



Affle 3i Limited

Q2 & H1 FY2026 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. Ashwin Mehta - Ambit Capital

This transcript has been edited to improve the readability

Moderator: Ladies and gentlemen, good day and welcome to the Affle 3i Limited Q2 & H1 FY2026 Earnings Conference Call, 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 Sir!

Ashwin Mehta: Thank you, Danish. Good morning, everyone. On behalf of Ambit Capital, we welcome you all to Q2 and H1 FY2026 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 Mr. Kapil Bhutani, who is the Chief Financial and Operations Officer of the company.

Before we begin with the discussion, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve some risks and uncertainties. Kindly refer to Slide 25 of the company's earnings presentation for a detailed disclaimer.

I will hand it over to Mr. Anuj Khanna Sohum for his opening remarks. Thanks, and over to you, Anuj.

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

H1 FY2026 was a transformational period for us as we continued to progress on our Affle 3i vision with the goal to deliver 10X decadal growth. We outperformed both H1 as well as H2 of the previous year and are continuing to build on this momentum in FY2026.

In Q2 FY2026, we exceeded all our performance benchmarks to record our highest-ever quarterly Revenue, EBITDA, PAT and conversions. We delivered revenue of INR 6,467 million, a growth of 19.1% y-o-y. Our focused execution on higher productivity and continuous innovations enabled us to achieve EBITDA of INR 1,461 million, a growth of 28.9% y-o-y and 172 basis points EBITDA margin expansion on a y-o-y basis. Notably, it marked our 6th consecutive quarter of sequential margin expansion and it resulted in 33.5%

y-o-y growth in our PBT from Operations (excluding the Other Income). We achieved highest-ever PAT of INR 1,105 million, a growth of 20.1% y-o-y.

In terms of our CPCU business, we continue to operate from a position of strength both strategically and operationally. Our CPCU business drove 109 million conversions at a CPCU rate of INR 58.0 and we earned CPCU revenue of INR 6,319 million.

Beyond the numbers, we are inspired by the way we are achieving this growth, powered by innovation, intelligence and measurable impact for the advertisers globally. Over the last few quarters, we have deepened the role of AI across our systems and operations. Our investments in intelligent technologies are scaling well with the recent launch and integration of Niko into our unified Consumer Platform Stack.

Niko is our specialized AI agentic capability designed to automate and drive ROI-driven growth advertising for marketers across the iOS ecosystem. Together with OpticksAI, our GenAI-powered creative engine, Niko adds a new dimension to how we advance AI automation and enhance efficiency of the mobile marketing ecosystem.

We continue to demonstrate strength across our markets. India and Global Emerging Markets together contributed 73.9% to our revenue and grew by 20.0% y-o-y. This growth was broad-based across our industry verticals, supported by strong pickup in digital ad spends due to the early festive season in India. The market tailwinds remain intact, reaffirming our positive outlook for sustained growth momentum.

Our Developed Markets also delivered a resilient performance, growing 16.8% y-o-y and contributing 26.1% to our revenue. The growth was driven by deeper customer engagements and a steady expansion in new account additions, reflecting the effectiveness of our localised sales execution. While the overall trajectory remains positive, we saw a risk managed rollover of budgets from Q2 to the festive Q3 from a few customers in the US. We have a robust engagement pipeline for Q3 and we continue to unlock new avenues for expansion to strengthen our position as a privacy compliant, trusted and results-driven platform.

We were granted two new patents in US expanding our IP portfolio to 16 granted patents till date. The first patent titled "Method and system to encode user visibility count", leverages probabilistic encoding and

algorithmic functions to estimate Ads exposure frequency, thus optimising computing requirements and improving user engagement rates. The second patent titled ““Method and System for Hardware and Software Based User Identification for Advertisement Fraud Detection”, enhances our fraud detection capabilities by analyzing plurality of hardware and software-level data in real time across connected devices. Together, these patents and our tech innovations continue to enhance our competitive moat and ability to deliver quality user conversions and measurable value for advertisers globally.

This quarter, we featured 3 customer approved case studies in our earnings presentation. The first case study highlights our full-funnel user engagement strategy for High-LTV new and existing user conversions for Fintech in India. The second highlights our capabilities in scaling the impact of CTV ads with mobile engagement and drive ROAS via cross-screen conversions for ecommerce in US. The third focuses on our multi-placement strategy with dynamic optimisations that significantly boosted purchases for a large omnichannel retail brand in Latam.

Affle continues to be recognized as a technology thought leader in the industry. Our platform was ranked as the fastest-growing and the second highest gainer in overall market share, ahead of several large global tech companies, in Singular’s Q3 2025 trend report. We also received multiple accolades for our advancements in AI-driven marketing, automation and hyper-contextual creative intelligence at ET DigiPlus awards 2025. Additionally, we were honoured with the ‘Most effective use of AI & ML’ and ‘Proximity campaign of the year’ awards at e4m IDMA 2025, along with many other recognitions across leading industry forums.

