



Affle 3i Limited

Q3 & 9M 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. Shobit Singhal - Anand Rathi Share And Stock Brokers Limited

This transcript has been edited to improve the readability

Moderator: Ladies and gentlemen, good day and welcome to the Affle 3i Limited Q3 & 9M FY2026 Earnings Conference Call hosted by Anand Rathi Share and Stock Brokers Limited. 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 this conference call, please signal an 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. Shobit Singhal from Anand Rathi Share and Stock Brokers Limited. Thank you and over to you, sir.

Shobit Singhal: Thank you, Shubham. Good morning, everyone. On behalf of Anand Rathi Share and Stock Brokers, we welcome you all to Q3 and 9M 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 2 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: Good morning everyone and thank you for joining the call today. I trust all of you are keeping in good health.

Q3 FY2026 marked an important milestone as we surpassed INR 7 Billion mark in quarterly revenue run-rate, while delivering our highest-ever quarterly EBITDA, PAT, CPCU conversions and CPCU rate.

During the quarter, we delivered revenue of INR 7.17 Billion, a growth of 19.2% y-o-y and 10.9% q-o-q reflecting the consistent resilience of our business. This performance underscores our ability to execute effectively in a challenging global environment and across market cycles, reinforcing the strength of our AI-powered Consumer Platform Stack.

Our sustained focus on higher productivity and innovation enabled us to achieve EBITDA of INR 1.63 Billion, a growth of 24.1% y-o-y and 11.6% q-o-q. Notably, it marked our 7th consecutive quarter of sequential margin expansion and it resulted in PBT growth of 25.1% y-o-y and 13.7% q-o-q from Operations (excluding the Other Income). We achieved highest-ever PAT of INR 1.19 Billion, a growth of 19.1% 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 119.7 million conversions at a CPCU rate of INR 59.6 and we earned CPCU revenue of INR 7.14 Billion, an increase of 19.6% y-o-y and 12.9% q-o-q.

It's also important to mention that our Non-CPCU business serves as the entry point for certain customers and partners for top-of-the-funnel tech enablement on our platform. Thus, the Non-CPCU business is aligned to eventually drive our customers towards deeper funnel conversions on the CPCU business model.

With global digital spending on the rise, we see significant market wise performance growth opportunities across all our billing entities. Our India and Global Emerging Markets contributed 73.9% to our revenue and grew by 19.8% y-o-y and 11.0% q-o-q. This performance was achieved despite the full-quarter impact of Real Money Gaming in India and was supported by broad-based demand across industry verticals reflecting our naturally diversified revenue mix.

Our Developed Markets delivered a robust performance, growing 17.8% y-o-y and 10.9% q-o-q, and contributed 26.1% to our revenue. This growth was driven by deeper customer engagements, conversion of pipeline activity and steady new account additions in these entities. As anticipated, the normalization of budgets supported this momentum and we continue to unlock new avenues for expansion, strengthening our position as a privacy-compliant, trusted and results-driven platform.

In terms of 9M FY2026, we achieved revenue growth of 19.3% y-o-y, EBITDA growth of 28.5% y-o-y and PAT growth of 20.3% y-o-y. Our year-to-date performance reinforces our confidence in sustaining robust growth through Q4 FY2026 and FY2027 to attain our Affle 3i 10x growth vision.

Beyond the numbers, what continues to excite us is how our growth is powered by technology-led differentiation and AI-driven innovation. Over the

last few quarters, we significantly deepened the role of AI across our unified Consumer Platform Stack. Niko, our most advanced next generation agentic AI optimization engine, enables fully automated self-service mode with concurrent and real-time decisioning across bidding, targeting, and budget allocation. Over the last quarter Niko automated and accelerated campaign learnings and optimized outcomes on the Newton Platform, strengthening our ability to deliver superior ROI and higher lifetime value users for advertisers at scale.

In our earnings presentation, we have featured 5 customer approved case studies for three industry verticals. The first 3 case studies focus on our verticalised strategy with AI-led multi-placement dynamic optimisations to drive conversions for Hospitality and Travel vertical across India & other Emerging Markets. The next case study highlights our repeat conversions strategy across android and iOS to expand user monetisation for the gaming vertical in US. The fifth case study highlights our capabilities in scaling premium iOS user conversions globally for the Edtech vertical, leveraging our Agentic AI capabilities.

Affle continues to be recognized as a technology thought leader across industry forums. Our platforms secured 70 recognitions across various categories in the latest AppsFlyer Performance Index. We also received several accolades across leading industry forums notably the 'Emerging Martech Innovator of the Year' and 'Best Use of Martech' at e4M MarTech AI awards 2025 along with the 'Most Effective tech Platform' at the Maddies 2025, 'Best Partner Award' at the Oppo Ads Awards 2025 and 'Global Best Support Partner' at the Honor Global Developer & AI Conference 2025. We also won 30+ customer campaign level awards reflecting the strength of our partnerships and the impact of our AI powered Consumer Platform stack.

With 3 new patents filed in this financial year, our comprehensive IP portfolio has grown to 39 unique patents filed including 16 patents granted. Our strong balance sheet and robust operating cash flows continue to support sustained investments in technology, talent and strategic initiatives aligned with our Affle 3i growth vision. We remain disciplined in capital allocation while ensuring that we continue to invest and innovate proactively to strengthen our long-term moat and to drive sustainable value creation.

