

Affle (India) Limited

Q3 & 9M FY2020 Earnings Presentation

For the period ended December 31, 2019

Consumer Intelligence Driven Global Technology Company

Affle | Performance Highlights

9M FY2020

Revenue Growth

9M FY2020 vs. 9M FY2019

 **Up 34.3%**

Y-o-Y

EBITDA Growth

 **Up 34.8%**

Y-o-Y

PAT Growth

 **Up 46.2%**

Y-o-Y

9M FY2020 Key Highlights

EBITDA Margin expansion by 0.1% Y-o-Y

PAT Margin expansion by 1.4% Y-o-Y

*ROE (LTM) of 52.4%

Operating Cash Flow of Rs. 362 mn

Q3 FY2020

Q3 FY2020 vs. Q3 FY2019

 **Up 27.4%**

Y-o-Y

 **Up 20.0%**

Y-o-Y

 **Up 31.3%**

Y-o-Y

Q3 FY2020 vs. Q2 FY2020

 **Up 11.5%**

Q-o-Q

 **Up 25.6%**

Q-o-Q

 **Up 37.6%**

Q-o-Q

Management Perspective

Commenting on the results, Anuj Khanna Sohum - Chairman, Managing Director & Chief Executive Officer said:



“I am pleased to announce another successful quarter for the Company, with Affle progressing on financial, business and technological fronts. We continued to build on the growth momentum to reach Revenue from Operations of Rs. 945 million in Q3 FY2020, registering a growth of 27.4% y-o-y. Historically, our third quarter which has always been financially robust driven by festive season sales, continued its performance trend this time too with the Company registering a strong growth even on a sequential basis (q-o-q).

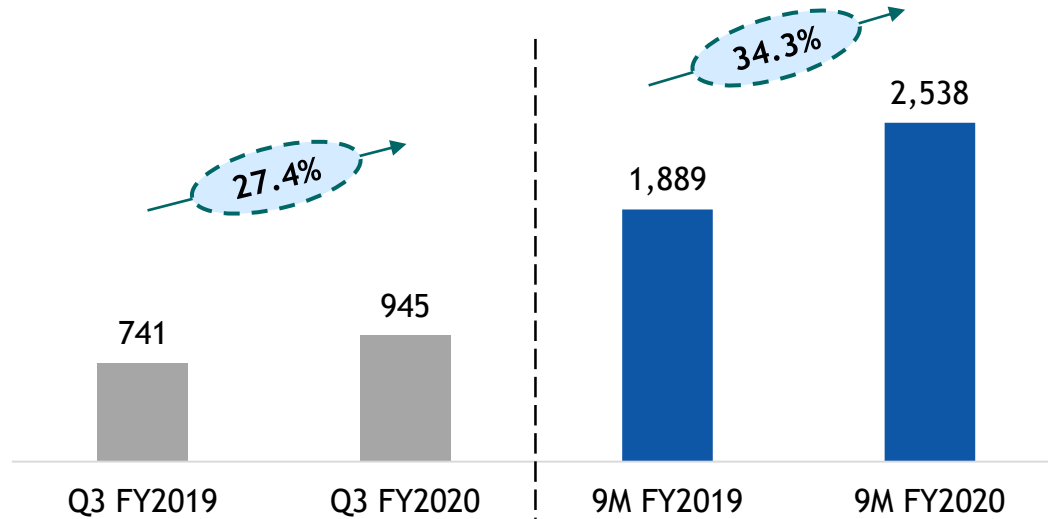
For 9M FY2020, Revenue from Operations stood at Rs. 2,538 million, a growth of 34.3% y-o-y. This growth has been broad-based coming from both existing and new customers, across the key industry verticals and across India & Other Emerging Markets. India which is our dominant market is growing much faster than the average industry growth in digital advertising, where for 9M FY2020 India registered a revenue growth of 47.8%¹ y-o-y. Our international business largely driven by the growth in Other Emerging Markets particularly SEA and MEA, increased at 22.8%¹ y-o-y.