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

Kapil Bhutani:

Thank you Anuj. Wishing everyone a good day and hope all of you are keeping safe and well.

We continued our positive growth trajectory of the previous quarters, as it marked our 10th consecutive quarter of sequential topline & EBITDA growth and 6th consecutive quarter of EBITDA margin expansion.

Beginning with highlights of our key performance metrics on a consolidated basis – We delivered y-o-y growth of 19.1% in our Revenue from operations,

28.9% growth in EBITDA, 33.5% growth in PBT from Operations (excluding the Other Income), and 20.1% growth in PAT. This was driven by broad-based momentum across industry verticals and markets, further supported by early onset of the festive season in India.

We concluded Q2 FY2026 at a consolidated revenue of INR 6,467 million, delivering a sequential growth of 4.2%. In H1 FY2026, we recorded revenue of INR 12,675 million and it was a balanced performance across the two quarters.

On a standalone basis, India revenue grew by 24.8% y-o-y and 10.5% q-o-q, while on an adjusted basis, the growth stood at 26.3% y-o-y marked by allocation of budgets in Q2 for the festive season this year.

We continue to enhance productivity by scaling our platform operations and strengthening Affle AI capabilities. These initiatives, combined with sustainable revenue growth, have significantly strengthened our operating fundamentals.

As a result, EBITDA for the quarter stood at INR 1,461 million, an increase of 4.6% sequentially. We achieved an EBITDA margin of 22.6%. In H1 FY2026, our EBITDA increased by 31.2% y-o-y, as we achieved INR 2,858 million. EBITDA margin stood at 22.6%.

On Opex, our Inventory and Data Cost stood at 61.2% of revenue from operations and it was broadly in line with our past quarterly trends.

Employee costs increased by 3.7% sequentially, which was lower than our topline growth, as we continued to invest in intelligent automation aimed at enhancing overall productivity.

Other expenses stood at 6.4% of our revenues, declining by INR 7.4 million on a sequential basis and almost same on a y-o-y basis. Even with the increase in additional provisions for trade receivables from Real Money Gaming (RMG) clients in India, the normalization in other expenses is attributed to the other discretionary and miscellaneous expense categories, including that of marketing & business promotion activities.

We achieved a Profit Before Tax (PBT) of INR 1,353 million, reflecting a growth of 19.2% y-o-y and 4.8% q-o-q. Our underlying growth for both Q1 and Q2 is even stronger, if you exclude the other income and evaluate our core operating performance.

Our Profit After Tax for the quarter was INR 1,105 million, marking an increase of 20.1% y-o-y and 4.8% q-o-q. Our PAT margin improved to 16.5% of the Total revenue, up from 16.1% in Q2 last year. Our PAT increased by 21.0% in H1 FY2026 with a margin expansion of 53 basis points.

We continue to prioritize efficient working capital management and as such there were no material changes in the collection risk for all other verticals excepting the RMG vertical in India.

Our disciplined financial management, supported by a healthy balance sheet and robust operating cash flows, provides a strong foundation for capturing emerging opportunities and driving sustainable growth through FY2026 and beyond.

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

Moderator: Thank you, sir. We will now begin with the question and answer session.

Ashwin Mehta: Anuj congrats on a steady performance. Despite the fact that we had the Real Money Gaming (RMG) issues this quarter, we saw almost 25% growth in India. I wanted to get a sense in terms of what was the impact of the RMG issue? Are there any residual impacts left? What was the offset in terms of driving such a strong growth? Secondly, given that this time Diwali was a little earlier, so any early signs in terms of how the festive demand is shaping up?

Anuj Khanna Sohum: The RMG issue did impact in this quarter, but that was offset by better and early demand because of Diwali being early this time. We saw a lot of the advertisers increasing their campaign budget spending earlier in the month of September. We saw a benefit from that and it neutralized the impact of the RMG issue for the last quarter.

Of course, there will be some carry-forward effect because the RMG issue continues now into this quarter as well. Having said that, given the fact that the festive budgets came in a bit earlier, we saw a more resilient growth performance in line with our expectations for the Indian market. Overall, we had a steady outcome.

We are fairly confident that we should have a reasonably good quarter in Q3, given the fact that we already have in hand all the pipeline of the budgets for the festive quarter.

We are keeping a clean and carefully calibrated check on any impact of RMG, which was already known through the last quarter. We have upped our sales efforts and pipelines in other verticals. Hence, we should be all right. But yes, there is some impact of the RMG issue, which is known to all of us.

Ashwin Mehta: Sure, Anuj. One question on the developed market side, you did talk about some rollover of the budgets from Q2 to Q3. What exactly are we seeing there? Any impact of the tariff or the uncertainty that's been there around the Trump tariffs, their policies or demand in the developed market? How are we seeing that shape up?

Anuj Khanna Sohum: For us, we haven't seen any reduction in budgets due to any tariff issues at the moment. What we have seen though, is that some of the advertisers were more careful and they wanted to increase their budgets in Q3, which is a festive quarter versus spending more during the previous quarter (Q2) because of the uncertainty around tariffs. They didn't reduce the budgets, but they did typical optimization. Instead of spending it in September quarter, they are looking to spend a bit more in December quarter.