We have laid a strong foundation for our Affle 3i 10x growth vision! We have successfully onboarded Sameer Sondhi as our CEO for North America with a dual role as our Chief Strategic Investments Officer. Sameer's 25+ years of

credible track record of scaling ad tech platforms in North America and beyond, will play a key role in accelerating our organic and inorganic growth plans. Earlier in this financial year, we had internally promoted Vipul Kedia, as our Chief Operating Officer to anchor our growth in India and emerging markets. These steps have aligned our leadership commitment and conviction towards the next phase of accelerated and compounded growth impact.

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. Good Morning and hope all of you are keeping safe and well.

We continued our steady growth momentum in Q3 FY26, marking our 11th consecutive quarter of sequential growth on topline & EBITDA and 7th consecutive quarter of EBITDA margin expansion. This consistent performance reflects our operational rigor and sustained focus on profitable growth.

We concluded Q3 FY26 at a consolidated revenue of INR 7.17 billion, delivering a y-o-y growth of 19.2% and sequential growth of 10.9%.

In 9M FY26, we recorded revenue of INR 19.85 billion delivering a growth of 19.3% y-o-y, reflecting balanced performance across all three quarters.

This quarter, on a standalone basis, India revenue grew by 20.6% y-o-y while on an adjusted basis, the growth stood at 23.0% y-o-y supported by robust momentum in advertiser spends, despite the full quarter impact of real money gaming in India.

We continue to enhance productivity by scaling our platform operations and strengthening Affle AI & self-service capabilities. These initiatives, combined with steady revenue growth, have further strengthened our operating fundamentals.

As a result, EBITDA for the quarter stood at INR 1.63 billion, an increase of 24.1% y-o-y and 11.6% sequentially. We achieved an EBITDA margin of 22.7% despite extra cost for change in employee related provisions due to changes in labor code. In 9M FY26, our EBITDA increased by 28.5% y-o-y, as we achieved INR 4.49 billion at an EBITDA margin of 22.6%.

Moving on to Opex, inventory and data cost stood at 62.4% as we ramped up our investments in E,F,G,H industry verticals across international markets, to further strengthen our verticalised offerings and unlock new growth avenues.

Our employee benefit expense remained largely flat sequentially, supported by productivity gains and efficiencies from our ongoing investments in intelligent automation.

Other expenses were lower at 6.0% of revenue versus 6.4% in Q2 FY26. However, in absolute terms, other expenses increased by INR 19.5 million, primarily driven by higher business promotion activities aligned with seasonal demand and sales initiatives during the quarter.

We achieved PBT of INR 1.46 billion during the quarter, an increase of 18.1% y-o-y and 8.0% sequentially despite lower Other Income.

If we also look at PBT from Operations (Excluding the Other Income), we delivered a growth of 25.1% y-o-y and 13.7% sequentially, outpacing our topline growth.

Our Profit After Tax (PAT) stood at INR 1.19 billion, marking an increase of 19.1% y-o-y and 8.0% q-o-q.

Our Operating cash flows for nine-months period was INR 2.54 billion.

We continue to prioritize efficient working capital management and as such there were no material changes in the collection risk for all other verticals except for the incremental provision done for RMG business in India during the previous quarter. Our OCF to PAT for the nine months stood at 75.8%. This is because of a temporary increase in collection days from Agencies due to their periodic client audits in this period. This should normalize in Q4.

Overall, our prudent financial management and disciplined execution positions us well to capture emerging opportunities and drive sustainable growth through FY26 and beyond.

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

Moderator:

Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Shobit Singhal from Anand Rathi. Please go ahead.

Shobit Singhal: Hi Sir, congrats on a good set of numbers. My first question is on your gross margin. How do you see your gross margin moving in the medium term? We have seen a sharp jump of around 230 bps y-o-y and around 130 bps q-on-q in inventory and data cost, which has been around 60%-60.5% to 61% for a decent period of time, for around 12 to 14 quarters. Will it continue for some time at this elevated level or it should go back to normalized level going forward?

Anuj Khanna Sohum: Our data and inventory cost has two elements to it. One is to earn the revenue within a reporting period of a quarter and second is where we are investing. We are expensing it out fully in the reporting periods where the cost is incurred, but fundamentally and consciously, we are investing in our own expansion and deeper verticalization across international markets, so that we can launch all our EFGH category verticals across those markets. We are in that phase of expansion where we are investing into the data and inventory cost to build our verticalized intelligence for international markets.

Therefore, what you see here are two factors. We are fully expensing it out in the reporting period, but a part of that increase in the data and inventory cost has to be seen as an investment being made to verticalize our intelligence for international markets.

Shobit Singhal: Second question is a follow-up of your last quarter comment on inorganic acquisition, where you said that you are evaluating around 10-12 companies. Any progress on that front and how soon we can expect to close?

Anuj Khanna Sohum: As a board and Investment committee, we have been evaluating about 10-12 companies, which we believe are all honorable targets for us. We have narrowed that pool down to now four companies and we are doing active due diligence assessments of those four companies. We will make a firm and a sensible decision progressively at the right time and at the right price.

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

Deep Shah: Kapil, the first question is on the opening commentary that you made about slightly higher agency business. What I see is the incremental revenue, over the last six months, has been 968 million, i.e., Q3 minus Q1 incremental revenues. But incremental debtor increase is INR 15-19 million. Is there something more to it? We are used to looking at Affle generating 90%-100% OCF. That entirety will be taken care of in 4Q?

