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Truecaller AB (TRUE.B.SE)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

Hi, everyone. Welcome to our Q2 Report Webcast. I'm Rishit Jhunjunwala, the CEO of Truecaller. And with me, I have Odd Bolin, our CFO. We'll start with the overall highlights of the quarter, and then walk you through our financial performance. After that, we'll cover product highlights and then open up for questions.

So, let's get started with the highlights of the quarter. We continued to show growth trends this quarter as well. Our user growth, revenues and profitability all remain healthy. Currency fluctuation did have an impact, which we'll talk about in detail and, therefore, we're going to talk both about constant currency, as well as SEK converted numbers.

Right. So in terms of user growth, we did an average of 427 million monthly actives in the quarter, which represents a strong growth of 15% year-on-year. This continues to be the cornerstone of our business and highlights our dominance in this space. We also had an average of 367 million non-iOS daily actives, which translates to a very healthy stickiness metric of 86%.

In SEK, our net sales grew 9% to SEK 496 million and our EBITDA, excluding incentive cost, grew 20% to SEK 212 million. This translates to an EBITDA margin, excluding incentive cost of almost 43%, which is a great improvement from last year. If we include incentive costs, this margin was close to 35%.

Now, if we then look at numbers in constant currencies, which is basically our estimation of how financials would look like, if we had the same currency rates as we did in Q2 2024, then our net sales for the quarter grew 21%, crossing SEK 0.5 billion. Our EBITDA, excluding incentive costs, grew 38% to SEK 245 million, which is an EBITDA margin of 44%. If we include incentive costs, our EBITDA is almost 37% in constant currency. So, we continue to operate very profitably which, as you know, has been a very conscious effort for many years now.

Now, let's go into more detail on users, as well as our financials. We grew an incredible 55 million users from the same period last year, which represents 15% growth in our non-iOS user base globally. We, therefore, now have an average of 427 million people, excluding iOS using Truecaller in Q2. Our daily actives also grew very well at 16% and we hit an average of 367 million people using Truecaller each day.

With that, I'll hand over to Odd for an update on our financial performance.

Odd Bolin

Chief Financial Officer, Truecaller AB

Thank you, Rishit. So, let me walk you through the financials. As anticipated, the quarter was heavily impacted by the, somewhat surprising for us that have been around for a while, strengthening in the Swedish krona. Indirectly, we earned almost all our revenues in foreign currencies, so a stronger SEK has a substantial impact on us. And we'll get back to some of the details later on. But just in order to make it easier to understand that underlying development for our business, we will, as Rishit started out, give you the net sales and EBITDA development in both SEK and in constant currencies this quarter, constant currencies meaning the same exchange rates as we had during the second quarter last year.

The constant currency figures are our best estimates based on the information available to us. We don't have full information by how our partners, like Google, are managing exchange effects, which limits the precision we can achieve. The most important exchange rate for us is anyway the INR versus the Swedish krona, as India is our largest market. SEK has on average strengthened 12% versus INR since Q2 last year and with 8% compared to Q1 this year, which is a pretty major significant change for us. At the end of the financial presentation, I will sum up all the effects we see to our numbers from the FX fluctuation.

But for now, let's look at the top line and then profitability. In Q2, our net sales grew by 9% in Swedish krona. However, in constant currencies, net sales grew by approximately 21%. And we continue to see a strong underlying development for our recurring revenues, driven by a continuing strong demand for both Truecaller for Business, as well as strong conversion to paying users.

Our ads revenue saw a decline of 1% in Swedish krona, but a growth of approximately 11% in constant currencies. All regions showed good growth in constant currencies with the strongest development continuing to be in the Middle East and Africa. We increased our partner network with more global partners during the quarter, and we expect to continue increasing it further during the year. The underlying ads market was quite stable compared to last year, although we did see some impact in terms of demand softness in relation to the geopolitical uncertainty with the India-Pakistan conflict that we had some time ago, the Middle East situation, and from the continuing global tariff discussions. We did, however, not see any major price changes in the ad segment.

For ads, an important part of our strategy is to increase our direct sales. And in Q2, we saw high relative growth, albeit from still pretty low levels. Apart from creating more stability and better visibility, an increasing share of direct sales also results in a better gross margin for us, as will be mentioned later. Subscriptions continued to trend well. We grew revenues in SEK by 35% and by approximately 48% in constant currencies. The growth rate increased gradually during the quarter as we saw strong subscription intake.