The growth in Affle’s Consumer Platform business powered by the CPCU business has been encouraging and is well supported by the overall consumer trends of greater time spent across connected devices, increased adoption of online payments and consistent growth in digital marketing spends by advertisers. We also launched a new product ‘Vizury Engage360’, an artificial intelligence driven Omnichannel Marketing Platform, that strengthens our CPCU driven business model. We will continue to invest in the 4V strategy along with emphasis on vertical omnichannel integrations to further bolster our market position and expand the reach across connected devices.

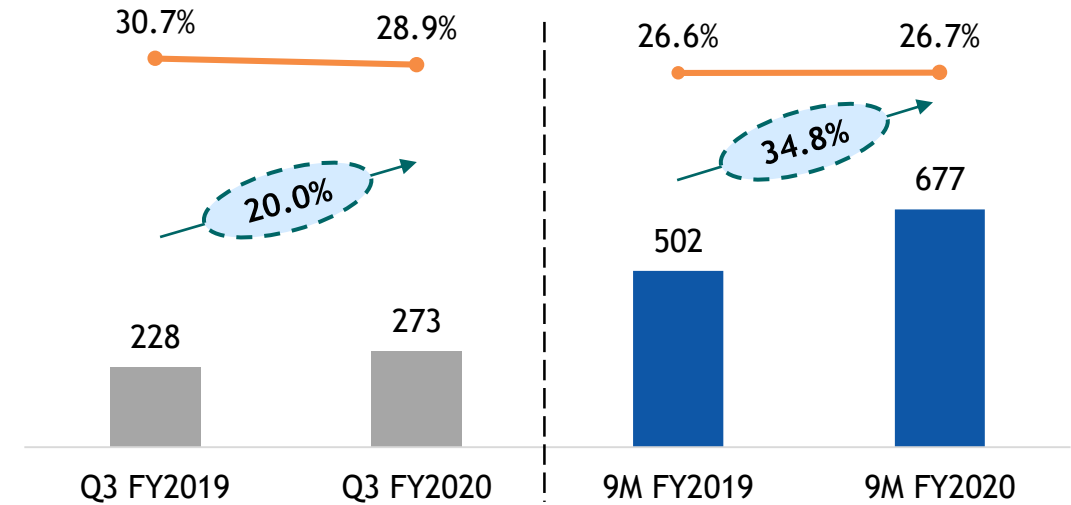
Our Board of Directors have formed two investment committees to evaluate the India and international investment opportunities that can further augment strategic and competitive position of our business. Affle is committed to deliver new innovations and leverage capabilities across emerging markets with anchoring focus on India and South East Asia to drive sustainable growth, cash flows, and look to invest in attractive inorganic opportunities that shall further enhance value for all our stakeholders.”

Consolidated Performance - Q3 & 9M FY2020

Revenue from Operations (Rs. mn)



EBITDA (Rs. mn) & EBITDA Margin (%)