Kapil Bhutani: We have been mentioning that our target of OCF-to-PAT ratio is greater than 80%. We have been achieving around 90%-100% consistently for last few years. We believe that we will be achieving in the range of around 85%-95% OCF for this year also. We believe that the payment cycles with the agencies have started to ease off and we should be able to deliver around 85%-95% range of OCF.

Deep Shah: Perfect, that's clear and reassuring also. Secondly, on this increase in CPCU rate, 3.1% y-o-y, is this largely on account of better quality of campaigns which we have undertaken? I am asking this as the share of Developing or Emerging Markets rather has increased, which would typically naturally put strain on the CPCU rate and yet we have delivered an increase of 3.1%. Is this a shift of the nature of campaigns that we have undertaken? Or is this the dollar appreciation which has helped us?

Anuj Khanna Sohum: Thank you for that observation. First of all, it is exceptional that we have achieved consistent growth in our total revenues. It is guided by driving higher volumes of conversions. In terms of bottom-line sensibility of ensuring margin defensibility, we have been able to inconsistently increase our CPCU rate and we have achieved the highest CPCU rate till date in this quarter. It's a reflection of how much value we are adding to our advertisers. Therefore, they have a willingness to pay a higher unit price.

There are two key strategies that are differentiated for our Company and the differentiation is not only in how we sell it or what we deliver in the end, but it also goes into the technology mode and several other data intelligence mode capabilities of the platform.

The first one is verticalization where we go and deeply work as a tech platform. For example, if we are working with a healthcare customer, we are able to give them not just a consumer conversion, but a conversion of what they see as their patients or revenue generating users. The persona of those people that they are targeting is like a patient. In entertainment category, we are giving them users who are viewers, who are subscribers, who will pay to subscribe or gamers or shoppers. For education tech, in one of the case studies, we are talking about targeting parents of students who would then convert for education tech. So first is the deeper verticalization strategy and the second factor is giving them, premium placements and driving premium user conversions who will have a higher lifetime value for the advertiser.

Consequently, because of this verticalization strategy, as well as with the ability to target premium consumers in a deeply intelligent way, with personalization of those personas relevant to that industry vertical, these two factors are allowing us to charge a higher price. The advertiser is seeing the value that is coming through the Affle platform.

Moderator: Our next question comes from the line of Anmol Garg from DAM Capital.

Anmol Garg: Hi, a couple of questions. Firstly, we have seen good growth in India despite the residual impact from RMG and some early festive demand in the last quarter. What is leading to this? Secondly, given we are already at 19% kind of growth levels on the overall company side, do we kind of maintain our 20% growth guidance going ahead?

Anuj Khanna Sohum: That's a great observation. India is our anchor market. India is where we have the highest number of employees and we are listed here. We know our customer base is robust and we are clearly a thought leader like none other in the Adtech ecosystem in India. Our growth here is resilient and I am happy with the way it is diversified across industry verticals. There will always be some issue or the other because of either regulatory reasons or otherwise in some vertical. That's a natural course of business which we understand and we have already modelled for it. We have ensured that we are diversified across verticals and India is one market where we are covering all our verticals rather comprehensively.

Earlier, our growth in India was anchored on Android. Now we are also doing really well on iOS. I believe that is a premium segment within India and we are able to help advertisers to grow in it. This is giving us a lot of differentiation because not every competitor is strong in such capability. Giving premium iOS based conversions across the channels that are available across our platforms to those advertisers who are willing to pay more for that category of users is really helping us.

The third pillar would be CTV. We are doing exceptionally well on CTV and are consistently winning industry awards that I also talked about earlier. I believe these are the anchors for our India growth.

Anmol Garg: Right. And from the Company overall perspective, do we maintain a guidance of 20% plus growth?

Anuj Khanna Sohum: I will give you an insight into how I drive the variable incentives of our sales and management and leadership internally. It will give you a sneak preview

into how the organization thinks and behaves and at what point in time does the internal organization celebrates of achieving enough growth.

There are two key metrics that we want in terms of growth. First, in terms of percentage revenue growth; across geographies and across markets. The second metric that we want is percentage EBITDA growth across all markets. Our internal KPI is that both of these areas have to grow on an average of about over 20% to 25%. This quarter, we have grown 19.2% on revenue and 24.1% on EBITDA. If you combine these two numbers, you get an approximately 45% number. The internal team has to say, you have to get revenue growth, you have to get EBITDA growth and the bottom-line is that it has to be with margin expansion. These are the three parameters. The margin expansion is an underlying qualifying criteria, but on top of that, we have to deliver stellar revenue growth and also EBITDA growth.

When you model our company at around 19% to 20% growth rate, that is a sensible way to model us, because internally, I am pushing for around 20% to 25% growth across these metrics, which our team has been consistently achieving and is still hungry to push for more.

Anmol Garg: One last thing on margins. Did we have wage hike during the quarter? If yes, why was our employee expense more or less flat?

Anuj Khanna Sohum: In terms of the total growth and efficiency of our platform, the adoption of AI, some of the functions getting more centralized into the India market, or in the Southeast Asian markets, which are relatively lower cost, compared to markets like US, Israel or Europe has helped us. We are able to use AI automation effectively. We are able to upgrade the 24/7 support services to our teams internationally, as well as to our customers using tremendous amount of AI automation, while centralizing some of the functions of our workforce in lower cost markets.

