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May 21, 2020

To

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

Dear Sir/ Madam,

Sub: Transcript of the open Analyst/Investor Conference Call conducted on Tuesday, May 05, 2020 at 9:45AM IST, to discuss Affle's response and outlook in view of COVID-19 situation

Please find enclosed the detailed transcript of the open Analyst/Investor Conference Call conducted on Tuesday, May 05, 2020 at 9:45AM IST to discuss Affle's response and outlook in view of COVID-19.

Further, this call transcript may also be taken as compliance of SEBI Circular **SEBI/HO/CFD/CMD1/CIR/P/2020/84** dated May 20, 2020.

Submitted for your information and records.

Thanking you,

Yours Faithfully,
For Affle (India) Limited

Parmita Choudhury
Company Secretary & Compliance Officer

Affle (India) Limited

Conference call on "COVID-19: Affle's Response & Outlook"

May 05, 2020 at 09:45AM IST

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

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

Analyst: Mr. Ashwin Mehta – Ambit Capital

This transcript has been edited to improve the readability

Moderator: Ladies and gentlemen, good day and welcome to the Affle (India) Limited Conference Call on "COVID-19: Affle's Response & Outlook" hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashwin Mehta from Ambit Capital. Thank you and over to you Mr. Mehta!

Ashwin Mehta: Thank you Bikram. Good morning, everyone. On behalf of Ambit Capital, we welcome you all to the Conference Call of Affle (India) Limited to discuss their response and outlook in view of COVID-19. I take this opportunity to welcome the management of Affle (India) Limited, represented by Mr. Anuj Khanna Sohum who is Chairman, Managing Director and Chief Executive Officer of the Company and Mr. Kapil Bhutani who is Chief Financial and Operations Officer of the Company.

We request all participants to restrict their questions as per the agenda of this call, and questions related to Q4 F2020 financials shall be addressed in the Company's earnings conference call. I will now hand over the call to Mr. Anuj Khanna Sohum for his remarks.

Anuj Khanna Sohum: Thank you Ashwin for organizing this call and the introduction. A very warm welcome to all the participants on this call today for showing interest in how Affle is responding in view of COVID-19 and the trends that are emerging and which are apparent so far. Affle is not only prepared for seeing through this unprecedented phase, but also preparing for the long-term strategic outcomes which should hopefully happen soon after the Covid-19 situation comes under control.

For those attendees who are not fully familiar with our business - today I am not going through every detail of how our business operates. I am running this call with an assumption that most of the attendees are reasonably familiar with the Affle's business. Therefore the emphasis of my conversation would largely be Covid-19 related impact. I will be talking in fairly broad terms on three areas – **Macro impact, Micro impact and Marathon mindset** at Affle.

1. **Macro Impact:** I will look at all the macro factors which are impacting our business and largely our industry around Covid-19 and beyond. Within these

macro factors I will cover three **Cs in macro factors - Consumers, Customers, Competitors.**

(A) how is this impacting the Consumer behavior for the long-term;

(B) how is this impacting the Customers i.e. the advertisers, and how are the customers across various industry categories behaving in response to the Covid-19; and

(C) Competitors - what is happening in the larger landscape and what it means for other companies.

2. **Micro Impact:** After the macro factors, I will go specific on how Affle is managing in terms of three **Cs in micro factors - Collaboration, Cash flows and Consolidation.**

   (A) Collaboration - how has it changed internally for Affle;

   (B) Cash flows and;

   (C) Consolidation – how we are looking at any consolidation-oriented strategies from Affle's vantage points.

3. **Marathon Mindset:** Finally I will talk about our marathon mindset and how we are internally running the organization. And how we are thinking in the short, medium, and long-term in view of Covid-19.

   1. **MACRO IMPACT:** Going to the macro factors, if I may ask you to visualize three-pronged vectors - **Consumers, Customers and Competitors.**

      (A) CONSUMERS: Our business is a consumer platform business. Our business model is linked to consumer conversions i.e. when people use their mobile to make online conversions through mobile apps of our customers i.e. the advertisers. Most of us have personally realized that while we are spending time at home, there is a clear case that the screen time for each of us on a daily basis has gone up multiple folds. With work from home, lockdown situations or even from a hygiene point of view, the increase in mobile device usage and the screen time increase is a natural phenomenon that is happening and is personally experienced by all of us.

Clicks/Inventory Costs: This is consequently creating a lot more internet traffic and a lot more impressions and clicks. Now talking in the business language of our business model, Affle's ability to buy this inventory (impressions and clicks) at a cheaper rate in a much more efficient manner has actually gone up in this period. If you look at our financials or if you look at the inventory and data cost line item, in the Covid-19 impact situation we should see some efficiencies coming in over a period of time. This is because the volume of internet traffic has gone up substantially, impressions and clicks have gone up substantially.

Conversions/CPCU: What is happening on other aspects of the consumer adoption curve is the conversions. The consumer has a certain purchasing power or a certain wallet share. Earlier they were spending a large part of it offline as in buying things offline and only a certain percentage of that was being spent online. Given the restrictions in current situation, work from home and the lockdowns, total consumption has come down. But the % consumption that is happening on digital or what they are shopping online has significantly increased than before. Most of us are now shopping online not just for the basic needs but also beyond that.

India: When India opens up, we expect larger volume of people shopping online. If you look at our earlier commentary - India has about 600 million connected devices and close to 100 million would be online shoppers. We were looking at forecasts that in the next 3 to 5 years, the ~100 million shoppers could go up to 300 million shoppers. Now, one is expecting that because of COVID-19, this adoption curve will become shorter, as larger adoption will happen faster.