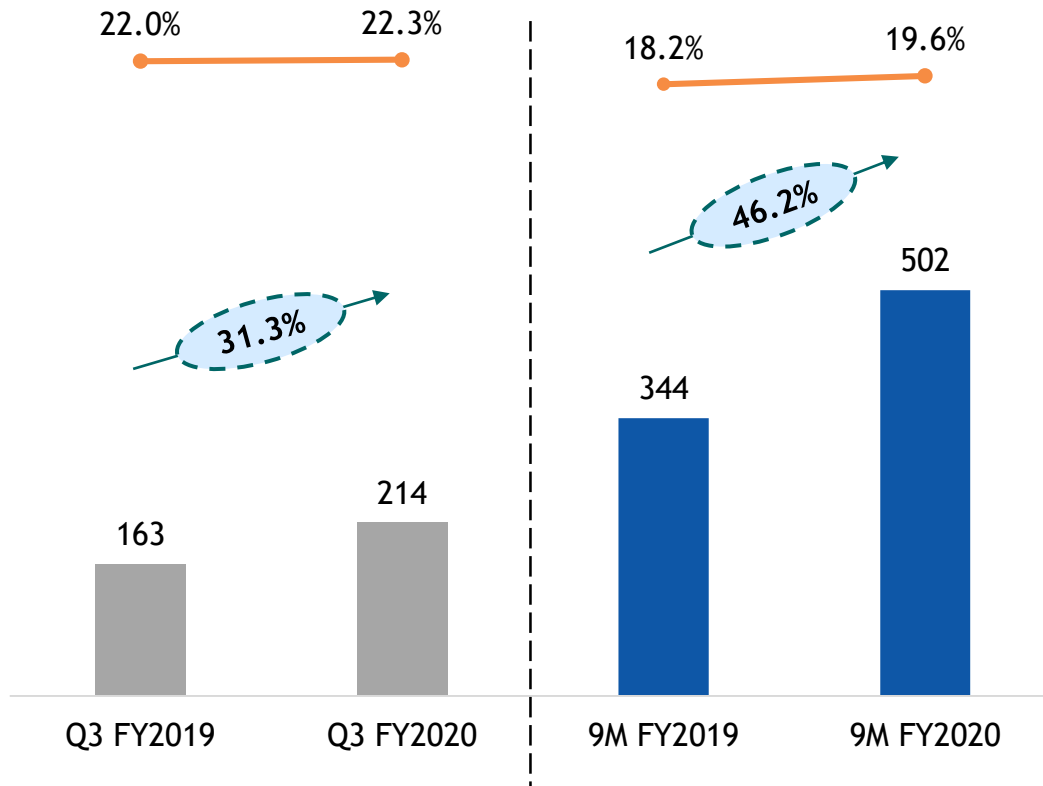


Performance Discussion (Q3 FY2020):

- Revenue increased by 27.4% y-o-y, primarily driven by 27.3% growth in total converted users (CPCU Business). The growth in CPCU business came from both existing and new customers, contributed by consistent growth in digital marketing spends by advertisers across industry verticals and across India & Other Emerging Markets
- Continue to strategically invest in the Inventory & Data Cost to expand the reach across connected devices and build deeper insights towards the next billion shoppers
- Continue to enhance the human resource capabilities to deepen our access towards emerging markets and building products & technology in the omnichannel marketing space, leading to an increase in Employee Expenses on a y-o-y basis. However, on a q-o-q basis, Employee Expenses have declined
- Overall, EBITDA increased by 20.0% y-o-y and 25.6% q-o-q for Q3 FY2020

Consolidated Performance - Q3 & 9M FY2020

PAT (Rs. mn) & PAT Margin (%)



LTM Return Ratios (As of Dec 31, 2019)

*Key Ratios (LTM**)	Balance Sheet Adjusted for Net IPO Proceeds ¹	Non-adjusted for IPO Proceeds
ROE (%) (Return on Equity)	52.4%	30.9%
ROA (%) (Return on Assets)	25.0%	19.9%
Gross Debt/Equity (x)	0.21x	0.13x

1. (Rs. 857.6 mn of Net IPO proceeds, the FD interest earned on Net IPO proceeds, Rs. 1.5 mn of IPO Advances, and IPO proceeds utilized) are adjusted in Balance Sheet numbers to calculate the return ratios;

*Key Ratios: Return on Equity = (PAT / Total Shareholder's Equity) and Return on Assets = (PAT / Total Assets); **Last Twelve Months (LTM) PAT and EBIT = 9M FY2020 + FY2019 - 9M FY2019

CPCU Business | Q3 & 9M FY2020 Performance

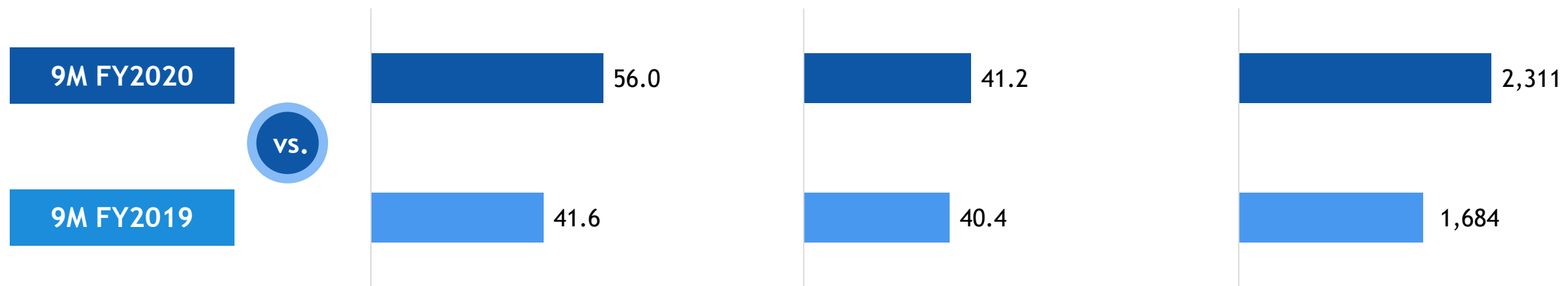
Converted users (mn)



Average CPCU (Rs.)