Overall, we have given a handsome wage hike to the people and the talent who deserves to have it. Even with all of that, we are able to keep our operating expenses in check.

Anmol Garg: Going ahead, we should further expect some rationalization in the employee expense to continue?

Anuj Khanna Sohum: We will see consistent and high margin growth in terms of revenue. The efficiencies will be realized even more on the EBITDA level, because our opex is not going to grow at pace with that. Of course, we will keep investing in

the right areas and taking care of our talent in the most honorable and comparative way. But it is not going to keep pace with the revenue growth because we are enhancing the productivity of Afflers across the board.

If you tuned into our Affle 3i launch in April 2025, we talked about super Afflers, giving all of them the power of AI tools and Agentic AI capabilities to expand their productivity by almost 50% or more. Given that context, we have to hire lesser people for the incremental growth. Therefore, the EBITDA growth would be faster than the revenue growth in most cases.

Moderator: The next question comes from the line of Rohan Nagpal from Helios Capital Management. Please go ahead.

Rohan Nagpal: I wanted to follow up on the gross margin remark that you made. You said there is some portion that is for revenue generated in this quarter and there's some portion that is investments that you are making for future revenue growth. Can you please provide some color on the split between the two, so we can get a sense of what the underlying gross margin is for the business?

Anuj Khanna Sohum: This question has been asked of me a few times and I have always given the same consistent answer that to earn the revenue that we make, one could say that only target those users or only targets those devices where you are expecting an immediate conversion. But we also need to consistently invest into looking at those expanded pools to cast the net wider, to build our intelligence about the various verticals that the end users are engaging with, and to profile or to make sure we have a deeper persona of these users. Consequently, in any given reporting period, at least or around 10% of our data and inventory cost is investing into the future or it is looking at a broader view of what we can do with our verticalization and profiling.

A lot of times it's focused on geographies where we are looking to go deeper. For example, we are under calibrated in healthcare as a vertical in certain markets. So we may invest in that to build that deeper intelligence and verticalization for healthcare, because then we are expecting to utilize that for future revenues. Similarly, across all the top EFGH category verticals, we would look at different geographies and different markets and prioritize where do we invest more and when. That's more of a tactical, execution decision. But on a general basis, you can say that around 10% of the data and inventory cost is investment in nature.

Rohan Nagpal: Is it fair to assume that because there has been an increase this quarter, that 10% is higher this time around? Or is it still 10%?

Anuj Khanna Sohum: It would be in a certain range. In some quarters you may see that this is going a bit higher in certain markets, depending upon where we see the immediate growth opportunities or how aggressively are we pushing - are we pushing for all verticals to have deeper insights across international markets, as is the case right now, because we want to go and realize the full ambition and potential of our growth in international developed markets.

Therefore you are seeing that in our incremental push. I was giving a more long-term answer that for many years, there is a percentage that's investment in nature and I will not be able to give any short term breakups for that. In the short term, it would suffice to say that the increase right now is because the investment component has grown for verticalization of all our verticals in international markets.

Moderator: Thank you. The next question comes from the line of Anand Trivedi from Nepean Capital. Please go ahead

Anand Trivedi: My question is related to RMG. I am assuming with the ban on RMG, you must have had a loss of revenue on the back of that. Could you quantify what that reduction is and what areas outside of gaming have made up for that loss?

Kapil Bhutani: You can assume about INR 10 crores to INR 12 crores of revenue on the base effect for the Q3 of the last year, which has not occurred in this quarter. It is a broad-based recovery from our growth of revenue from all the verticals in India. It is not concentrated on any particular vertical that has given us a growth back despite the RMG setback. If you take the base effect off, our growth in India would be higher.

Anand Trivedi: Got it. So the RMG ban has only resulted in INR 10 crores to INR 12 crores loss of revenue for you. That's it?

Kapil Bhutani: Yes. That was the base effect.

Anand Trivedi: Got it. Okay.

Moderator: Thank you. The next question comes from the line of Abhisek Banerjee from ICICI Securities. Please go ahead.

Abhisek Banerjee: Hi. Just a couple of questions. Last time around, we talked about segments like Quick Commerce, etc., which were kind of driving the growth. Can you tell us which are the segments which could have become the largest for you in India now?

Anuj Khanna Sohum: Within the EFGH categories, we are doing very well in categories E and category F in India - E-commerce, education & entertainment in category E and in category F by FinTech, FoodTech and FMCG. Overall, in category E and F we are doing exceptionally well across all the verticals. In gaming, we already mentioned that there's impact of RMG, but we have also shown case studies of other kinds of gaming categories, which are non-RMG, where we continue to be strong and resilient. In Category H, which is hospitality and travel, we have given three of our case studies in this earnings presentation for India and Emerging markets. These are the broad set of verticals where categories E and F are continuing to be strong and resilient. In category G, we saw some pullback. In category H, hospitality and travel is doing well while in healthcare, we need to double-up and we need to do more. So we are investing towards those efforts.

Abhisek Banerjee: One more question on global markets. By when do you think we can go back to the kind of growth rates that we were seeing a couple of quarters back?

Anuj Khanna Sohum: First of all, given the overall macroeconomic factors and the fact that there are cycles in the market, the overall growth that we have achieved, is extremely resilient, robust and defensible, sustainable type of growth. This is the baseline of growth that we can anchor ourselves on. In order to accelerate that further, we are looking at both organic and inorganic investments.

