. There are two ways of looking at it 1) let us see how the results move from here because in June we are already doing some optimizations with them to bring the CPCU rate higher. We need to optimize higher volumes while making sure the OEM's are still making their eCPMs and the absolute numbers and volumes must grow for OEMs also. So all those optimizations are still underway. But whether you look at it on the consolidated basis and on a split basis, you will basically be modeling it on number of conversions and CPCU and that is the overall revenue.

Dheeresh Pathak: Is that similar to what you do currently in Affle?

Anuj Khanna Sohum: That is correct. It is similar. Like I said that Appnext's CPCU rate is around 15% lower than Affle's CPCU rate. So consequently their margins are also around 10%-15% lower.

Dheeresh Pathak: One last question in terms of client concentration. Would you just explain about what you mentioned that they recently had the contract renewed? So who would be their largest client and that would be what percentage of the revenue? From an OEM investor.

Anuj Khanna Sohum: Correct. From inventory & data cost side, I do not yet have the permission of our Board to name OEMs but one could reasonably estimate since they have the largest handset share of the new handsets that are being shipped in India and also globally at this moment. So they have renewed the contract for five years and your question in particular was how much is their share of Appnext business and the answer is about 40% to 50% share. But with that can I just also clarify that is also the longest relationship. Also, with other OEMs integrations scaling up for Affle overall, I do not see a major concentration risk. Of course, there are only 5-6 top handset manufacturers and you may see some concentration in line with the industry level. But overall if you look at Affle's total consolidated business, let us say data and inventory cost about less than 15% goes towards Google and Facebook and related platforms and the remaining 85% is the long tail of publishers. Now going forward, you would see that less than 15% will be Google and Facebook, around 20%+ will be OEMs and the long tail would be 50% to 60%. So overall for Affle, it will not be such a concentration but for the Appnext business unit of course the OEMs will have the dominant share, with possibly 90% supply focus of inventory and data costs would go towards OEMs.

Dheeresh Pathak: Thank you.

Moderator: Thank you. Next question is from the line of Mayank Babla from Dalal & Broacha Stock Broking. Please go ahead.

Mayank Babla: Thank you for taking my question Anuj and congratulations on the acquisition. You have already given a fair commentary on the realizations. But just wanted your view that in the future can we bring these realizations, the CPCU to Affle's level over the next two to three years?

Anuj Khanna Sohum: Yes, my endeavor would definitely be to bring to it to Affle's levels within the first year or the first year and a half. Given we are already in the month of June so let us say by first, second quarter of next financial year we should find them operating at similar levels. Because the quality of their business is at par and there is no reason why one should be pricing it lesser.

Mayank Babla: The 25% growth that you mentioned would be an equal contribution from volume and realization? Can we assume that?

Anuj Khanna Sohum: I would not split it like that. But modeling the minimum growth goals of 25% on Affle's business overall as well as on the Appnext business is a fair.. Largely the growth will happen on long term basis on conversions, on volumes because there is lot more to be done and there really is a lot of room and headway for growth. Affle is already at 600 million connected devices in India and Appnext is just over 100 million connected devices in India at the moment. So, there is a lot of head room for growth and 25% CAGR is something that I would like to commit towards.

Mayank Babla: Sir just last question. Wanted that clarity that you said 8% to 10% is the net margin level that can be achieved by the end of this year or it was a contribution to the net profit?

Anuj Khanna Sohum: No, I was talking about it from the lens that we only acquire businesses that reach at least break-even level otherwise Affle would not buy them. We do not want any business to pull our bottom-line down. At least they should add to it, and if not, they should at least break-even and we look at it strategically for the long-term. So in terms of Appnext business, in the quarter of July, August, September, we will make them break-even and start contributing meaningfully in the H2 FY2021. The bottom-line resultant in the ten months period that will be reported for Appnext together with Affle's numbers should be 8% to 10% bottom-line contribution from the Appnext business on a standalone basis. Overall, contribution to bottom line would not be very large.

Mayank Babla: Understood. Thank you for the clarity.

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

Rahul Jain: First of all congratulations on the large acquisition. My question is what is the evaluation criteria for OEM to partner with players such as Appnext? Is this the exclusive relationship once we enter into it? You said five year contract is the typical duration, right? Also, is it handset specific or it is at the cohort level for that particular OEM for some period?