Revenue (Rs. mn)



Affle | Top 10 Customers Profile

- Natural shift in the select industry verticals where more advertisers are engaging directly than through their advertising agencies
- Top 10 customers concentration reduced in 9M FY2020

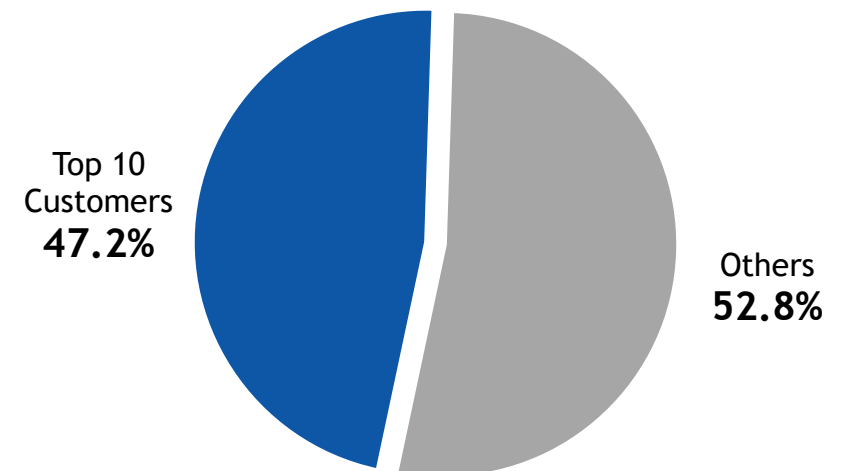
9M FY2019 Customer Contribution

As a % of Consolidated Revenue



9M FY2020 Customer Contribution

As a % of Consolidated Revenue





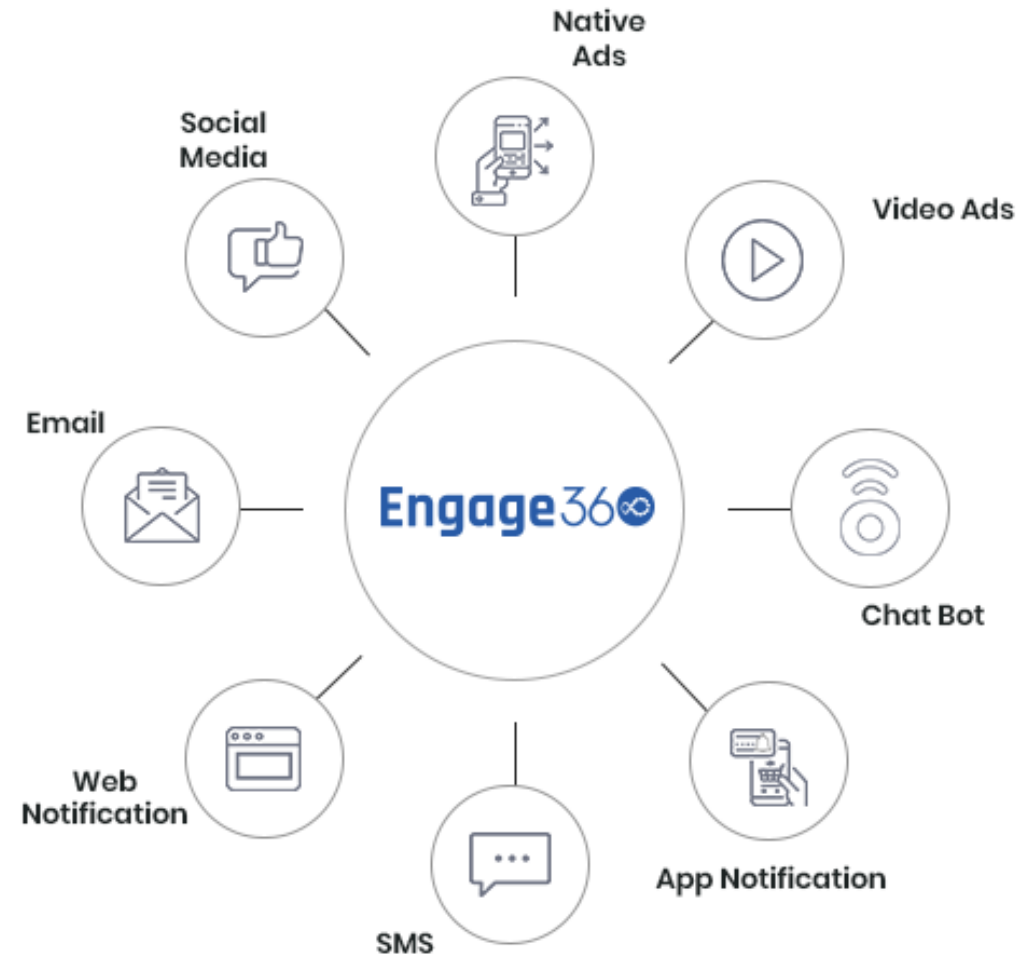
Recent Developments | Product Launch

An omnichannel marketing platform that significantly strengthens our CPCU driven business model

Engage360

Artificial Intelligence (AI)-Driven Omnichannel Marketing Platform

-  Connects all devices and channels over its unified platform and delivers integrated consumer experiences across connected devices
-  Allow marketers to craft unique consumer journeys to drive higher conversions and ROI powered by AI and ML algorithms



Affle | Recent Wins



Awarded ‘Great Place to Work’ recognition in mid-size company category by the Great Place to Work Institute



India DigiPlus Awards

Won Gold for ‘Best Use of Technology’ for Bobbi Brown; ‘Best Use of Programmatic’ for Meesho and one more award for Meesho at ET BrandEquity India DigiPlus Awards 2020



Won ‘IPO of the Year’ for the most successful IPO in 2019 at 2019 HURUN INDIA



MMA Smarties (APAC)
MMA Smarties (Global)

Won **Gold** for innovative mobile advertising for Meesho at MMA (Mobile Marketing Association) Smarties - APAC Awards 2019 and Global Awards 2019



The Maddies