Within organic investments, I mentioned deeper verticalization for international markets; we are already investing in that. We are also investing in our sales force, growing our presence. We talked about our management and leadership expansion and reorientation, where we have Vipul who is leading India and emerging markets growth initiatives. We have Sameer who has joined on board to lead North America and developed markets focus for us.

We are investing in all areas and both organic & inorganic opportunities are being actively evaluated. We will absolutely go for capturing the full growth potential of international markets as we go along.

Moderator: Thank you. The next question comes from the line of Mayank Babla from ENAM AMC. Please go ahead.

Mayank Babla: Congratulations on a great set of numbers and the sustainable performance that you displayed. My question pertains to the other expenses part of it. While I acknowledged it earlier in the call, Kapil sir gave some commentary on it. It is consistently trended down from 8.3% of revenue to now 6.4% of revenue. How should we look at this over the next 2 to 3 years? Is this a function of operating leverage playing out or is there some other element to it? Because the lowest it has been reported was at 4.5% of revenue in June of 2022. So how should we look at this component?

Kapil Bhutani: Our marketing spends are driven by events and sponsorships of various agencies in various events, largely buckled in Quarter 3 and Quarter 4, across all our markets. There is a seasonality to these spends. However, the operational efficiencies will play because our revenues will grow at a certain level and our expenses will not grow in tune with our revenue growth. There will be operational leverages being played in the entire other expenses bucket, including the marketing spends.

Mayank Babla: Sure. My second question would be about the connected TV space. Could you give us a little more color or shed some more light on the progress of that and the overall scheme of things?

Anuj Khanna Sohum: When we look at the Consumer Platform Stack of Affle, our business model is consumer centric. When we talk about consumer centricity, we look at how do we reach this consumer across connected devices. Where all can this consumer be? The consumer is spending disproportionate amount of time on their mobile screen and increasingly the screen that is becoming important in the lives of consumers and the households is CTV. Therefore, our focus on mobile in-app experiences, as well as CTV on device and in-app CTV experiences are leading to greater engagements in terms of this consumer centric approach across connected devices.

When we go to the advertisers now, we are able to convince them that our platform should attract even more budgets on CPCU business model. Earlier, we were going to them and saying, give us your digital budgets and let's take them on CPCU model because we are deeper funnel & verticalized conversion orientation platform. Now we are able to go to the advertisers and say, move your linear TV or traditional TV advertising budgets to digital CPCU business

model, because we can now place ads inside and connect those ads to the mobile phones or on both CTV screens and mobile phones within a household context of connected devices, to drive conversions for the advertisers. Therefore, the CTV business is contributing meaningfully to this expansion of growth of the advertisers' budget towards the CPCU business model. Overall, it is a consumer centric CPCU business model on one integrated consumer platform stack because the consumer is the same. Now, whether you show the ad on the mobile phone to this user or on both CTV and mobile phone, we will only earn the conversion on the same user. We are not going to be running it differently. But now we are able to triangulate better between these connected experiences and drive more efficient conversions. We are able to tell the advertisers, to shift some of your budgets to this because you are even getting the upper funnel benefit of branding. When you do CTV ads, even if you don't drive a conversion, your branding, your upper funnel or mid funnel impact is much better. I believe this is becoming more compelling and CTV is a strong growth factor in terms of how we are shifting advertisers' budgets to CPCU business model.

Moderator: Thank you. The next question comes from the line of Siddharth Misra from Fidelity International. Please go ahead.

Siddharth Misra: Hi, my question is around the growth for developed markets and emerging markets outside of India. You have done some investments, as you mentioned, to elevate Vipul Kedia, you have made Sameer Sondhi the CEO of North America and then you have also talked about investments in different verticals to get the full potential of growth. Just wanted to understand that when you talk about full potential of growth, is that organic growth materially higher, which is possible in developed markets and emerging markets outside of India? What is that potential? Can it accelerate materially or this is the investment you have done to maintain the growth at these levels?

Anuj Khanna Sohum: We have one of the best technology platform capabilities, which are also anchored on the number of awards that we have won for our tech stack and tech platform in numerous competitive independent jury environments. Five of those awards I named earlier and also mentioned about our patent portfolio expanding. I believe all of these are grounding our claim that we have one of the strongest tech capabilities in this area. I am very confident of our propositions, of what we are taking to developed markets or even other emerging markets beyond India.

Now to get meaningful coverage across all of our 10-12 verticals, with all the advertisers in those markets, it is going to take time. This is because you need to invest in sales, marketing, build those case studies, build their confidence and say, hey, there's this company from India which has come to this market. You have to go a step at a time and that is what you are seeing in terms of our organic growth right now.

Let's look at how can we accelerate that further. If we were to do an inorganic transaction focused on developed markets or international markets and we gain access to a steady operational sales team on the ground which already has relationships with some of those customers, it opens the ability or the highway for us to now upsell and cross sell our product propositions at the back of that sales team to those customers. This would be both organic and inorganic growth.

The inorganic part is that when we acquire a business, they are already selling their products to those customers. Once we acquire, we create a rider or we create a short circuit where we can now go and approach those customers and sales team with our upselling & cross selling services to drive organic growth to shift from third gear to fifth gear. That is the whole thesis of doing the inorganic investment.