Consequently, larger volumes of conversions should happen through the mobile device because a lot more consumers will be doing online mobile payment-based transactions. So, on the consumer trend side and on the macro impact - the trends of more time being spent online, more conversions, more money being spent through the mobile to buy different kinds of goods and services are very favorable for Affle from a long-term perspective.

(B) CUSTOMERS: Second macro vector and the second C is our Customers. In our case, the paying customers in almost all business scenarios and primarily for CPCU business are the advertisers. The advertisers are across various industry categories and ahead of this call we came up with the industry

Categories E, F, G and H to give you all a way to remember the growth categories easily.

Category E includes E-commerce, Entertainment, Education. All these three areas are positive growth categories in a post COVID-19 or during the COVID-19 situation as well.

Next, **Category F comprises Foodtech and Fintech**. Again for customers in category F, there is a long-term as well as short-term positive lift in terms of their mobile apps being actively used by consumers. This would be to order food or to look at recipes or think about any fintech and foodtech apps.

Next, **Category G comprises Gaming and Government** as the spenders, who are trying to reach out to the gamers and citizens as consumers, respectively. In category G, gaming is a big factor. I categorized entertainment separately as entertainment can be seen as OTT or music, but gaming is so large that I would like to call it as a separate category. Within gaming, there is massive growth in real money gaming and as well in leisure gaming. In today's scenario when sporting events are not happening, what would people (game lovers) watch on TV? People are going into gaming and engaging on mobile apps in a big way.

Finally, **Category H comprises healthcare** and this is becoming a big category now for obvious reasons.

These **Categories E, F, G, H,** are growth categories and for customers/advertisers in these categories, it is no longer discretionary for them to look at mobile advertising. Mobile advertising is a necessity for all of these categories because of vector one - consumers who are spending so much time on their mobile phones. And for all these categories, their primary mode of engaging with these consumers is through their mobile apps. So mobile marketing, particularly on conversion-based business model like CPCU that Affle has, for these categories is a positive impact.

However, in the short-term, because of the lockdown in India, restrictions on e-commerce beyond the basic necessities like groceries have been there for a while now. Therefore in the short-term there is negative impact. But 50% of our business is in India and 50% in international markets is spread across multiple geographies and industry segments globally. In all those geographies, we have actually seen the trend that wherever lockdowns are not so strict unlike the way it is in India, e-commerce has actually thrived. One can see that in the performance of the public listed e-commerce companies. It seems that fundamentally COVID-19 is definitely providing a lift to e-commerce players. That lift should be seen in India as well once the restrictions are eased out and people are allowed to transact beyond essential services.

One of the other trends which I want to mention is that our business monetization is primarily from customers/advertisers on a CPCU model. But we also have a SaaS or Platform-as-a-Service (PaaS) business with Vizury Engage360, our Data Management Platform and we have very deep technology stack assets. Now these are commercially ready for us to sell or license to certain businesses/publishers as customers.

We are seeing a very strong uptake from those customers who want to now monetize their own digital assets better. It could be e-commerce companies wanting to do advertising or bring advertising on to their platform. It could be OTT companies wanting to do that. It could be offline retail companies wanting to go more online because they know people are not going to come in and walk into their store front anytime soon. So how do we help businesses to become more ready digitally such that they monetize better with the consumers or the advertisers. For both sides, Affle has ready technology to license to them which is completely complementing our CPCU business and has a zero-cannibalization factor there. We are also seeing that as another source of generating new revenue, through new customers who are now responding to COVID-19 by greater urgency of preparation but they have to go more digital. Affle will be a tool supplier to them and helping them to go digital faster in this period.

(C) COMPETITORS: The third macro vector and the third C is Competitors. How are the competitors in this space dealing with the current situation? All of the competitors could potentially see a similar positive lift in certain customer categories. But not all of them have such a diversified base of customers and not all were already running their businesses profitably. Therefore, in the short-term if the competitors do not have a strong balance sheet or are not fundamentally profitable to start with, then any drop in their revenues in the short-term for 1-2 quarters will make it difficult for them. In the post COVID-19 situation, Affle believes that we will have a natural gain in relative market share versus the competitors whether we do any consolidation/acquisition activities or not. I believe that a lot of the competitors will not be able to negotiate this interim period where it will be a tough phase for sure. They may not be able to withstand that and therefore helping us in the long-term to gain market share.

Summary of macro impact: From a macro factors perspective, yes there is an impact in the short-term but we remain **convinced and confident of our long-term view on Consumers, Customers, and Competitors**.

2. **MICRO IMPACT:** Coming to the micro factors, the micro factors are more specific to Affle in the short-term. I will decode the Micro factors with **three Cs – Collaboration, Cash Flows and Consolidation.**

(A) COLLABORATION: The first C is Collaboration. How is Affle collaborating in this work from home environment? Here I would like to first share a short story about myself. In 2003 when the SARS outbreak happened, I was a tech entrepreneur in Singapore. My customer base at that time was in Malaysia, China, South East Asia and all these regions were severely impacted by SARS. I have already lived through an execution environment where work from home was a new reality and travel was restricted. You had to be quarantined every time you travelled. Having lived through that experience, in January 2020 after the first case of COVID-19 in Singapore, we took a proactive stance. In early February 2020, we started advising our employees in the SEA offices to work from home. We also started transitioning to work from home across our India offices around February 14, 2020.

Today 100% of our employees are comfortably working from home. We have built great loyalty for our foresight, as families of our employees are very happy that Affle took a very responsible work from home call. This was much before any government started placing restrictions or seeking companies to close the offices and work from home. We have been collaborating very well.