In Q3, our pipeline for developed markets is resilient and stronger versus the last quarter. The festive quarter in developed markets should be stronger than what we have seen in Q2. We are seeing some of the budgets moving there, but that's more of risk-managed calibration of some of the marketing budgets being planned by the advertising teams of our customers.

Moderator: Our next question comes from the line of Deep Shah from B&K Securities.

Deep Shah: The first question is on the revenue split. After, I think, about 7 quarters, we have seen non-CPCU revenue again at roughly INR 15 crores. Is this a one-time project or did a client want something non-CPCU? Because directionally, we have been focusing only on the CPCU side. Some clarity here could be useful.

Anuj Khanna Sohum: That's correct. CPCU is the anchoring segment that we are pushing for and non-CPCU is anything that is outside a conversion-driven campaign. There could be instances where we would do certain licensing deals with certain customers. There would be cases where we are doing a branding campaign where the customer is not necessarily yet graduated to sharing deeper conversion funnel details. There could also be instances where we onboard a customer, an agency or a partner to come on to our platforms, using licensing

or branding campaign methodologies. Even there, our goal is clearly to transform them going forward into CPCU business.

You can think of it as a feeding mechanism. Some of the customers would come in, in a certain form, in a non-CPCU format. But we are always graduating them upwards, doing deeper tech integrations with them to get them to the CPCU format. As you would note in the CTV case studies, even if it is a branding campaign where we are showing ads on a larger screen, we are able to link it back to mobile and drive conversions from it. We have the capability today to go to our customers and get branding budgets for them, but then transform that into a performance CPCU kind of metrics.

In certain instances, it would be a scenario where for certain customers, it may take a bit longer and therefore, it starts as a non-CPCU and then hopefully graduates into a CPCU format as we do deeper integrations and make them more comfortable with that.

Deep Shah:

Perfect. This is useful. The second question is for Kapil. We have seen now 6-7 quarters of margin improvements. This time also, we have seen some improvement despite some provisions that we would had to take. So, 2 sub-parts here. First, if you could quantify if that's material enough or if you could quantify the provisioning?

Secondly, what part of it do you think is actually due to operating leverage, because we also saw some cost rationalization that you spoke about in the opening remarks? Is all of that sustainable? Is it all operationally driven? If you could give some idea around this, it will be helpful.

Kapil Bhutani:

The additional provisioning effect can be quantified as close to about 0.5% of our Revenue from operations (*this statement has been corrected to address an inadvertent error made during the earnings call*), which is an additional provision for the RMG collections and has been reviewed by our statutory auditors. Based on the current assessment, it will be an ongoing assessment in the next quarter as well. With regards to the operational efficiencies, we have been spending on marketing efforts for the last 4 quarters on a regular basis and we have taken a certain pause on our marketing and activities for this quarter.

With regards to other efficiencies, we have not increased the number of employees. But certain employees this quarter have earned their variables this quarter, so you saw an increase. But otherwise, we are not increasing

our Opex and the margin at these levels should be sustainable for the medium term.

Moderator: Our next question comes from the line of Arun Prasath from Aventus Spark.

Arun Prasath: I think we have now been fairly delivering consistent growth of roughly 20%, which is aligned with our long-term projections. Is there still a case for going after some of the other businesses, which may not be as profitable as at the current margins, but maybe by diluting some margins, we can deliver better growth? Thereby, the margins might be lower, but overall, that will deliver better value to the shareholders. Is there any case for us to go for this?

Anuj Khanna Sohum: Arun, thanks for your question. It is definitely a resilient performance, giving approximately 20% growth on a y-o-y basis consistently. It is not just a growth in terms of the revenue numbers and we have always mentioned that we are a margin-sensitive, bottom-line aggressive company.

Even the targets for the sales teams or the business heads across all markets carry two functions: revenue growth, which is sales, as well as margin expansion. The whole organization is run in a certain fashion. To deviate from that to incentivize the team to go for slightly lower margin businesses or just get the numbers in, would be an unnecessary step to undertake at this moment.

We are seeing a sensible amount of growth coming from the higher profit pool, positioning ourselves as a premium platform, getting high lifetime value users, both new and existing user conversions for our customers. I believe that positioning is way more premium positioning and being able to say no to certain revenues, which are of a lower margin or a lower profile, augurs well with our competitive moat.

Are we leaving something behind on the table for other competitors to take up that business and challenge us in the future? We don't think so. On the contrary, when these advertisers graduate to say that, okay, we have got a certain base of users, now please help us to get to more premium or higher-value users, then they would necessarily come to us.

The positioning of our platform and our company as a premium platform for our advertisers is an important external message to our customers and profiling of our company. Internally as well, it builds organizational pride and alignment, that let's not just chase revenue growth, let's go very clear. We have to get revenue growth aggressively, but as long as we are getting about

20% y-o-y growth and we are able to then expand our margins, that is the right way to grow and the right way to build the company. We don't want to tamper with the organizational DNA at this moment. For the near term, you would see our focus would continue to be at this level of growth while doing consistent, sensible margin expansion.