Awarded **4 awards** for mobile advertising for top brands including Meesho, Dunzo, Bobbi Brown and Isobar from exchange4media at the Maddies Awards 2019



MMA Smarties (India)

Recognised as the ‘Technology Company of the Year’ & ‘Best in Show’ and 6 more awards for top brands at MMA Smarties Awards 2019, Mumbai

Affle | At a Glance



ABOUT

- Global technology company with a leading market position in India and a profitable business model
- Existent partnerships with top global e-commerce companies, brands & agencies



BUSINESS SEGMENTS

- 1) **Consumer Platform:** Delivers acquisitions, engagements & transactions for leading brands and B2C companies. Also, includes retargeting & push notification for e-commerce (**97.1% 9M FY20 revenue**)¹
- 2) **Enterprise Platform:** Enabling offline businesses to go online through App development, O2O² commerce & data analytics (**2.9% 9M FY20 revenue**)¹



GLOBAL REACH

India, South East Asia (SEA), Middle East and Africa (MEA), North America (NA), Europe, Japan, Korea and Australia (JKA)

50.8%
India revenue^{1,3}
9M FY2020

49.2%
International revenue^{1,3}
9M FY2020



END TO END MOBILE ADVERTISING PLATFORM

- In-house data management platform with over **2.2 Bn⁴** connected devices profiled that drives our predictive optimization algorithm
- Fraud Detection platform to help deliver high ROI to our customers



R&D FOCUS WITH A STRONG PATENT PORTFOLIO

3	10	1	4
Patents registered in US for digital advertising	Patents filed in USA & India for digital ad fraud detection	Patent related to retargeting business filed in US	Patents filed in Singapore



FINANCIAL SUMMARY (12M FY2019 Consolidated)