Once again, all regions contributed to the positive numbers and we see a solid revenue trend on both Android and iOS, with iOS being somewhat stronger than Android. Truecaller for Business grew by 34% in Swedish krona and by approximately 53% in constant currencies. The revenue in Q2 was marginally lower than Q1 in Swedish krona,

but grew by approximately 7% in constant currencies. All three revenue contributors within Truecaller for Business, namely Verified Business, Business Messaging, and our risk product contributed to the growth.

Now, Verified Business is the most important part of our business revenues and we are now starting to see good growth in markets outside of India, especially Middle East and Africa, where we grew annual recurring revenues more than 50% compared to last year. Ads still continue to be our largest revenue stream and, as already mentioned, we grew in constant currencies, but saw a small decline in Swedish krona compared to Q2 last year.

Our ad revenues per DAU decreased somewhat, while the average price per impression was stable compared to last year. During the quarter, we saw a gradual improvement in fill rate, which contributed to a steady revenue run rate from third-party partners towards the end of the quarter. And as already mentioned, direct sales showed strong growth compared to last year with a growth of more than 50%, although from still quite low levels.

Our new management of the ads team is working diligently on both ensuring good third-party business and, in particular, increasing direct ads revenues where we work directly with the end customers. The competence and experience we have on board now is already substantially improving both our product and services portfolio and our market positioning versus large ad buyers. We expect to see considerable effects coming out of these efforts over the next year.

For subscriptions, all underlying metrics are pointing in the right direction and it continues to be a good revenue driver for us. We grew the number of subscribers by 28% and the average revenue per subscriber by 10%. iOS subscriber growth accelerated during the quarter and the number of subscribers grew by 25% on iOS, in Q2 alone, by more than 50% compared to the same period last year. iOS adoption in India started out slightly slower than some other markets, but gradually during the quarter, we started to see an increased adoption of iOS subscriptions in India, too.

Truecaller for Business also continues to grow at a good rate. The growth rate in Q2 was 34%, but in constant currencies, like I mentioned before, 53% year-over-year. Revenue churn continues to be low and we see new business coming in both India and the rest of the world.

Business Messaging has had a good growth, too. We have scaled up the volumes during the last year, but they have been quite stable during the last few quarters. This is primarily because we have been very focused on just sending the right kind of messages to our consumers and users and not allowing any unwanted messages. The next phase of growth in this area would come when we start also utilizing the Business Messaging outside of India to a larger degree.

Additionally, we're slowly, but steadily scaling up our risk products as a part of this vertical. Our strategy is to focus on recurring revenues. Premium subscriptions in Truecaller for Business continues to do well, and the combined growth rate was 35% in Swedish krona and approximately 50% in constant currencies. As mentioned before, business momentum continues to stay strong and we see much more growth waiting to be captured.

Now, our gross profit grew by 12% year-over-year, and the gross margin improved year-over-year to 77.3%. We see positive impact on gross margin from increased share of direct sales, like I mentioned briefly, but also from increased revenues for Truecaller for Business, as well as some further efficiency gains when it comes to server and verification costs. Going forward, we expect the gross margin to be rather stable at around this level with some possible variations between quarters.

Now, time to move the focus to costs. As mentioned last quarter, in every Q2, we see the effect of the annual salary review. We have also grown the number of employees somewhat during the first quarter and this, combined, increases our employee costs somewhat.

Incentive costs increased compared to last year, but were lower than Q1, as the share price was more stable during the quarter compared to the strong trend we saw in the first quarter. Other external expenses increased somewhat compared to last year, but were lower in Q1 where costs were higher temporarily, mainly due to the campaigns we did in relation to the iOS launch.

Our tax rate is a combination of the Swedish corporate tax rate and the Indian tax rate. This quarter, we saw some impact due to temporary timing effects. However, as we do an increasing share of our business out of India, primarily Truecaller for Business and also direct ad sales, more of our revenue is being recognized there, and we see the effective tax rate gradually increasing from historical levels due to this. We are managing our tax exposure within the limits set by the transfer pricing regulations that we have to adhere to in order to ensure that we fulfill the expectations of both the Indian and the Swedish tax authorities.

For incentive costs, the breakdown this quarter was SEK 29 million in dilution cost and SEK 10 million in social security fees. The social security cost was much lower than in Q1 when the share price increased substantially, which directly impacts the social security fees. Now again, like I said before, it is important to remember that although incentive costs have a substantial impact on our bottom line, they do not give any material insight into our operational performance.