Arun Prasath: Right, clear. Secondly, on the available cash, we spoke about inorganic or strategic acquisition and you also indicated that, as and when the time is right and the price is right, you will go for it. Do you feel that we still have a lot of opportunity on the table to utilize this cash and deploy, and take our business to the next level? Or do you feel that currently, you still want to wait and watch and the valuation is a bigger concern hence, you will wait for an opportune time? How should we look at your inorganic growth ambitions?

Anuj Khanna Sohum: We have maintained all along that we are a single cash-generating business unit, really focused on the consumer platform business. Even our acquisition approach has been largely expanding that particular business case rather than hedging or shifting into any other adjacencies. We have looked at both horizontal and vertical integration within the consumer platform ecosystem.

We have a pipeline or evaluation list of around 10 companies that we are actively evaluating at the investment committee level. We would necessarily look at the right timing, not only in the sense of valuation, but also in terms of where those target companies are in their journey. There are times when they are in the right mindset to become part of another company, and there are times when they are not.

We are assessing all of that for those 10 companies that are on our active evaluation list. That should tell you that there are sufficient M&A opportunities on an immediate basis into the mid-term future. We will be extremely selective and careful.

We did our last M&A about 2 years ago, so I think it's about time that we would be considering actively what we can pursue with the right valuation and the right kind of DNA match with our company in the next coming quarters. We will also be evaluating these opportunities over a mid-term basis because we see ourselves doing an acquisition maybe one a year or one every 2 years over a period of time. That's the kind of modus operandi for our company.

You can see the track record of how we have done M&As responsibly with a clear transformational thesis that if we are acquiring something, how will we transform it to a higher calibration of growth or higher margin profile. Those are the kind of elements that we are building our own conviction around.

Once we are convinced that we have the right valuation for a target company and that we can take over their operations sensibly, then we have a clear time-bound thesis on how we will transform that company into a more profitable or more valuable company than what we will acquire it for.

We are building that conviction around a few and we are actively assessing these opportunities. If anything matures and a deal were to happen, we will do the appropriate disclosures.

Arun Prasath: Just to be clear, all these 10 names that you have in the pipeline, which matches our DNA, which we like, probably valuation is what we are trying to fine-tune. Is it the right understanding?

Anuj Khanna Sohum: The right way to say it is that for these 10 potential targets, early evaluation is ongoing before we get into deeper details of what's happening internally in their business and what's the strength of their tech and so on. We are at an early level of diligence, and we can say that these target companies are in the courtship period.

The courtship period is where you are actively engaging with these candidates and evaluating them for a long period of time. It's not going to be the case where we met a company and we will do a transaction immediately. It's a prolonged process.

If you look at our past disclosures for any acquisition that we have done, we have always highlighted that we were engaging with all those companies for many years before reaching the term sheet or the conclusion of a transaction. Hence this is a long-drawn process. It is not a speed dating process that where you met someone and you quickly thought, let's just do a deal.

We try to get to know the companies rather deeply over a long, prolonged period of time. If we find the right valuation and timing, we will do the transaction. I wouldn't just say that it's pegged on valuation negotiation. There are many different aspects of evaluation.

Moderator: Our next question comes from the line of Swapnil Potdukhe from JM Financial Services Limited.

Swapnil Potdukhe: I have a couple of questions. The first one is on your depreciation and amortization. It seems that there was a sharp quarterly increase in your D&A. Can you help us understand why such a big increase was there this quarter? What is your accounting policy when it comes to capitalization of certain costs related to R&D?

Kapil Bhutani: If you see our Q2 results every year, you would see this historical trend. It's because certain portions of the newer tech get capitalized and put to use during the Q2 period. There is an incremental shift of work-in-progress to the actual capitalization. Thus, this quarter has a higher depreciation every year. It is in line with the trend.

With regards to our amortization policy, we have a 4-year amortization policy for the tech that has been capitalized. It is consistent. The capitalization is done by separate teams and identified in accordance with the accounting standards. Basically, the development efforts for developing the newer modules is capitalized. The research phase is not capitalized, nor are any technical feasibility efforts.

Swapnil Potdukhe: Got it. The second question is with respect to your growth guidance. Historically, we have been talking about 20% plus revenue growth. Now we have been slightly off for the last 3 quarters on that side.

I understand that there are going to be some one-offs here and there, so a slight bit off your number is okay. What I am trying to understand here is during the last 3-4 quarters, our growth was primarily led by developed markets, which in this quarter, was by Indian markets, possibly because of the early festivities this time around?

How confident are we of delivering 20% growth this year and possibly next year as well, given that the mix suggests that we are slightly moving towards a high-teens kind of growth rate gradually?

Kapil Bhutani: This year has been marked by 2 large events - one in India, of the RMG ban and the second is the US tariff uncertainty. Despite that, we have navigated well. Our 19% growth is close to our stated estimates.