Revenue	Rs. 2,494mn
EBITDA	Rs. 703mn
PAT	Rs. 488mn

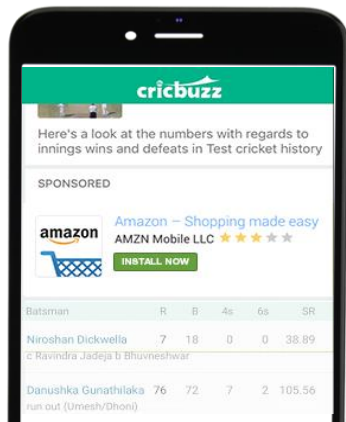
1. For the nine months ended December 31, 2019 on a consolidated basis; 2. O2O : Online to Offline; 3. Region-wise contribution and is different from the billing entity-wise segmental break-up disclosed in financial results; 4. For the last twelve months period of Jan 1, 2019 to Dec 31, 2019 on a consolidated basis

Affle | Cost Per Converted User (CPCU) Business

93.8% of Consumer Platform revenue contributed by CPCU model in 9M FY2020 and 6.2% from Non-CPCU (CPC/CPM¹ type advertising)



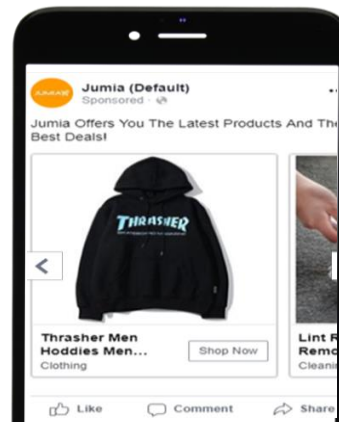
**New user conversion
(online)**



Use Case - Targeted new user acquisition optimized to in-app transaction/registration/event



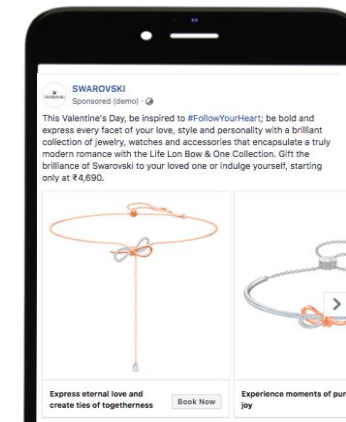
**Existing user repeat
conversion (online)**