Part of the cost to our accounting figures that reflects a potential dilution that options and RSUs eventually may have, partner accrued social security fees that only will impact cash flow when and if these instruments [indiscernible] (00:12:48). Our operational performance and our operational leverage is best understood by looking at our profit, excluding these costs ideally.

Now, turning to our profit development, let's start with the profit development, excluding incentive costs. Excluding those costs, EBITDA grew by 20% and our margin improved to 42.6%. In constant currencies, the growth was approximately 38%. And as you can see from the chart, we continue to deliver quite stable profit margin, excluding incentive costs. When we look at EBITDA, including incentive costs, we increased EBITDA by 5% year-over-year. The margin was somewhat lower than last year, but improved compared to Q1. In constant currencies, the EBITDA growth was approximately 24%, including the incentive costs.

Our cash flow conversion continues to be good with no financial costs and a working capital that develops in a manageable way. As our direct ad sales and Truecaller for Business growth, more of our revenues comes from end customers and partners, other than Google, Apple, and Meta, this increases our DSO since payment terms in most of our markets generally are longer than what we have from Google, et cetera. However, we work very hard to ensure that both payment terms stay reasonable and also low from a market perspective and that we're receiving payments on time.

It is unfortunately not unusual for customers to try to use us as a bank, but we tend to be able to convince them that paying us on time and not losing our services is a better option. This is, however, a never-ending struggle that only can be managed through hard and consistent work. Fortunately, we actually have a strong credit control team and a good understanding from our business managers.

During the quarter, we saw an uptick in working capital due to the fact that our incentive profits – that the incentive profits paid to our Swedish employees in June are associated with employee taxes and social security fees that

we pay in July and that are booked as a liability in working capital by the end of June. We still have no financial debt and approximately SEK 1 billion in cash and short-term investments after the dividend of almost SEK 600 million that we did during the second quarter.

Our revolving credit facility of SEK 500 million is not being utilized, but available for interesting M&A opportunities. We have recently agreed with our bank on an extension of the facility – of that facility from 2026 to 2028 in order to keep our options open. We have been and we continue to be – to act in a position of strength with this strong cash flow and the financial profile of the company, and like I've already touched, on the strengthening of the Swedish krona. Now, like I've already touched on, the strengthening of the Swedish krona had a material impact on both revenue and profitability this quarter.

To summarize in constant currency, the revenue growth rate would have been approximately 21% instead of 9%, and EBITDA, excluding incentive costs, would have been grown by approximately 38% rather than 20%. Now, considering the indirect nature of our currency exposure, we cannot, like I have pointed out already, quantify the currency effects as precisely as we would like.

We have to make certain assumptions as to how the actual exposure looks, as Google, et cetera, they don't give us a full insight. However, based on the total information that we do have, these numbers are our best estimates and they give a reasonable view, I think, of not only how currency fluctuations affect us, but also how our business is performing operationally, how we succeed and compete in local markets.

So with that, I'll hand over back to Rishit, again.

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

Thanks, Odd. Now, let's take a look at a few significant product updates during the quarter. Through the quarter, we made significant progress in three main product areas. I'll talk more about these three areas.

Firstly, fighting communication-based fraud is an important part of Truecaller's mission. And in Q2, we deployed new models that significantly improved our fraud call detection capabilities. These new models were rolled out across all our focus markets, leading to millions of additional fraud calls being accurately identified every single day. Fighting fraud is also a multipronged effort, and one of the initiatives is educating our users about new and different types of frauds that may be used to target them.

Scam Feed, our initiative in this area, saw important product improvements last quarter that increased engagement by around 87%. The Truecaller community of 450 million users worldwide is our biggest strength, and this gives us a unique advantage when it comes to collecting feedback and data points associated with numbers. This feedback is received in the form of user reported names, comments, spam, fraud reports, and many other signals.

In the previous quarter, we combined this user feedback with the power of large language models to accurately summarize community feedback and show this as contextual information alongside the name on important screens such as the Caller ID, the after-call screen and other screens. Within a few days of launch, we were showing 500 million such LLM-powered summaries every week, highlighting Truecaller's unique scale and strong AI capabilities.

Last quarter, we also fully rolled out a brand new revamped calling experience for our Android users. This major update focuses on a modern, intuitive, highly functional user interface, featuring a simplified design that prioritizes

essential information. In addition to details like the name of the caller, users will clearly see vital details, like business identity, potential spam risk, priority of the call and so on, allowing them to make informed decisions about the incoming call.