We are confident that barring 1 or 2 quarters, we will be able to deliver the stated growth potential, which we have been consistently maintaining. With regards to move on the spending side, given the inflation risk in the developed markets currently, the budget allocation comes a little tighter based on uncertainties. However, there was a direct impact of the sudden

ban on RMG in India and that would take about a quarter or two to recover that loss of about 2.5% of our topline on a consolidated basis.

Swapnil Potdukhe: Does that mean that we are still maintaining that 20% guidance for FY2026? We are confident of delivering on it.

Kapil Bhutani: Our guidance has not been year to year. Our guidance has always been medium term.

Moderator: Our next question comes from the line of Rahul Jain from Dolat Capital.

Rahul Jain: I have 2 questions. Firstly, Anuj, we have seen some large DSP reporting lower CPMs. Are we seeing such a trend in our procurement? What is the potential leverage we might see in our inventory and data cost in the short to medium term?

Anuj Khanna Sohum: The way we look at our business is that we have the CPCU performance-driven value-based pricing business model versus the larger DSP that you are talking about, which is largely perhaps in the business of selling CPMs and taking some take-rate on top of that. Their business is to sell impressions and our business on the other hand, is to buy impressions in the market and sell conversions.

I have maintained all along that there's a significantly larger number of consumers on connected devices and the amount of time people are spending on connected devices leads to a huge volume of supply of impressions. Consequently, it is not a surprise that supply is increasing on digital and people's time on the devices are increasing so much that it is outpacing the growth in the advertising spend.

One could therefore see that the commodity or the raw material of our industry, the impressions, will become cheaper. But then, within those impressions, there will be more premium users, more premium devices, more premium placements. If you focus a lot more on iOS, higher-end touch points or higher-value consumers, then one would still be willing to pay a more premium CPM for that.

We are seeing consistent improvement in our ability to charge advertisers. If you see our trend, CPCU pricing has been increasing consistently ever since we have been reporting it as a public company.

I don't remember any quarter where our CPCU pricing would have seen any kind of a dip. It's a consistent movement upwards. Our volume of business is increasing with the advertisers. Our unit economics, or what we are charging per conversion, is also increasing consistently because we are able to demonstrate to our advertisers that in this ecosystem, we are delivering higher value users and higher value conversions to them and that we are a more premium platform.

In terms of our own margin profile and margin expansion, there are certain factors to it. One is in data and inventory cost, what efficiencies we can drive with our algorithms. Second is in terms of the overall scale-up opportunities where margin expansion would necessarily happen because we are a tech platform company and our Opex doesn't increase as much as our growth in the revenues. We don't necessarily have to add more people to support a greater volume of revenue. We are focused on enhanced AI-based productivity and a lot more automation.

Our goal is to continue to improve our pricing for our customers and give them higher value. In the process, if we pass some of that back on to the supply side by going more premium, that is helping us increase our competitive moat.

Rahul Jain: That's pretty helpful. Just one bit for Kapil. I think you mentioned that there was some moderation in business promotion expense. What was the quantum, if you could share? What's your annual plan on the same?

Kapil Bhutani: You can say that there was moderation of about USD 0.5 million on the business promotion expenses this quarter. *(this statement has been corrected to address an inadvertent error made during the earnings call).*

Rahul Jain: For the full year, what is the budget that we have for this segment?

Kapil Bhutani: On a full-year basis, the budget remains intact. This is the time period where you decide which events you are going to, which events you are sponsoring. At the moment, we believe that we had to take a pause for this quarter and put in the best foot forward for the next quarter, which is the festive season in the international market.

Moderator: Our next question comes from the line of Nishita Shanklesha from Sapphire Capital.

Nishita Shanklesha: I am analysing the company for the first time so I wanted to have a better understanding of the CPCU business model that you have. If you can explain it to me?

Anuj Khanna Sohum: If you look at the earnings presentation, you will find certain information points that will help you grasp that the CPCU business model. You would see that the math of our revenue is basically the number of conversions in millions times the average cost per converted user. CPCU is the cost per converted user. The 2 drivers of our CPCU business model are number of conversions and the average CPCU rate we can charge to an advertiser.

In terms of number of conversions, as a consumer platform company, we are looking at how many users are actually transacting users through their connected devices with the advertisers. In that universe of conversions, there will be new user conversions, existing user conversions, conversions where you show an ad to a user either on a CTV and drive a conversion on mobile or you show an ad on a mobile but drive a conversion event even in a physical offline location based on proximity campaigns. There could be 3 types of conversions. Those use cases are also defined in one of the earnings presentation slides. If you were to refer to that, it talks about new user conversions, repeat user conversions as well as online to offline conversions.

What is happening from a broad-based trend line, Nishita, for you to model this, is that the number of people who are now online is increasing. The number of connected devices is increasing. The average time spent on digital and online is increasing. The volume of transactions that consumers are doing online is increasing and the average price of those transactions is also increasing.

Consequently, in Q2, we delivered approximately 109 million conversions. Affle is able to command an average CPCU rate of about INR 58 per conversion across the board.