Anuj Khanna Sohum: The relationship is at an ecosystem level. Appnext would never sign any exclusive mandate with any particular OEM saying that this innovation of Affle and Appnext will only be available on one OEM or the other. The OEMs have been quite collaborative with each other in terms of making sure that there is a consistent proposition going out to the advertisers. That is where the advertisers can spend on OEMs through Appnext and Affle in an overall product consistent fashion so we have the same kind of proposition going to all the OEMs and we are working for them on this basis. I did answer about their selection criteria. There are not too many companies that can provide A) the service for app recommendations and B) meaningful monetization that would make the needle move for the OEMs. Affle and Appnext are in a very strong position to offer not just a great technology platform which is consumer acceptable (also patent pending) but also provide meaningful monetization. We should be able to not just run the business with the OEMs for the long-term but also meaningfully renew and go deeper within them as more opportunity surface.

Also I would like to add one more context to this. Most of the large OEMs in India and also around the world are either from China or Korea. So, for them to have a local partner in India, Southeast Asia or even in Europe is very important to enable the monetization and the OEMs may not want to go to the advertisers to seek the business directly beyond a point. There could also be political connotations and therefore having a local/neutral partner is preferred. So OEMs are also happy with Affle/Appnext front ending it because we have deep local presence in India, Southeast Asia and now with Mediasmart even in Europe. The OEMs a neutral party going out and representing this monetization opportunity to the advertisers community and enabling this ecosystem.

Rahul Jain: Right. Sir, actually my question was exclusivity from the end of the OEM side. If they partner Appnext for five years, can they not have two people working at different point of time? Does it has to be exclusive for that period?

Anuj Khanna Sohum: The agreements are not wired like that. If we are the largest contributor to them, there is obviously some dependence that is getting created as well as the advertisers demand. Whoever has the demand side lock in will win and for us being market leaders on that front in the CPCU format of the business is a very differentiated proposition. Therefore, it makes lot of sense for the OEMs to continue to stay loyal/committed with us. Having said that there is some merit to this conversation as there is no contractual exclusivity. But on certain touch points on the device for example we would make sure that it is our recommendation platform because otherwise the service to the consumers can become fairly confused. Like as a user when you go and do a search on Google, it does not mix search results of two different algorithms, so it does not make sense fundamentally for OEMs to work with multiple recommendation algorithms on one device. But contractually that is the risk that they could engage with multiple partners but at the moment practically on-ground I do not see that as a significant threat or risk for us.

Rahul Jain: Got it. Just last one from my side, when we say that we expect them to turn profitable while most of their teams are getting on board. So is it the revenue run rate that has already shot up in the current fiscal which is giving us this confidence because I assume OEM base could have gone up an inch strong in this environment also?

Anuj Khanna Sohum: If you look at last financial year, Appnext recommendations platform business was about $10.3 million. Expecting it to grow 25% on an annualized run rate basis minimally so that should be making them not just breakeven but also contribute to the bottom line going forward. That is how we are looking at it and pretty confident that we are on the right track. Because even for Affle we can bring incremental monetization and sales because Appnext team is small and we will bring incremental monetization through our advertisers and we will capture more market share of the advertiser's budgets. Like I previously mentioned, the budgets for in-app advertising is incremental from the budget that they use for OEMs. We will not only grow our side of the business but also take incremental budgets from the current advertisers and win the new advertisers.

Rahul Jain: Thank you. Best wishes for the time ahead.

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

Anuj Khanna Sohum: We have discussed almost all the things at least once in the commentary as well as the Q&A. My confidence in the strength of our team, our platforms and now the strength of the ecosystem partnerships that we have enabled together with the OEMs is stronger than ever before. I am extremely satisfied as a CEO of the

Company seeing the plans for Affle2.0 and the spirit and the mindset with which Affle has operated in tough times. During the lockdown phase when the teams are working from home, and multiple ways organizations could have been impacted, rather Affle has become stronger, wiser and even more bottom-line sensible and therefore we could make significant financial decisions with respect to the acquisitions. I strongly believe that the investors will find long-term value in what we are executing and we will be building the company sensibly, one step at a time. Thanks for being on the call today.

Moderator: Thank you very much. On behalf of Ambit Capital Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

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