The redesign also significantly improves accessibility offering both light and dark themes, enhanced support for smaller screens, larger fonts and various display sizes for consistent experience across devices. A key new feature is the floating call screen, which keeps your active call accessible, even when you are navigating other apps. Underpinning these improvements are substantial performance gains, particularly noticeable on entry-level and older phones where speed is improved by up to 20%. This update solidifies Truecaller's commitment to delivering simple, reliable and thoughtfully crafted communication experiences.

Now, let's talk a bit about AdTech, a very critical area for us for long-term monetization and growth. Our relentless focus remains on delivering highly valuable and attention-grabbing properties for our advertising partners. During the past quarter, we are particularly excited to have advanced our offering with two significant offerings.

Firstly, I'm thrilled to introduce Truecaller Masthead. This is a truly premium advertising property, strategically positioned right to the heart of the Truecaller experience, which is in connection with an incoming call. Imagine the power of the moment with the user's full, undivided attention. With Masthead, we are offering advertisers an unparalleled placement, reaching billions of brand moments every single day. This high-impact format will begin hitting the market during this current quarter, and we have strong early interest already.

Secondly, we just launched Truecaller Play. This represents a productification of all of Truecaller's video advertising capabilities. It's designed to highlight our innovative engaging elements and is exceptionally well positioned to capitalize on the upcoming festive demand periods, where brands seek deeper connection with customers. Play will also begin its phased rollout during this quarter. So both Mast and Play are more than just new ad units. They are concrete demonstrations of our strategic dedication to capturing greater market share in advertising. These formats enable us to offer deeper commitments to our partners, leading directly to higher gross margins for Truecaller.

Now, moving on to premium offering, I'm delighted to report another great quarter for us. Very strong performance, particularly driven by accelerating sales on iPhone. In May, we hit a very significant milestone. We crossed 3 million premium subscribers globally and iOS passed 1 million subscribers. The growth on iOS was very strong. We registered 25% quarter-over-quarter growth and an impressive 50% year-on-year growth. This robust growth underscores the increasing value proposition of Truecaller Premium on the iOS platform as well now. Beyond iOS, we continue to see strong uptake on Android, demonstrating the widespread appeal of our premium features across our entire user base.

Our consistent delivery of crucial functionality within our internal tools has been instrumental in driving these sales. We've also significantly enhanced our spam blocking capabilities on iOS and observed a very positive interest in our new improved blocking options on Android as well, further reinforcing the core value of Truecaller Premium.

And now, moving to Truecaller for Business, which continued an impressive growth trajectory in the previous quarter as well. In the quarter, we introduced a truly unique and crucial product, Secure Calls. Our aim with Secure Calls is to drastically reduce the prevalence of spoofed calls. For our business customers who integrate with us via the API, we now offer an automatic signing of all their outgoing calls.

This is a game changer for trust and authenticity in communication, directly addressing a major pain point for both businesses, as well as individuals by ensuring that the verified call is truly from the caller it claims to be. We are also pleased to see strong and consistent interest in our Call me back functionality. Feedback from several of our business customers highlights a compelling, strong ROI when utilizing this feature. This truly demonstrates the competitive advantage we possess through our unparalleled device presence and direct connection with our user base.

Lastly, Number Intelligence, Truecaller's solution that aims to provide businesses with information to help in areas, such as fraud detection and customer onboarding, continued to show healthy and steady momentum in bookings and revenue build up, with API consumption increasing multifold during the quarter.

Right. Now, to wrap things up a bit, just a summary of the second quarter. We continue to be on the growth path firstly. Our user base continues to grow at a strong pace and mainly being organic. Growth continues in India, but we also grow in many other markets globally. We are increasing our efforts in those markets as well by putting boots on the ground, we are localizing our product more, and we are increasing our sales efforts in those regions, too.

The relative growth rate in markets outside of India continues to be stronger and will continue in the same manner going forward, as we strengthen those efforts. As Odd described in detail, while our financials were impacted by the strengthening of the SEK, the organic growth, underlying was strong across all our revenue streams.

In ads, for example, we saw high growth in direct sales and we launched two new package products, which makes it easier for our advertising customers to buy our inventory directly. We have also been focusing a lot on the baseline for programmatic advertising revenues to stabilize, and we saw a positive impact in the latter part of the quarter, which is promising for us for the future. We will continue to add more partners for the rest of the world to further increase price and inventory competition in these markets where our presence has increased a lot during the last few years.