Therefore, we are looking at not only our own internal leadership expansion, but also clear leadership orientation and conviction to fuel our growth going forward. We are investing in data and inventory costs to build verticalized intelligence for international markets and we are looking at doing inorganic transactions. We have shortlisted from 12 to 4 and hopefully from 4 to 1 in the near term. We want to make sure that if we are going to do that one transaction, may that be the best inorganic expansion move of our Company compared to whatever else in the industry was available that money could buy. We are casting our net wider and we are evaluating every single target that we believe we can afford to transact with. We will make the most sensible and carefully calibrated decision hopefully in the near term.

Siddharth Misra:

Got it. Thanks. I had one more question on the inventory cost and the gross margin. The inventory costs have gone up this quarter as a percentage of revenues. Is it something which will kind of come down from these levels or will be structurally higher going forward? I just wanted to understand whether this quarter was just an aberration in terms of investment or you should expect this to continue?

Anuj Khanna Sohum: This is an investment. I have already mentioned earlier that we have invested more towards preparing ourselves for greater growth and developed markets going forward across verticals in international markets. This is something that we will continue to do for at least a few more quarters till we can unlock the full potential of all the industry verticals that our platforms can serve in international markets. We are actively pushing that agenda at this moment. You would still see that we are calibrating that sensibly to have EBITDA margin expansion overall. As I mentioned, the internal organization's goals are revenue growth, EBITDA growth to be accelerated with margin expansion and overall delivering in that range in terms of around 20% to 25% for bottom-line EBITDA margin growth and around 19% to 20% on revenue growth.

Siddharth Misra: Okay. On the inorganic acquisition, will you follow a similar playbook like which you have done in the past or could it be something completely different?

Anuj Khanna Sohum: If you look at our track record and credibility of inorganic transactions, since we went public in 2019, we did a few acquisitions in 2020 to 2023. Last three years, we have not done any inorganic transaction. Why? Because this was part of a considered plan. I want to prove our playbook to all our investors and show that we are a team that understands how to do acquisitions and how to integrate them sensibly into a single cash generating business unit of a CPCU performance business. I believe with that track record and confidence, as we go further now into the rest of this decade, we are seeing that we will do one meaningfully sized transaction in 2026. We will do one more hopefully in 2028 and one more in 2030. Our view is clear that with a spacing of 1 to 2 years, we will have some meaningfully sized transactions (we may have some smaller transaction happening in between).

Given our management bandwidth and capabilities today, we believe that we can undertake a meaningfully sized transaction, but the playbook overall will largely remain the same. We will be looking at similar sort of valuation multiples like what we have paid in the past, for example in terms of revenues. In terms of expansion, our goal would be to unlock greater synergies after the acquisition to transform that acquired unit towards greater growth, profitability and cash flows.

Our playbook will be the same, but the size and the scale would be the only differentiating factor versus what we did at the start of this decade. How we were playing between 2020 to 2023 versus how we play from 2026 to 2030,

the difference would be in size and scale, not in the other areas of the playbook.

Moderator: Thank you. The next question comes from the line of Vivek Doshi from Nippon India. Please go ahead.

Vivek Doshi: Sir, on the DPDP Act, are there any additional compliance or consent requirement that Affle and its app partners need to implement? Will this lead to any incremental cost? Also, is there any possibility of reduced data signal for Affle for targeting or all of this is already consent based and largely unaffected?

Anuj Khanna Sohum: First and foremost, Affle will complete 21 years in April this year as a company and with this track record, we have been across all the important jurisdictions where Data Protection Acts have been around for more than a decade, starting from Singapore to Europe and to US. We have been operating across these jurisdictions and we have proactively gone and certified our platforms and processes, whether it is ISO certifications or Singapore governments, data related certifications, data privacy and security certifications. We have done these audits consistently for many years.

We are not waiting for Data Protection Act of India to become operational before we start adhering to those standards that we hold ourselves up for in other markets. Once we uphold those standards in any jurisdiction, it applies across the board to the whole organization's process, because we are effectively one unified consumer platform stack. We are not running two different processes that okay, in this market, there is Data Protection Act, so let's run it this way, and another market doesn't have it, so run it another way.

Having said that, if there are certain nuances which are specific to the Indian Data Protection Act, then those have already been taken care of by our platform, because we know this act has been in the making for a long time. In fact, we have been playing an industry body role to participate as an industry voice in giving inputs of what should be there for best practices in this case.

My short answer is that we are fully ready and we welcome data protection, because it increases the confidence of the consumer that if they are giving consent, their data will be safe. If there are any industry players who are not doing anything sensible, then the regulators will go and take them to

accountability. Having data protection regulations across jurisdictions, if you go and check the data, the consumer confidence in the industry has gone up, they are more willing to give consent, even in jurisdictions where people are much more uptight about the consumer privacy, for example, Europe and US. India has been generally very generous and trusting. To an Indian consumer, if you ask, what is your name, where do you live; if we are interested to know, people are willing to share readily. They are not as alert on consumer privacy as the developed markets. Having said that, even in India, with the regulation in place, the confidence of even high net worth or iOS premium users who are more aware or educated or are behaving like developed markets, conscious users about their privacy and concern, even they have greater confidence to give consent. I don't see any issues with respect to this.

On the contrary, given our credibility, the international advertisers or the agency groups or international publishers who are operating in India, will actually say now since India has Data Protection Act, we would rather work with the top players like Affle, who they can trust and which will uphold these standards as a sensible corporate citizen versus working with smaller players who may or may not have these credible credentials to inspire trust. We believe that a lot of partners around the world will trust Affle as a credible player in India to give us any first party data or collaborate on data privacy initiatives with us.