Our goal is to then tell the advertisers that these conversions are actually worth that much or even worth a lot more for the advertiser. Advertisers can derive value from that conversion over the lifetime of these users, and therefore, they are willing to pay us this amount and seeing a good value creation for them.

The CPCU business model is basically the highest level in terms of where you go to an advertiser and say that, hey, Mr. Advertiser, you don't have to pay

for showing your ads or the clicks on those ads, but you only pay us once we drive a deeper funnel conversion from this consumer on your own app or your own stores. We are helping the advertiser to see a lot more clarity in terms of return on investment. Hence they are investing an x amount with us.

In a way, Affle is stepping into a business model where, instead of cost plus pricing, we are charging on a per conversion basis / on completion of certain pre-defined milestones.

The question from Rahul was about a larger DSP selling at lower CPMs because their business is to bring advertisers on to their platform and make them buy impressions and pay for that. Our approach is different.

We are going to the advertiser and asking what is your KPI for conversions. We will work on the campaign on that basis. If we hit your KPI, you pay us. If we don't hit your KPI, you don't pay us. Affle is taking the risk of buying the impressions, running the campaigns, processing all the algorithms and data.

If we don't deliver on the KPI, we don't get paid. But if we deliver on the KPI, we get paid on a CPCU basis, which is a value-based pricing versus a cost plus pricing. So, in a short way, I have tried to explain to you and I have given you some references to our earnings presentation, if you can see those, and that will help you to tie this up.

Kapil Bhutani: Also, you may get in touch with our IR team for a short session.

Nishita Shanklesha: I had a follow-up question. In the existing user repeat conversion in the slide, that's the second way that you can generate revenue. Every time a user transacts, every time you get the CPM or every time that conversion rate is counted?

Anuj Khanna Sohum: How it works is that a campaign can be run for getting new users, which is market share expansion for an advertiser. There could also be scenarios where the advertiser has already converted the user through our platform for them, but the user may not be transacting enough with that advertiser.

Let's take an example, you have downloaded an app, you have registered and you have done your first purchase on that app. But then, somewhere along the way, you are doing many other things and you don't go back to that app as much. The advertiser knows you as an existing user but is not yet satisfied with the frequency or the average value of transactions that you are doing with them. They may come back with a campaign to our platform, saying

that, hey, could you get some repeat conversions from these existing users that you have already got for us?

Our company would then run the campaign and make sure that we drive some incremental conversions or repeat conversions. As we drive those conversions, we can earn revenue against that. That's how this approach works.

It goes through the full funnel, from a new user coming into the advertisers ecosystem to driving repeat conversions from those users to then not just driving conversions online, but getting users to also engage with the offline storefronts of these advertisers because in marketing, the most valuable user for an advertiser is one that buys from them not just once, but many times and also through many touch points.

The user who buys from an advertiser's own app is a valuable user. The same user, if they also buy the same advertiser's product from a marketplace like an e-commerce marketplace and that same user also goes into a physical mall and walks into the store of that advertiser and buys in a physical engagement, that kind of user is seen as the most loyal user for the advertiser to maximize the lifetime value. If we get this kind of users for the advertisers, we can command a much higher pricing.

Moderator: Our next question comes from the line of Lokesh Manik from Vallum Capital.

Lokesh Manik: Anuj, my question was on Niko acquisition and integration. You spoke about it briefly in your remarks. If you can please share little more details from perspective of whether it helps us in the back end in terms of optimization of cost and placements, or on the front end on the conversion side or from a perspective of geography, whether it helps us better in developed markets versus emerging markets. Also, is it capable of transitioning from iOS to Android? Is it possible that we do something on Android in the future? Please provide a little more detail on that since it was very brief.

Anuj Khanna Sohum: Sure. Niko is not an acquisition, it's an organically developed capability, which is our AI agentic capability. You would note that our company has, for many years, been filing and being awarded patents in the areas of AI. We have also been filing patents in the areas of agentic AI capabilities in the context of ad tech for many years. We are forward ready and forward-looking.

In terms of our IP strategy and product strategy, we are clearly covering the ground well and executing & demonstrating not just intellectual property, but also demonstrating impact of that in the form of products consistently being rolled out, whether it was OpticksAI earlier this year or now it is Niko being rolled out, fully integrated as part of a unified consumer platform stack.

We have started rolling it out as an ROI-driven growth engine for the iOS ecosystem. Together with OpticksAI, it makes perfect sense to do that, and it's being rolled out not only in developed markets, but also in emerging markets. In terms of capability, Niko engages with our customers as an agentic AI capability and also runs internal campaign automation and optimization in tandem with how our teams would be doing it. Niko is enhancing the human intelligence of our teams to deliver an overall much greater impact.

If we take on a campaign and we optimize for greater ROI or lifetime value users, the algorithms are moving faster and are delivering much greater ROI impact for the advertisers in a shorter time, with the productivity of our own workforce getting significantly enhanced. Now we can handle hundreds of more customers and campaigns and deliver ROI in a much shorter time because of these capabilities and automation layers being added into our platform.