Global Opportunity: Another thing that has happened is whether we are selling to a customer in Mumbai or in London or in New York, everything is happening on a video call. It does not matter where your team is placed and it has helped us to level the playing field in terms of winning new customers/business. I have many times highlighted that our business is global. We can sell to any customer across the Categories E, F, G, H, which are the winning categories. We can sell to the customers globally even in markets where we do not have any on-ground sales team i.e. North America, Europe, LATAM, Japan, Korea, and Australia. Therefore our business was largely coming from India, South East Asia, and Middle East Africa. More than 90% of our revenue was limited to geographies where we had an on-ground sales presence. Less than 10% was coming from geographies where we did not have the on-ground presence. Now this collaboration has gone global and has taken us much deeper globally.

Presently, Affle has over 80 people in the sales and marketing team, who can sell to any category E, F, G, H of customers globally on video conference effectively because our products capabilities are very strong. Today, most people are realizing that a) Affle is a much stronger company after going public and b) that believe Affle is built to last. We already have 15 years of credible history. Globally customers prefer to work with partners who will see through this COVID-19 situation and serve them well for the long-term. Affle has right to win business in any market and this collaboration has worked out well for us globally. Our employees are feeling safe and our customers are feeling convinced that Affle will be around. Therefore, continuity is being built with this as the new collaboration model.

(B) CASH FLOWS: Second C on the micro factors is Cash flows. Collections and cash flows have always been very important to our business. For the last six years, we have been a cash flow positive business. I have no intention or no flexibility has been given to any member of our team to allow for a scenario where our business becomes cash flow negative. No matter how tough the time gets even in a lockdown situation. We have to find enough business to make sure that we continue our cash flow positive operations on a weekly, monthly basis. The discipline on cash flows with our finance team and the business heads is something that I am very conscious of. Whether it is collections or accounts receivables, we have our clear focus on that. We do stringent credit checks on any new customer/business. Another important question is if the currencies are fluctuating, then are we collecting right amounts in the right currencies to keep our hedge? We are naturally hedged as around 50% of our business in India is in INR and 50% of our international businesses is done in USD. There is a natural hedge but we are balancing that in every aspect from a cash flow lens. This is again a very important micro factor which I wanted to highlight.

(C) CONSOLIDATION: The third C on the micro factor is Consolidation. It is linked to the earlier C – Competitors that was discussed earlier as part of the macro factors. Some competitors will not be able to see through this phase and hopefully we will win more market share. We have maintained our carefully calibrated consolidation strategy for the last several years and historically also have done the acquisitions in a very calibrated manner using our internally accrued cash flows. Going forward as well, we will be carefully looking at opportunistic consolidation opportunities. Especially when this is a tough phase for competitors, we should find some credible opportunities. As a strategic focus we will continue to pursue carefully calibrated consolidation activities.

3. **MARATHON MINDSET:** The six Cs related to the macro and micro factors have been discussed earlier. Finally, I would like to discuss about our marathon mindset. There are another **three Cs - Clarity, Conviction and Commitment.**

(A) CLARITY: The management team across the board has great clarity on our short-term & long-term objectives and on the execution strategy. All our management team members should be able to speak to you with the same level of clarity that I have, on our execution focus across all fronts. Macro and micro factors are well understood and detailed out in our execution strategy.

(B) CONVICTION: Second C related to the mindset is Conviction. We have a strong conviction that our business model will hold us in good stead whether through this immediate tough phase or the longer term. Our business is conversions linked, ROI linked, aligned with our customers ROI, and that is what gives us the confidence and conviction. Our business model is well differentiated. Our focus on mobile has great long-term prospects in terms of the post COVID-19 situation. There is an increased adoption of mobile by both the consumers and the advertisers. The advertiser's adoption across the categories will also increase in terms of how much they spend is going to mobile advertising in % terms.

(C) COMMITMENT: The third C is Commitment. Our leadership team is committed and has been collaborating for over 14 years. There is same level of commitment even during this phase and to see it through together in all the tough periods. While I have given you a broad view, there have been few times when some campaigns stopped over past years. Nonetheless, in the last six years, we have never seen e-commerce stop for a single day but in the last six weeks we have seen e-commerce in India come to stop. Of course these are challenging times. But what I can assure you is we have consistent commitment with a growth oriented long-term mindset. Our team is very well placed and fully committed to build long term value for our stakeholders.

Summary: Overall, we are in a good state of mind with long-term macro factors giving us greater conviction and confidence. Yes in terms of micro factors, we need to be watchful and need to collaborate differently while working from home. We need to watch our cash flows closely and also be very careful in any consolidation that we do. We are balancing that carefully!

I will now open the floor for your questions. I will request Kapil to support me through the Q&A.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have first question from Ashwin Mehta from Ambit Capital. Please go ahead.

Ashwin Mehta: Anuj, just a broad question. Given that advertising is considered to be more of a discretionary spend and that is coming under pressure in the current scenario, how do you see the different components which is digital advertising and within that mobile advertising and under that the digital programmatic advertising which is an area that Affle caters to play out post COVID? What is your initial sense in terms of how the growth would kind of pan out across these different segments of advertising?

Anuj Khanna Sohum: Let me take a long-term broader view which is a post COVID-19 situation. I will link it to the first vector that what is happening on the consumers front because the advertiser follows where the consumer is. If the consumer is watching a lot more mobile screen versus their PC, the advertiser would obviously want to spend a bigger part of their budget on mobile. Therefore the consumer platform business that we have is largely driven by consumer trends. If the consumer is going on to mobile screen in a big way, the advertisers have really got no choice but to shift their marketing spends to mobile screen in a bigger way. Earlier I did mention that in India in particular, if we are expecting about 100 million online shoppers growing to 300 million online shoppers much faster; then consequently we also talk about where the advertisers are spending. Let us say less than 15% of their total advertising spends are today on mobile and if that was expected to go to 25% in let us say next three years to five years. Then that should move to 25% in a much shorter duration. So the adoption curve of mobile marketing or the customers across the categories E, F, G and H which are the growth categories, as well the other categories should be much faster than what would have otherwise happened. Because the consumer has moved faster and therefore the advertiser would also respond to it at a same pace. When I calibrated this more specifically, the answer may be no. But as a %, relative spend on mobile should increase much faster than other digital or traditional media, as the consumers are adopting the mobile much faster relatively.