- Moderator:** Thank you. The next question comes from the line of Swapnil Potdukhe from JMFL. Please go ahead.
- Swapnil Potdukhe:** My first question is, because of the INR depreciation, what is the benefit that we are getting in the revenues today? And given that the rupee continues to depreciate do we expect more benefit to come?
- Kapil Bhutani:** It's not only the revenue, the cost line items are also seeded mostly outside India. Even the India revenues, the ad exchanges or the SSP players are located outside India. So the foreign exchange movement is not a very positive scenario for us. We manage our forex to have no effect on the P&L. It is not only on the revenue, it is across. There is no impact on the bottom-line due to the exchange movements.
- Swapnil Potdukhe:** The second question is with respect to the several geopolitical issues which are ongoing across geographies. Which countries do you think have the

highest risk in case any adverse activity happens in some of these geographies because you are exposed to a wide range of geographies beyond India as well?

Kapil Bhutani:

With regards to the tariffs or with regards to the geographic aggression on the political side or the military side, we believe that there is no impact on us because our entities operating out of US are independent entities which have their own cost structures and revenue structures. We are not dependent on supply of information from India. So there is no impact of tariffs on us.

With regards to other geopolitical activities which are going on, we are a cloud-based company and we can operate from any corner of the world. We have the disaster management plan enabled and we have been seeing this through COVID, through Israeli war and through Ukraine war. We believe that we are resilient to that effect.

Anuj Khanna Sohum:

I would like to add to that. On geopolitical economic financial side, we operate as a localized compliant business and advertising is a local business. Even if we are working with global players, if their team is advertising in India or in the United States, the thought process of that team is local. They are looking at consumer centricity in a very local way. They are responding to local festivals, local holidays and so on. It's a very localized business and even if it was more internationalized, I don't think that advertising or software or digital is currently under the purview of any tariffs.

Regarding the bigger issues, in terms of peace and stability, we have a diversified and risk managed presence across the world, including our tech teams presence across continents. We have a tech team that is based out of India that is anchored here. We have also got tech teams in Israel, Spain and Argentina. When we look at the tech talent of the organization, right from Australia to Argentina, we have got this collaboration matrix that is growing and the company is working 24/7.

During COVID, and especially with the Israeli war situation, we tested ourselves that what if everybody has to work from home? And not only home, in the case of the Israeli team, they are working from extremely difficult situations. We have seen a lot of resilience in our team to operate in any situation. When we look at risk management, we go to all levels of worst case imagination. We see how can we manage redundancy and how can our workforce be productive. There are even plans for some key people who are super important, they should have power backups, they should have different

forms of alternative internet connectivity so that they can keep our systems up and running in the most dire and difficult circumstances.

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

Rahul Jain: Just one thing, purely from an AI point of view, you highlighted about that extra bit of investment on the inventory cost, but have you seen a meaningful jump in the traffic on the scraping for inferencing or the various other AI activity, which is leading into some dynamic change in terms of the data, which could be fraud data, which could be not so relevant, not intent based or anything like that. Is there a meaningful change in behavior, the way people are consuming AI versus a pre-AI kind of a period?

Anuj Khanna Sohum: In terms of traffic dynamics, there are enough industry reports which are saying that the patterns of people doing web browsing, are clearly shifting. Instead of going and doing search on Google or Bing or similar traditional search engines, the traffic is clearly shifting where people are now asking AI for answers. I believe there is some change in the web browsing behavior.

Similarly on web content consumption, we believe that there are certain changes that are happening. Having said that, I believe there is an increasing adoption of what's called in-app mobile consumption, i.e., consumption from people who are using apps on the phone and shifting away from the browser. AI is helping the consumers to go more focused on the in-app traffic. Though our business is non-browser focused mobile in-app or on-device or CTV, and this kind of category of traffic is not seeing any significant change or disruption due to AI.

On the contrary, it is seen as a great opportunity because the AI platforms, for example, the agentic AI or assistant chatbot kind of AI tools, are essentially apps and not all of them have the power to sell subscription based revenue as a business model. Even the largest of them have started to adopt advertising as a business model. We will be benefiting from that because that will create a new type of ad inventory of users who are on AI tools and apps, which again is an area of focus for us in terms of both helping those apps to get new users as well as to help them to monetize on advertising. That's a growth opportunity for us on AI.

As I mentioned that our patent count and portfolio is constantly increasing, one of the patents that we have also filed recently is to look at how to do

this better filtering of AI oriented non-human traffic. We would like to make sure that we understand which traffic is genuinely coming from human versus from an agentic AI tool acting on behalf of that human. We are doing much deeper filtration for that in our technology use cases and this is called pre-bid filtering. Even before we make a bid for that traffic, we should be able to classify whether this is a human engagement, is it a human delegated to an AI agentic engagement which is still authentic - it is acting as an authenticated AI, or is it a fraudulent machine based simulation to try and earn money for some publisher unfairly. We are doing proactive technology innovations in these areas and also protecting that by filing the appropriate patents.

Moderator: Thank you. The next question comes from the line of Ashwin Mehta from Ambit Capital. Please go ahead.

Ashwin Mehta: Anuj, one question in terms of acquisition strategy. Historically, when we did the acquisitions, these were to add services which could expand our offerings. Then we moved to adding verticals and geography presence. In terms of the next set of acquisitions that we are looking at, are we looking at newer models of monetization like say PaaS, for example, or the supply chain side of things? How are we looking at it in terms of this round of acquisition?