Further, in terms of expanding that to beyond iOS to Android and other devices, it's certainly a work in progress and we are actively pursuing that agenda. We may not necessarily call it Niko, but there are several other agentic AI capabilities that are already transforming the initiatives. We just decided to unveil and talk about Niko and OpticksAI is another example of it.

We have already mentioned that we are powering a lot of efforts across the board in our organization to enhance the productivity of what we are doing, as well as the higher ROI for the advertisers based on what we are doing, using intelligent technologies across the board.

Lokesh Manik:

Great. My second question, Anuj, is to understand the penetration of these capabilities, OpticksAI and Niko. Today, from a rough ballpark percentage perspective, out of 100 campaigns, in how many campaigns would these be penetrated? Secondly, you mentioned that the ad budgets of advertisers are not growing as fast as the supply side is growing. From that perspective, is

there a ceiling with these new capabilities, at least with the existing customers?

I am sure you can use this to acquire new campaigns and new customers, but in terms of increasing wallet share with the existing customers, the ad budgets have to increase significantly. Is there some headwind you see on that side?

Anuj Khanna Sohum: I will take the second question first. This is not a case of headwind. This is a simple economic problem. If the supply is increasing and we are selling raw material of that supply, the price would go down. But if the supply is increasing, that makes the job of finding conversions within that increased base of users even harder.

For example, in India you have close to 1 billion connected devices now. Out of those nearly a billion connected devices, high-lifetime-value transacting consumers are only about 100 million, versus those 100 million were already online earlier when there were 600 million devices as well. The number of devices has now increased. It is going to be harder to go and filter out through that larger ocean of traffic to go deep down and find those conversions.

Essentially, what we are saying is that for premium conversions, the CPCU or conversion-led business model, we have the ability to charge higher because of the simple economics of it. At the same time, we have the ability to run our algorithms more efficiently and take supply for the same amount of money that we spend on data and inventory costs. We can consume a lot more supply and process that efficiently and deepen our intelligence about the overall market base of consumers.

What I was explaining to you was actually better tailwind for our business because supply is getting cheaper and therefore there is a case for an internal bigger tech stack platform like Affle, which is processing this larger supply more efficiently to find the conversions, which has now become a harder problem because you have to find those conversions with a larger pool of devices, with a lot more supply to be processed and dealt with.

If our tech stack is run efficiently and sensibly, we should be able to consume the same amount of data and inventory costs, a lot more supply process, a lot more device intelligence, and be able to charge the advertisers per conversion a slightly higher price for CPCU. It's not a case of a headwind.

It's a clear case of tailwinds & support and it's a simple case of an economic problem where the demand is getting harder to execute on and the supply is increasing and therefore you have supply available at a cheaper price. But to find those conversions, you have to do a lot more efficient work with the technology because you are processing a lot more data and a lot more impressions to deal with that.

In terms of penetration, I can say that AI automation, not limited to the examples of Niko or OpticksAI, has penetrated 80% plus of our activity across the company. I am not just talking about campaigns, I am talking about 80% of all activity across the board in the organization is being powered, enhanced and augmented by intelligent AI agents being deployed across the board, across all functions in the organization and certainly with respect to the advertiser campaigns.

Moderator: Our next question comes from the line of Samarth Patel from Equirus Securities.

Samarth Patel: I have a couple of questions. First question is, what is the current margin mix between India and emerging markets and developed markets? Where do you see more room for structural improvement? Any flavour on that would be really helpful.

Anuj Khanna Sohum: We report India on a stand-alone basis as well, so you can derive it from there. What's important is to see that India is our most significant and largest important market. It is home ground. This is where we are listed, this is where we have the highest number of employees and this is absolutely the anchor market for us. Therefore, doing well in India is a strategic number one priority.

In terms of other emerging markets around the world, they behave in a similar fashion to how India does in terms of the demographic profile of consumers. Lots of consumers in Indonesia, Southeast Asian emerging markets, Latin American markets and even Middle East and Africa markets, you see a huge number of users and devices but a very small percentage of them being high-value, high-lifetime-value users for the advertisers.

Therefore, there is a need for a strong tech platform that can efficiently deal with this humongous number of users - over 3.8 billion connected devices globally, is what we are reach out to as reported in our earnings presentation.

Then going through that on a recurrent basis, efficiently processing all of that data with tens and thousands of servers in the cloud and yet delivering the kind of conversion volumes that we are delivering, charging appropriately for it with the advertisers and extracting around 22.6% EBITDA that you saw in the last quarter. This is a phenomenal execution efficiency that is being demonstrated with over 73% being anchored in India and emerging markets.

Most of us would understand that emerging markets compared to developed markets, have different unit economics. With the amount of data that we are processing, we are doing a lot of heavy lifting in emerging markets and getting paid at a very tough unit economics calibration of the advertisers. Thus, about 73% business being in emerging markets is a competitive moat, which I think only a few companies in the world in ad tech can match against.