Second scenario within mobile: I believe because of economic factors or greater awareness, the advertisers will eventually ask for ROIs. Advertisers would spend for marketing with a clear objective to drive a conversion from the end user. I believe the ROI linked business model will become a lot more demanded by the advertisers, as Affle goes and educates about it significantly. Therefore, programmatic should win and conversion linked programmatic should become a greater success story. My conviction is very strong on that business model being a competitive advantage for us.

Ashwin Mehta: Thank you. Sir I will come back in the question queue. Operator can we take the next question?

Moderator: Thank you. We have next question from the line of Deepak Mittal from Edelweiss. Please go ahead.

Deepak Mittal: Thank you so much for doing this call. Is there any change in our stance in terms of cost, curtailment, or the growth plan as you think about in the immediate this quarter and the next quarter terms? Are you still expecting to grow 20% to 25% YoY or you think it will be significantly more muted than that? I understand the cash flow will still be positive as you mentioned in this call itself, what is your mindset in terms of being prepared for a certain revenue trend line?

Anuj Khanna Sohum: In my course today, when I talked about growth, either it was from a macro long-term perspective or it was referring to cash flows growth from a short-term micro perspective. In the short-term, I have been taking calls from multiple analyst/investors since March and every week the situation is changing color. When it was work from home but not the lockdown or no restrictions on e-commerce delivering to your home, Affle was in a very different short-term mindset. In fact, the reason why I wanted this call to be in May was because I wanted to see through all the ups and downs. Like what has happened since last week of March, till all of April and till first week of May. Now we reasonably know how May is going to go. With that benefit of some trends, I can say nobody really knows when or how soon this will end or when e-commerce will start delivering. In the short-term we will see this space through while making sure that Affle's long-term ability to grow stays intact. In the short-term the way we are calibrating our mindset is that I should be only strengthening my ability to grow in the long-term. Which means in the short-term we must strengthen our balance sheet and our cash flows should increase. At least I will tell you the world opening up in Affle's life means e-commerce starting to deliver in India. I am not expecting people to start going to their offices or going to restaurants any time soon; and I hope the world comes to normal. I am a big optimist for Affle's business. As long as people are at home and are able to order online from cooked food to any other items which are non-essential and so on, Affle is fully in business without any impact. My view is that the world has to open up and there is no other option for the governments, and it is only a matter of time. During that interim period, are we collecting more than we are spending, are we cash flow positive, are we fundamentally not depleting our balance sheet is very important? Let me give you some more color on it. Let us see the last three to six months of broad trend lines. Most of you would be able to calibrate that e-commerce, entertainment, education, gaming all of these categories would be north of 60%-70% of Affle's business. The remaining 30% is in the growth categories. Main categories are also growing where we are strong but the other categories which are newer for us let us say fintech or healthcare are also growth categories, though relatively smaller but still growing. The category of travel and transport or hospitality which has obviously become almost zero was less than 10% of our total business. So you take away that 10%, you take away e-commerce in India which is on and off, take away 10 days of March, most of April and then May will be on and off some scenario. If you take that and to calibrate short-term impact there will definitely be revenue impact but please also know that we are a growth-oriented company. But can I give you any short-term guidance on anything? I will not be able to tell you today as it might change tomorrow because of the way the world is evolving. Please allow me time. We will be having another call soon when we announce our results for our Q4 and full year results. In that maybe, I can give you a better picture. Today I would like to leave it at this that long-term prospects are positive. In the short-term there will be challenges but in those challenges Affle will come our stronger because my balance sheet should be stronger, my cash position should be stronger and we are nearly a debt-free company.

Deepak Mittal: You mentioned some of the new sectors which really grew very fast. It is still new, entertainment, education, gaming especially those three. I would assume as I do not know if this is something like Zoom which is your client but some of these have grown quite dramatically. So, what do they contribute to your revenues if you could talk about that?

Anuj Khanna Sohum: Let us break this into three categories. (1) categories which are deeply negatively impacted but less than 10% for us are the travel, transport, hospitality. (2) categories which are impacted for the short-term but are expected to do a V shape which is e-commerce only in India. e-commerce for the rest of the world is anyways doing well. e-commerce in India is impacted for the short-term but I believe as soon as it opens up the e-commerce would definitely shine, and thanks to the Facebook and Jio recent announcement. I can tell you that the e-commerce players who are our customers or even other e-commerce players, are not going to be in a relaxed state that growth is anyways coming. Everybody will be on the front foot doing enough to make sure their market share is being relatively competitively being captured. Therefore, we will be in a fairly good position there and the second category which is impacted for short-term will bounce back very quickly.

Deepak Mittal: What is the second category's contribution to our revenue? The first one is 10%, the second is what percentage of revenue and the third is what percentage of revenue?

Anuj Khanna Sohum: Globally it is over 30% e-commerce for us but India is the only one that is impacted. It is not the total impact and then the rest of the categories which is 60% to 70% of our business are thankfully in categories which are doing well. COVID-19 has actually somehow given them a lift in their business and therefore at least they are spending as much as they were spending before if not more. We are in a fortunate position as a company and I cannot go any further beyond that telling you how it will be. But on expected outlook on revenue growth in short-term for 1-2 quarters, best is to let us leave it for the results call that we will have soon.