Use Case - Target interested user to complete the transaction



**New/existing user
conversion (offline)**

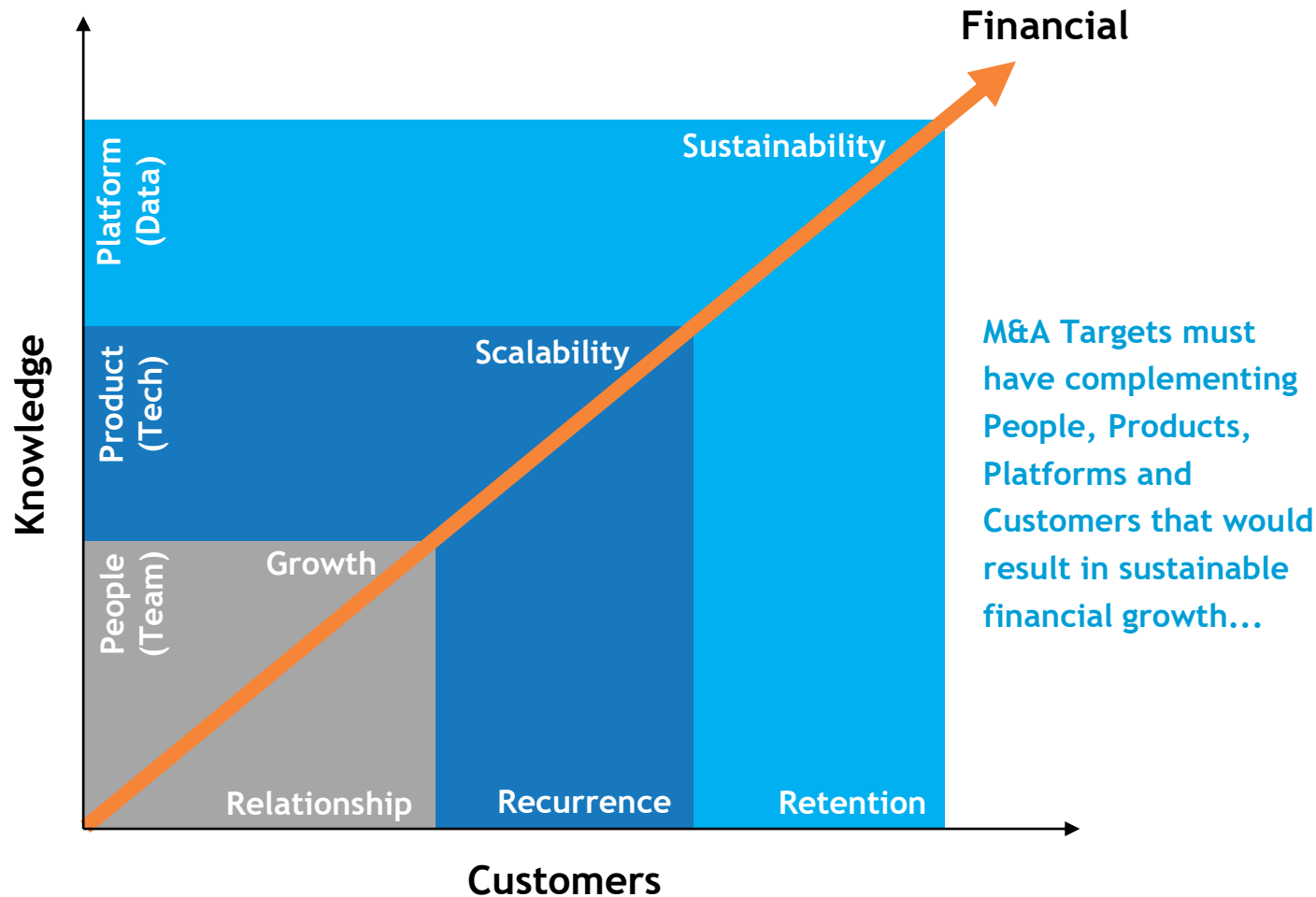


Use Case - Online bookings to drive offline walk-ins (O2O)

1. CPC is Cost per Click, CPM is Cost per thousand Impressions

Inorganic Growth Strategy

Pre Deal Assessment: Key Capability Attributes



Strategic Focus

Knowledge: Complementing teams, tech and data strengthen our strategic focus and enable efficient expansion to other emerging markets

Customers: Complementing customer relationship to enhance growth and build greater recurrence with integrated tech and data

Financials: Enhance value for shareholders by enhancing the profitability of the acquired businesses and the PE multiple



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Consolidated Financial Summary

In Rs. million	Q3 FY2019	Q3 FY2020	Y-o-Y Growth	Q2 FY2020	Q-o-Q Growth	9M FY2019	9M FY2020	Y-o-Y Growth
Revenue from Contracts with Customers	741	945	27.4%	847	11.5%	1,889	2,538	34.3%
Inventory and Data Costs	410	549	33.9%	486	12.9%	1,051	1,462	39.1%
Employee Benefits Expense	49	70	42.7%	78	(10.9%)	148	209	40.5%
Other Expenses	55	53	(3.9%)	65	(18.7%)	187	190	1.4%
EBITDA	228	273	20.0%	217	25.6%	502	677	34.8%
<i>% EBITDA Margin</i>	<i>30.7%</i>	<i>28.9%</i>		<i>25.7%</i>		<i>26.6%</i>	<i>26.7%</i>	
Depreciation and Amortisation Expense	24	32	31.3%	29	10.6%	74	85	15.4%
EBIT	203	241	18.7%	189	27.9%	429	592	38.2%
<i>% EBIT Margin</i>	<i>27.4%</i>	<i>25.5%</i>		<i>22.3%</i>		<i>22.7%</i>	<i>23.3%</i>	
Finance Costs	2	4		2		5	8	
Other Income	(1)	18		6		1	27	
Profit Before Tax	201	255	26.8%	193	32.1%	424	611	44.0%
Total Tax	37	40		37		80	108	
Profit After Tax	163	214	31.3%	156	37.6%	344	502	46.2%
<i>% PAT Margin</i>	<i>22.0%</i>	<i>22.3%</i>		<i>18.3%</i>		<i>18.2%</i>	<i>19.6%</i>	

Key focus on sustainable profitable growth

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