If you look at any other ad tech company in the world, which has either been publicly listed anywhere in the world or has access to significant private capital in its journey, all of them would be over 80% calibrated on developed markets. Even within those developed markets, 90% odd business that they get, would be from the gaming vertical.

Whereas Affle is anchored in India on a very broad base of verticals across categories EFGH. Then we have taken our moat that we have learned with our technology efficiencies in India, to expand into all other global emerging markets, together contributing about 73% of our revenue.

We have taken that moat to developed markets and that's contributing about 26%-27% of our revenue on average on the trend lines that you see in the recent quarters. Essentially, we have owned our tech competencies and competitive moat out of India and other emerging markets and now we are demonstrating that execution in developed markets as well.

Samarth Patel: My second question is, with 25% of our revenue coming via agencies and the broader AI-led disruption of the agency model, how should we think about our direct client and agency mix and ultimately, the wallet share outlook there?

Anuj Khanna Sohum: Working with the advertiser or an agency appointed by an advertiser, we see it as an advertiser's decision. As far as we are concerned, we are seeing the agencies the same as we see the direct advertisers. They are being served with the highest level of regard and loyalty. We are not influencing anything with respect to whether we go through an agency or direct.

The advertisers who have their in-house teams are happy to work with our platform directly. There are also certain advertisers who have in-house teams, but due to global mandates or otherwise, have decided that they must work through an agency. We respect that decision, and we work through those agencies with them.

But at all points in time, our systems are deeply integrated to do the data exchange directly with the advertisers end systems. Because when we drive a conversion for an advertiser, we must get the appropriate data confirmations and integrations with them directly. Even in the scenario where we are working with the agencies for about 25% of our revenues, we are very much in a technology integration contract with the end advertiser as well.

We are ready to deal with all scenarios of how the world will evolve. I believe the agencies will continue to command at least 25% of the spend. I am not talking about 25% of our revenue, but generally, if there's a total ad spend in the market, you would see that the agencies will still play a meaningful role for many years to come. Their role is becoming less important and is being questioned, but I think they have a role to play for many years to come.

Moderator: Our next question comes from Mr. Sanjay Ladha from Bastion Research. Mr. Sanjay, may you please proceed with the question, and we will be taking only one question in the interest of time. Thank you so much.

Sanjay Ladha: Congratulations on the consistent q-o-q performance. I wanted to know what our repeat customer rate is. As for the advertisers, what are the converted users. My sense is that every year, or from their advertisement budget, we should gain the wallet share. If you can highlight or talk about it with an example. I know it's happening over time. Therefore, we see 20% plus kind of growth. But if you can quantify in the numbers as well.

Anuj Khanna Sohum: Well, thanks for your question, Sanjay. Our growth comes from 3 broad dimensions, and that is existing customers spending more, new customers coming in and spending with us and then there is also a dimension of us going into new markets because we are a global platform and a global company. To do such business in a new country, we don't necessarily need to go and register an entity or hire a team and then get revenues from there.

We have the capability today to remotely serve countries where we are not even present and our platform would work wonderfully. Thus, there are 3

dimensions of growth: existing customers spending more; new customers coming in - in the existing markets; new customers coming in - in new markets.

I think this provides a broad basis of growth across verticals. You would find that in all our disclosures, we take a lot of pride in saying that we are a broad-based growth company and broad-based across verticals, across geographies.

That gives us a rich mix as well as makes us a naturally hedged organization. If suddenly fintech has an issue in some market, or education tech has some issue in some market, or gaming has some issue in some market, there are natural balances to this kind of particular vertical or a particular market-related turbulence in our business.

Would I be able to slice and dice for you more and say how much of the growth is coming from existing customers, in which markets, versus new customers, in which markets or new markets? I think for competitive reasons, our Board would want to remain a bit more broad-based in our discourse. But you should be looking at it in a way that our company has shown a lot of strength in terms of negotiating power with our customers.

As the volume of business is growing, we are not letting that impact our price. Now in most business models, if a customer is spending a lot more with you, they would ask for a discount or reduced pricing. We have the leverage because we are saying that we are not going to compromise on pricing. If you don't want to spend double, spend less. I have many more customers who are willing to put in the budgets to take conversions in your vertical.

We have the ability to ensure that we are growing without taking any subsidy effect on our pricing or taking any impact on our margins. We are expanding margins and growing and that's showing a strong competitive advantage as well as negotiating power in the ecosystem.

Ashwin Mehta: Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to the management for the closing comments.

Anuj Khanna Sohum: Thank you very much for all your questions. They were insightful and I hope that the responses were satisfactory.

We continue to be aggressive about our growth and about our margin expansion, independent of any quarter-on-quarter fluctuations with respect to an early festive season, the RMG issue in India or any budgets moving from Q2 to Q3 in developed markets.

These are market realities and we will navigate them as we go along, but with a broad-based growth, being naturally hedged and long-term growth minded. With that, thank you for being here today, and we look forward to our next interaction. Thank you.

Moderator:

Thank you, sir. On behalf of Affle 3i Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

***** end *****