Subscription growth accelerated in constant currency. We have had a very good subscriber intake as well. We continue to develop more capabilities that our community loves and are willing to pay for. And we also expand even further on iOS where, this quarter alone, we grew the subscription base by 25%. Truecaller for Business, we had a great quarter, too, where we continue to expand our suite of offerings, while expanding on our existing customer relationships as well.

So overall, a healthy quarter with growth on all fronts. I think we've already highlighted it, but we continue to deliver on the strategy that we've set out which contains user growth in all revenue streams with an extra focus on growing our recurring revenues, which now makes up a third of our revenues, and they've also doubled in the last two years' time. We continue to see multiple avenues of sustained growth for all of these revenue streams. Of course, all of this is backed by a highly profitable business model and we believe that's the right way to grow the business as well.

So, as usual, a huge thank you to the phenomenal Truecaller team, the people who love and use Truecaller in their everyday lives. We're very excited at what lies ahead and we will continue executing on the vision that we've set up.

With that, we can take some questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The next question comes from Predrag Savinovic from DNB Carnegie. Please go ahead.

Predrag Savinovic

Analyst, DNB Carnegie

Q

Hi. Good afternoon. Thanks for taking my questions. Firstly, on ads, you said that the ads market started a bit weaker in Q2, ended stronger. Could you give some flavor into how Q3 is started? Because intuitively, one could assume that the exit rate from the second quarter falls into the third.

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

Thanks, Predrag. So, exactly as you said, the ads market grew stronger towards the end of Q2. It's hard to say how Q3 is going to shape up honestly, because there's a lot outside of our control and there's lots going on in the world as usual, but we definitely are optimistic about Q3.

Predrag Savinovic

Analyst, DNB Carnegie

Q

Okay. And then if you could discuss a little more on the direct sales strategy on the ads side. I think, first off, what kind of share of revenues or direct sales? Where do you think this can be towards the end of this year and next year? And if you could discuss the gross margin dynamics. I would assume that because you don't rely on Meta and Google, that this is probably 90% or higher on the gross margin side. So that should, over time, be very positive to the overall margin of the company.

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

Yeah. Direct sales are definitely a higher gross margin business for us. But strategically, direct sales are important, because we then have a direct relationship with the advertiser or the agency and it also leverages a lot of the proprietary tech that we create ourselves in our AdTech stack. So, our strategy is – to answer your question about the ratio, about somewhere between 10% and 15% of our ad revenues are direct sales.

This is a growing number as well. I believe it grew close to 15% year-on-year, something that we are really happy about, because over the years, not only have we strengthened our product and our tech for enticing more direct sales, but we've also become much more closer to agencies, advertisers.

We've also expanded the organization. We now actually have a sales team in Dubai for Middle East and Africa region, where we have more than 100 million users now. So, we've been working hard over the years to bolster our direct sales, both in terms of the sales organization, as well as the offering itself, which is now starting to bear fruit.

Odd Bolin

Chief Financial Officer, Truecaller AB

A

And to add to that, the gross margin...

Predrag Savinovic

Analyst, DNB Carnegie

And then...

Q

Odd Bolin

Chief Financial Officer, Truecaller AB

...Yes, the gross margin for Truecaller for Business is higher. And you see that already that we have had a gross margin increase over the last few years, as Truecaller for Business has grown. Direct ad sales also contribute, but so far, Truecaller for Business has been the major driver of the strengthening gross margin that we have seen.

A

Predrag Savinovic

Analyst, DNB Carnegie

Okay. And in terms of kind of a target on what share of revenues you think this can be over a few years' time. Is it kind of reach SEK 50 million, kind of reach SEK 60 million? Do you have such a level of share?

Q

Odd Bolin

Chief Financial Officer, Truecaller AB

I think it can reach any number, really. But what our internal targets are, we're not communicating that. We have pretty aggressive targets for our sales people to do more direct sales, for sure. But on the other hand, we don't think programmatic third-party is going to be without growth, so. And they're working on both of this.

A

Predrag Savinovic

Analyst, DNB Carnegie

Sounds good. Thank you.

Q

Odd Bolin

Chief Financial Officer, Truecaller AB

Thank you.

A

Rishit Jhunhunwala

Chief Executive Officer, Truecaller AB

Thanks, Predrag.

A

Operator: The next question comes from Ramil Koria from Danske Bank. Please go ahead.