Deepak Mittal: Thank you so much. I appreciate it.

Moderator: Thank you Sir. We have next question from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Thanks for taking the time. Thanks for the initial insights and commentary. Just following up on the last question. Earlier the initial baseline guidance used to be that we can comfortably grow 25%. Now obviously the near term is impacted but in the shorter term can we see a negative growth? Is the impact in the near term that high? Can you just give us some expectations if we will see a deceleration of growth but can we also see a negative growth, Anuj?

Anuj Khanna Sohum: The data that I have so far is a mixed bag. Our strategy as discussed earlier, is that how the team is collaborating with the global mindset and looking for growth in every nook and corner. We can go after anybody who is advertising on mobile today in those growth categories. It is a tough question that you are seeking an answer for in the short-term. I would like to defer it to be answered in the earnings call. It would suffice to say again that there are enough customers who are still spending and growing on the mobile marketing and on CPCU based business model with us. So we are in a fortunate position there. The only reason I cannot answer this question with great clarity to you today is because I am waiting to see when is e-commerce opening up? Is it opening up mid-May? We scheduled a call today on May 5, 2020 because we were waiting for India's lockdown update to see if May 3, 2020 onwards e-commerce will open up or not. Which zones will open, and yes, there are some positive signs. We are already seeing that e-commerce in certain zones has started to open up. Our customers are also quickly coming back and saying I want to run campaigns for these zones. As you know that our technology has deep location fencing capabilities also. All of that are actually some positive signs. I do not know how positive the impact is, and by the time May ends and we go into the earnings call, I will be able to give you much better answer. Having said that this short-term growth, degrowth or flat trend is not going to be material to Affle's overall long-term prospects. I would still want to defend that the long-term five years 25% CAGR growth is very much defensible. In fact my conviction is stronger there because I do expect that post COVID-19 the macro trends as well as the factors across the three vectors will be very favorable for us.

Dheeresh Pathak: On the cost side, if there is year or so of lower growth then we were earlier designed for certain cost structure and growth spend and lot of the costs are fixed. If you can just explain that are you still continuing with those earlier cost plans in mind or you have moderated them or what is the variable cost in your cost structure?

Anuj Khanna Sohum: Great question. For this one I should be able give you more insight into our mindset and how we are looking at growth. In terms of cost, (1) we have frozen any hiring and (2) we have deferred or delayed any increments in terms of salary increments to any of the team members. But all past bonuses, all past commissions, all salaries which were already pre-agreed with everyone would be honoured. There are no pay cuts being done. There is no reduction in any area so the team members are reasonably assured that the status quo and continuity remains. Maintaining continuity, paying everything of the past, dues on time and in response from the team seeking greater collaboration, greater productivity is our focus. The message to all Afflers is clear - 120% productivity is required because we have so many strategic initiatives from the same team now. I need more productivity because we are not hiring more people so we are preserving everybody but we are not increasing our cost. We are not giving increments, so the offtake should stay balanced to that extent. However, we are optimizing our opex in two areas. (1) There is no travel and transport cost. Because of the international nature of our business before, we used to travel a lot to developed geos. There were a lot of conferences, marketing, global events being attended and all that has become zero overnight. (2) All of our offices are empty so we have been negotiating all our rental leases, to reduce the active big line items in our costs. When these two costs significantly reduce, it becomes better than before. There is some efficiency on the bottomline that will come over there. The second initiative from a bottomline perspective, one is opex which I have just addressed to you. Second is on the bottomline which I have mentioned earlier on the vector of customers where we are finding new customers who will license our technology on Platform-as-a-Service (PaaS)/SaaS model basis. Even if I do a million dollar worth of licensing that will be at no additional cost. There would be no inventory & data cost. It would be a 100% bottomline addition. How do I make sure that even if topline is impacted in certain categories, can I make it good by changing or adding another element of strategic long-term gain for us which is completely complementing my main business as well? Think of it like how Amazon started as an e-commerce company but ended up doing a very lucrative business on Amazon Cloud - AWS. Similarly Affle is a CPCU driven consumer platform company and we have so much deep technologies stack. If I take out even two components out of it and do platform licensing, long-term licensing deals. All of that will add to my bottomline straightaway. It is incremental bottomline impact without any kind of further investment because those products are already commercially present. We are working on all of those strategies to make sure that our business can be optimized in this short-term period and strengthen ourselves for the long-term.

Dheeresh Pathak: Of the available stack in your tech, what have you carved out and made it available for third party?

Anuj Khanna Sohum: Everything is componentized and scalable in our business. Think of it as a Platform-as-a-Service (PaaS). It is a cloud based platform, and publishers have certain inventories that are not today available programmatically or digitally. If they want to unlock that or any data that is not monetizable and they want to do incremental revenues for themselves. Affle can go and license to them because they do not have the wherewithal to build this complicated Ads stack Technology. If they were to develop these capabilities in-house, it will take humongous amount of cost and time for them to go to market on a build strategy. So build versus license. We would go and give them licenses potentially of our data platform stack and our demand side programmatic platform stack. Also you would know that we had the Shoffr and the Markt product acquisitions that we had done in the last two years. Some of those components will help offline retailers also to create better consumer journeys. And Vizury Engage360 which is our omnichannel platform that we had already launched previously which is a PaaS platform again. These are all SaaS and PaaS recurrent licensing components. There is a great prospect there and it is an ongoing strategy for us from before. But it is helping us now very much because any new incremental business we get on this will be very lucrative and long-term for our business.

Dheeresh Pathak: Thank you so much.