Anuj Khanna Sohum: Our focus in terms of acquisitions is always having a multi-pronged approach. It's not just anchored on one dimension of just a particular type of service, but there are several factors that contribute to it. At this moment, the single word that would define our strategy for inorganic is verticalization.

I will give you three dimensions of verticalization that we are evaluating. First, in terms of ad industry verticals - the customer base, the sales organization or even the data capabilities of that particular target company, is it going to give us a greater ability to verticalize into these EFGH category verticals. If they have run a lot of advertiser campaigns for a while in that market, can we train our AI models on that intelligence and therefore verticalize our platforms much faster? The second area of verticalization is from an ad tech perspective. Ad tech is right from the demand-side of these advertisers all the way to the tech stack, to the supply-side, to the ad server, to on-device operating system level - deeper in size. From demand to device verticalization, is it going to help us with that, is it going to add complementing tech capabilities within our consumer platform stack to

become more deeply ad tech verticalized. The third dimension is the consumer data and part of the verticalization approach where we can go deeper on the consumer personas.

To summarize, these are the three dimensions. First, from a consumer standpoint, how can we go deeper right from the top of the funnel to the lower funnel conversions with the consumers. Second, on the advertiser side, we are looking at how can we go deeper and verticalize for EFGH categories. And third is on the ad tech stack, how can we go deeper all the way from demand side down to the device.

Moderator: Thank you. The next question comes from the line of Deepak from Sundaram Mutual Fund. Please go ahead.

Deepak: My first question is to understand the split of growth. Assuming that we do a 20% growth in the next 2 to 3 years on the topline, would it be fair to assume that 17% to 18% of that growth will be driven by converted users and 2%-3% percent will be driven by the average CPCU rate going higher? Or is it that, average CPCU rate would have a higher incremental share in this growth? Since the past couple of calls, we have been calling out that we are targeting premium users, CTV channels, more iOS led conversions. I wanted to understand the split of growth going forward?

Anuj Khanna Sohum: I have already given a clear breakdown of how we internally look at growth and what are the formulas and the KPIs for the internal organization, the management team, the leadership team or the sales organization. We are looking at a formula where the revenue growth on a y-o-y basis plus percentage EBITDA growth on a y-o-y basis combined has to be around 45%. It can be 19% revenue growth and 25%-26% EBITDA growth and that leads to 45% or it can be 22% revenue growth and 23% EBITDA growth and that's 45%. But in both scenarios, EBITDA growth has to be faster than revenue growth, which means margin expansion has to be part of the equation.

Now, I would like to retain, some execution, tactical flexibility to ensure that in certain cases we may push for higher margin expansion with slightly lower revenue growth or a slightly lower margin expansion but higher revenue growth.. This quarter, we pushed for revenue growth, but we invested more for verticalization in international markets and data and inventory costs. The EBITDA margin expansion was happening, but not as much as it could have happened had we not pushed for that element. These are tactical things. Any

further distilling it would be perhaps too restrictive. If you are modeling our company for growth, modeling it for around 18% to 20% revenue growth and around 23% to 25% EBITDA percentage growth would be sensible.

Deepak: My second question is relatively short term in nature. Since past couple of quarters, our base is largely normalized and Q3 is the strongest quarter for us. Wouldn't it be fair to assume that in this Q4 quarter, we should see some cyclical and some decline in the revenue front on q-o-q basis? Or do we think that we still have that revenue visibility for us to be at a similar run rate of Q3 or even better in Q4?

Anuj Khanna Sohum: Depending upon what all happens in the geopolitical world what side of the bed the world leaders wake up from every other day, if things are stable, I believe we will do better in Q4 versus Q3 or at least like flattish, we will beat that trend again. But there's still two months to go and every day the situation is dramatically different. Given that context, it could range to slightly below Q3 to slightly above Q3, but we should be very resilient in Q4.

January has been positive and I have reasons to be optimistic. But in a normal scenario, let's say everything being sensible in this world, Q3 should be our highest quarter and we should all expect to see a slight dip from Q3 to Q4. That's the normal expected scenario. But we are such a fast growing company across verticals and across markets, that we have been beating this trend over the last few years. I believe we have a good chance to beat it again, provided the geopolitical situations allow the advertisers to continue to put their budgets the way we are expecting it.

Deepak: Okay, I believe that then, because we have been doing very well, even in Q3, despite all the RMG impact and there was also some uncertainty regarding US because of tariff, we have done relatively well. So, hopefully it should be a good number in Q4. Thank you for the clarification and all the best.

Anuj Khanna Sohum: If you are modeling it, be prudent and model it like slightly lower than Q3. But let us surprise you.

Deepak: Yes, sure. Thanks.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments. Thank you and over to you, sir.

Anuj Khanna Sohum: Thank you for the highly engaging Earnings call today and for your wonderful questions. I look forward to meeting you again soon with Q4 and the full FY2026 results. This is our first year of Affle 3i, first year of our third decade. I am looking forward to our company turning 21 years old on 5th of April 2026. There will be exciting news to follow. We have laid a great foundation for Affle 3i in its first year already. Ten months gone and we have already done fantastically well. I am convinced that we have a great growth journey ahead for Affle 3i 10x growth vision. Thank you. All the best.

Moderator: Thank you. On behalf of Anand Rathi Share and Stock Brokers Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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