Moderator: Thank you. We have the next question from the line of Pranav Kshatriya from Edelweiss. Please go ahead.

Pranav Kshatriya: Thanks for the opportunity. My first question is regarding to an extent already talked about but can you throw some light on what that customers are saying with respect to their advertising budgets. Typically, advertising budget tend to be the first one to be slashed to conserve cash. Hence, what customers are saying in regard to the advertisement budgets overall and on the mobile advertising that will be helpful. Are they cutting the budgets for mobile advertising in the current environment that would be my first question? And secondly are there any trends which you can point out according to the verticals or according to the geographies basis you have a fair good amount of international revenues as well. So, are there any trends there which can be watched out that is basically my question?

Anuj Khanna Sohum: In terms of advertising spends, it is clear to most of the advertisers in the categories that I had earlier highlighted, that mobile advertising is not discretionary. Either the business is not advertising at all in which case it is a business which is somehow organically so healthy that it does not need to advertise at all. It is just getting way more business than it can handle like what happened in the short-term for groceries. So, either the business is not advertising but if they are advertising anything; I can you tell you in that advertising budget mobile advertising is not discretionary. It is a necessary component and particularly for certain categories of businesses which are largely run by engaging consumers on the mobile phones. For businesses which are today not delivering their services through the mobile phone, even they know that the consumer is spending a lot more time on mobile that if they are advertising, then mobile is not discretionary anymore. We are in an extremely fortunate position with respect to a) having our customers across diversified geographic base, and across different verticals which are largely unimpacted verticals or positively impacted verticals. The negatively impacted verticals we have already written it off like 10% that is out. The grey area is only one which is e-commerce in India for us. For everything else, Affle was already in the business where digital first companies or companies that were going aggressively on mobile apps to win consumer conversions, were working with us. This was because over 90% of our business was driving conversions through mobile apps of our customers for their consumers. Therefore, the natural selection meant that we were serving those businesses who had mobile apps and consumers go and convert through them. Those guys are anyways spending on mobile. The only grey area is when e-commerce in India be opening up and with that grey area, we have seen a catalyst event. That event is Facebook and Jio, who will make sure that none of the other e-commerce players in the market or mobile payments people in the market are going to just stand on the fence. They need to up their game to make sure that they are defending against a more competitive scenario. This is broadly good for Affle because we are supplying tools in this war for consumer retention between the big players. We will be neutral non-threatening parties supplying tools and the platform capabilities to drive conversions and ROI models for all of them and we should benefit. In terms of what is happening on traditional media, traditional advertising spends could come down because the consumer is spending lesser time there and those are generally also not ROI linked models. Similarly in digital advertising, advertisers would want to have more ROI linked models like Affle's business model versus the just vanilla impressions and click models.

Pranav Kshatriya: Trends on the geographies?

Anuj Khanna Sohum: In terms of geographical trends, we have seen South East Asia as a fairly diversified region for us because we are there in multiple countries like Indonesia, Thailand, Philippines, Vietnam, Malaysia and so on. We have seen in the last 2-3 months that lockdowns happened at different times in different places and different sectors opening up. So, it is a naturally hedged position that we have. In South East Asia, we have similar trends in terms of categories of customers who are spending versus not spending. In Middle East Africa, we have seen deeper impact but it was no so material as a geography for us in terms of current numbers to be particularly worried about. This impact was because of oil, because of Dubai being so much of about retail but then businesses which are not out & stopped, are clearly preparing to go more digital. We are supplying tools to them and saying how can we help them to go more digital. We are calibrating it that way. In Europe, if you look at our acquisition of Mediasmart which happened in early March. Mediasmart businesses is actually a self-serve platform-based business and 97% of that revenue is coming outside Spain. Again from a very broad base of developed geographies which is North America and UK, Germany, France and so on, they have also seen different phases of impact based on which places were getting lockdown, and opening up. We have not seen a dramatic concerning trend there and our biggest advantage is that we are naturally hedged. In India, as an anchoring position and across multiple geographies whether it is customer segments or in currencies, we are quite hedged. Whenever that trend goes up or down in the short-term, we have found ourselves to be in a balanced position.

Pranav Kshatriya: Thank you.

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

Rishit Parikh: Thank you for taking my question. Just wanted to stress on your earlier point in terms of growth. While I am not asking for something of near term, but for the long-term assuming, let us say the lockdown ends in May and e-commerce starts business around May end. How are we looking at growth for this full year assuming some of these new categories will start to ramp up pretty impressively for the full year?

Anuj Khanna Sohum: Just this morning I read the report in Singapore where it was saying that this is a marathon and we are not even at the halfway mark. Now I do believe that when we do scenario planning, it is best to be prepared for the worst case and hope for the best case. Our preparation is for the worst case, our preparation is not on an excel scenario saying that okay in May it will open up. My excel scenario will say let us prepare for the worst case and see how much we can deliver. If it opens up faster, we are well geared to capitalize on it. That is how we are doing scenario planning. Preparing for the worst case such that our mindset is not going through that we were hoping for May and now it has not happened, it has gone to June or July. It should not lead us to lethargy or psychological negativity in the team. The spirits have to be on the war footing, worst scenario being prepared for, best case being hoped for. And very quickly being nimble footed to scale up and optimize for it. Now if e-commerce does opens up before we announce our results call, our goal would be to gain clarity there so that we can give you a better response for rest of this year. But I believe that even if the world does not open up fully, soon e-commerce deliveries will be allowed and it should be soon. When that happens it should be a V-shaped recovery. For rest of this financial year and the future hopefully everything will be fine. But one does not know whether there will be a second wave. So we need to be nimble footed and find our growth areas. We are de-risking it with the growth that we are pushing for in the PaaS and SaaS models also. I am making sure that we have multiple initiatives, multiple tools to deliver growth and value to our shareholders over a period of time.

Rishit Parikh: The second question I have is on the platform business side. Some of the newer categories that we have ramped up to the extent of value creation. Are those categories that you are selling is the platform piece or there is still going in terms of the CPCU business?

Anuj Khanna Sohum: On topline it will be CPCU as a dominant business but any incremental PaaS or SaaS business will be bottomline accredited. I do not want to go into specific numbers but you know our numbers for the last quarter or you can calculate what our annualized numbers could be and would be known to everybody here. You can look at that and on the bottomline numbers last year (FY2019) we did close to 50 crores of profit and first nine months of FY2020, we have around that much profit (50 crores) in our company. It is a small number and if we do one million dollar more sales, on Platform-as-a-Service (PaaS) or on a SaaS model, it will straight away give me a significant lift up at the bottomline. Almost 15% additional comes if we do 2 million dollars on PaaS or SaaS, so the impact on the bottomline for PaaS/SaaS is much more than on the topline. The topline will not move the needle too much but in terms of bottomline it will be very important factor. It will de-risk and strategically strengthen us for the long-term. I am pretty excited about that and as a tech company we take great pride in delivering business outcomes using our technology. That is who we are, our DNA is that. When our tech can deliver another line of revenue which is complementing and positively impacting our bottomline performance and cash flows, we are very excited about it.

Rishit Parikh: Just last one question. We have roughly about 100 Crores of cash on the balance sheet. Now I would think it will be excluding any payments that we would have made to Mediasmart which is roughly about 40 Crores to 50 Crores if I am not wrong, right? I think x of that we would have been left with about 50 Crores, 60 Crores cash in the balance sheet. So, just wanted to talk about the cash position and any credit lines which are available?

Anuj Khanna Sohum: That assumption is not correct. Kapil if you can correct the numbers please. I think on Mediasmart we have only paid around 3.3 million USD in cash terms so far.

Kapil Bhutani: We have paid about that much only but that has been taken from the holding company. We have not yet touched our cash flows at the moment.

Anuj Khanna Sohum: The way to look at it is how much cash is available in Affle India the Listed Company, and how much support can the corporate promoter which owns 68.38% of Affle India, is ready to provide. When I look at our cash reserves on a company level as well as including the commitment of the promoter, we have over two years of cash credits all operating expenses without taking into account any collections or any profits and revenues that we are anyways reasonably confident of achieving. I am saying post the payment for Mediasmart which is only around 25 odd Crores that has been paid; on an arm’s length basis and considering the low interest rate based debt arrangement between the corporate promoter and the Listed Company - the cash that we have is more than two years plus of cash, all profits as on date. So it is a very fortunate position to be in and even in the short-term 1,2 or 3 quarters, if the lockdowns continue, I am pretty confident that it will only be adding cash into our balance sheet. We will not be depleting it. Seeing through the tough phase and preparing for long-term strategic growth is our focus. Affle is preparing for the long-term by adding PaaS and going global to go for the winning categories of customers in a stronger way. Even in the short-term we know that we are in a well-off position and we will make sure that we are not depleting that but rather increasing it.

Rishit Parikh: Thank you. It is very useful.

Moderator: Thank you. We have next question from the line of Rahul Jain from Dolat Capitals. Please go ahead.

Rahul Jain: My question is, have we seen any early success or challenges that you might have observed in taking these E, F, G, H categories in newer market or smaller markets that we are operating right now?

Anuj Khanna Sohum: In terms of the E, F, G, H categories, in our biggest market India - our team is doing a commendable job in making sure that our leadership position across these segments is strengthening. Given the challenging times that we are all in, the persistence and efforts have been very strong. In South East Asia we are doing well. In Middle East Africa, like I said the region is much more deeply impacted for various macro-economic reasons. There again, using the Platform-as-a-Service, newer initiatives, and newer propositions, we are training our sales team to explore new opportunities. Our sales team is focusing where a) there is demand and b) where there is impact, sell to them tools which will help them to mitigate their impact in the business by making them go more digital. The sales team orientation is smart. What we are yet to see is that how the same team of 80 people can sell in other markets over videoconferencing calls to new customers and categories. But the effect of that will only be known in May and June. I am bullish about it but let the outcome speak for themselves. We will wait it out for our next quarter outcome on that particular initiative, which is more global collaboration across these E, F, G, H categories. And across markets where we are not even present but have the ability to sell on the credibility that Affle brand today carries in this business.

Rahul Jain: Another follow up questions is, have you seen any impact on pricing both on the CPCU side and on the inventory and data cost side with the change in the environment?

Anuj Khanna Sohum: So far, we have been pretty stiff with our sales team and disciplined that the CPCU price on aggregate basis across markets and segments has to be maintained. We have not relaxed our policy on that yet. On the inventory and data cost, we are seeing some efficiencies coming particularly in April and onwards. We are trying to see whether we should pass it on and grab the CPCU and keep our margins or may be go for higher volume with the lower price. But once you relax the price there is always the tendency for people to negotiate on that. We have so far not done any relaxation in the CPCU rate for gaining volume as a strategy but we will see how that goes. At the moment, our view is that we are delivering enough value and in today's time where there is a lot more internet traffic where people are spending so much time online, finding those who are shoppers from non-shoppers is actually a bigger challenge. If today I am delivering a conversion to an advertiser, that is not so easy to find because of a lot of traffic online. How do you dive into that traffic and find those converting users and conversions? It is not something that has to be taken lightly. Also, the value of each incremental revenue and conversion for the advertiser is actually quite valuable. Therefore, there is no reason for us to reduce the price at the moment but we will watch it closely. Important message is we will defend our margin in that range of 40% - 42% of our revenue and keep the inventory and data cost in check relative to the CPCU pricing that we have.

Rahul Jain: Sir, clarification on the same and not a different question. You said you are getting efficient on inventory and data cost. I had thought it would be even getting inefficient because actual consumption would gone down although there maybe clicking around?

Anuj Khanna Sohum: The clarification is that when we incur inventory and data cost, we pay on impression and clicks models as an expense. Since the volume of impression is clearly going up, the price per impression click is coming down. The unit price is coming down. Efficiency in our platform is because we were in emerging markets and our platform was wired to find shoppers from a very large pool of non-shoppers. If there are around 600 million connected in India, only about 100 million were shopping even earlier. Rest of 500 million non-shoppers were doing a lot of internet and so our algorithm is wired to filter out the non-shopper traffic. I am just building the case that if I am paying for impressions and clicks, I am paying lesser at per unit price. Without charging lesser I can still defend my CPCU rate to an advertiser who is spending with us. I am delivering more value to the advertisers because finding that shopper versus non-shopper is now a even bigger challenge. It is a valuable ROI linked model for them and also our rates were already quite low, so there is not much room there. I am not looking at dropping the price at the moment and our margin is defensible because the unit price of buying an impression is coming down. Even if I need more impressions and clicks, I should be able to drive the conversions at the same cost because the unit cost is coming down as volumes go up.

Rahul Jain: Thank you and best of luck.

Moderator: Thank you. We have the last question from the line of Nikhil Chandak from Landmark Investors. Please go ahead.

Nikhil Chandak: Thanks for the opportunity. I just had one quick question and it might be a basic question as well. When we read about the global adtech players like Google, they are reporting a significant drop in revenues once the COVID scare started. Now I am just trying to understand is there a rethought for Affle based on these data points, does the competitive intensity increase or how should one read about or take away for Affle on these trends?

Anuj Khanna Sohum: Thanks for that question and it is a very pertinent question. In fact, we have been reading all the commentary from Google, Facebook, Amazon and Apple results and the Trade Desk results are going to be out later this week. We are definitely tuned in to that. The difference for us is that we are very small relatively speaking. The market is so large and the mobile in-app advertising is clearly growing. So our business model is different, our markets are different and we are relatively much smaller and therefore the response and impact on us versus them is very different. May be for them the travel and transport category was very large, the airlines or the travel and transport was large. It depends on what was their revenue mix. Somebody who is doing their business on impressions and clicks will say my rate is coming down. Like for Google and Facebook, most of their business is done on impressions and clicks. The impression and click volume has gone up, the rate has come down so they are dealing with the rate drop. They would also be dealing with some customers segments not spending in certain markets which may have been relatively bigger for them versus for us given the geographic mix, customer segment mix and size. If you take these factors into account, for us the business model is an advantage. Even size is an advantage because I have to find only so much business around the world to maintain my growth and of course the customer mix is also an advantage. This is because we were largely focused on mobile app based digital focused companies whereas the kind of scales Google/Facebook have, I believe they may have big retail as customers. They may have all kinds of advertisers for all of them. So there could be the difference in impact but having said that most of them are at least talking about staying flat. I do not know how many of them have talked about the contraction on a net (volume x price) level. I will read it again based on your input but my view is they will be still doing fine, even Google and Facebook.

Nikhil Chandak: If you read the commentary and even after the results, the March number has fallen off and that is where the trend has changed completely, the January-February was okay but from March it has fallen off.

Anuj Khanna Sohum: Are they saying year-on-year contraction or are they saying that versus previous trend of course the revenue growth has come down?

Nikhil Chandak: But year-on-year contraction is well specifically from the March virus spread and which is why my question from a competitive intensity perspective. Is it increased or just business has usual form of competition angle as well?

Anuj Khanna Sohum: Google and Facebook have never been a direct competitor for us. We have always played a partner role for them because we also buy impressions and clicks on Google and Facebook. We see them as a publisher partner for us and are not competing to beat Google and Facebook. There is no competitive intensity for us over there. As the buyer on their platform, I am buying cheaper than before and that is a fact. Now in terms of competitive landscape, which i mentioned earlier as well that I do see small players being relatively not as privileged. That is because of our strong balance sheet, nearly debt free and relatively more profitable business models. Affle is in a stronger position but it is fair to say that revenue for last week of March is obviously much lower than what it was in the first three weeks of March for us. Further, like I have said allow me time to see the results of May as well before we go into the earnings call in early June and provide you much better clarity. Because if e-commerce opens up in between, my answer will be very different. There is no point talking about the 3-4 weeks of trends. Let us wait for the earnings call and I will give you clarity there but of course there is business impact globally and we are not immune to it.

Nikhil Chandak: Okay. Thanks a lot.

Moderator: Thank you very much Sir. Ladies and gentlemen that was the last question. Now, I would like to hand the conference over to the management for closing comments. Over to you Sir!

Anuj Khanna Sohum: Thanks for this opportunity. Great questions everyone and I hope together with Kapil's input on one of the financials related question, we answered most of your queries comprehensively. Let us stay tuned and I wish all of you and your families and your colleagues best of health. Hopefully, we will come out of it stronger, wiser, and much better than before. I hope to hear from you all more questions when we do the earnings call, most likely it will be in the first week of June. I would like to see how May ends so that I can give you much better answers the next time we talk. Thank you for tuning in today.

Ashwin Mehta: Thanks from my side. I hope everybody stays safe and let us pray for this epidemic to end soon and for a growth prospectus in the near future.

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of Ambit Capital that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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