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Hey, guys. Thank you for taking the time to answer my questions. Maybe I'll try to condense myself. I wanted to pick your brain on two topics mainly. If you start on the advertising side, just trying to reconcile things a little bit here because, perhaps, I'm getting FX wrong here, but CPM flat year-over-year in SEK terms; DAU, up 16%; and ad revenue, flat year-over-year. Yet on page 9, you say that the number of ad impressions that Truecaller monetizes was stable compared to the same period last year. So like, am I missing something here or...

Q

Rishit Jhunhunwala

Chief Executive Officer, Truecaller AB

A

No, you're right, Ramil. Thanks for your question. Monetizable opportunities don't necessarily grow as our user base grows, because we have to fill that ad space as well. So it could easily happen that, while we don't focus on CPMs, we actually focus on revenues anyway. Revenues can have a different trajectory from our user base as well, because it's a factor of fill in the end, which is basically the demand from advertisers.

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Q

Okay. Yeah, that's clear, Rishit. So if I were – I know you don't like to talk about CPM or ad load separately, but if you assume that CPM in Q2 of this year was the same of Q2 of last year and the revenues you generated on the advertising side in Q2, that would imply a quite hefty step down in daily ad impressions monetized. Does that have to do something with sell-through or...

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

Yeah, it's purely to do with demand from advertisers. As you know, about 85%, 90% of our revenue is programmatic advertising. 10% to 15% is direct. So direct sales is something that we can push and we affect and we can bolster our offering. Programmatic is programmatic by nature and that is largely dependent on the demand coming in from advertisers.

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Q

Okay. That's very clear, Rishit. And then perhaps just a follow-up on that. Could you elaborate a little bit about sort of your positioning with advertisers vis-à-vis competition in India? Would you assume that the demand with other ad channels has sort of come down as much as it has with you? Or do you think there are any company-specifics to this?

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

Yeah. We reflect pretty much the market dynamics. Our positioning with advertisers is a unique one however. We are one of the few publishers in the market that can offer the scale that we operate in and the sophistication in ad targeting and sophistication in ad units that we can offer. So – and that's the reason why we've been focusing a lot on direct sales, while continuing to add more and more demand partners on programmatic as well, because both those revenue streams are important to us in the end. But we don't see any specific different trend when we speak to some of our larger programmatic partners. It's not a different trend with others as compared to us. If anything, I think, we might be just marginally better than some of the others.

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Q

Okay. Okay. And just another question on ads before I'll ask a question on iOS and then hand over to the next one. But with the new ad initiatives and, understandably, no one can predict where FX is going. But should we expect that ad revenue per DAU should move up going into H2? Or when do you think that metric on a constant currency basis will inflect upwards?

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

I think it's very hard to comment on that, honestly. We, of course, are optimistic, but there are things that we have to see how they play out. So it's impossible for me to say that.

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Q

Okay. And then on iOS, finally, perhaps, I'll divide this question into two. ARPU was down a mere 2.5% quarter-over-quarter on iOS, and that's despite a material FX headwind. It seems like mix remains quite good. Could you talk a little bit about geographical exposure? I know you said that India sort of picked up throughout the quarter, but seemingly, there seems still to be quite the positive mix effect there.

And then secondly, as we enter H2, looking at the subs intake on iOS per month throughout Q2, it seems like it was rather flattish May to June and, understandably, a month is not the trend. So, could you talk a little bit about what we should expect for subscriber intake on iOS for H2?

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

Right. So the first part of your question was about the mix – the region mix for iOS subscriptions...

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Q

Yes.

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

...We grew well in India, which is, of course, our largest existing user base, but we grew really well in various markets outside of India as well. And that is one aspect of what makes it very encouraging for us. This will – this mix, however, might change quarter-to-quarter as we have different offers, as we get promoted by the app stores in different regions. There are various dynamics at play. And that mix, therefore, might change over time.

The second part of your question was, was it about how does H2 look or was it about Q2's monthly numbers? I'll...

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Q

Sorry, Rishit. Yes. So, if you break it down a little bit, if I may, 55,000 new subs on iOS in April, and then 90,000 in May roughly, and then another roughly 70,000 in June, so clearly going into H2, should we extrapolate say May-June trends? Or do you think that Truecaller is geared to accelerate that iOS subscriber intake?

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

No, we absolutely gun for accelerating that growth. The monthly numbers and the trend that you see now are a factor of various set of things. We've spoken about in the last quarter, it's about users upgrading to the right OS, upgrading to the right version of the Truecaller app, discovering that Truecaller now has full capabilities on iOS, going through the trial period and then becoming subscribers. So, monthly, the trends might change. And we remain optimistic, of course, to accelerate and we'll do everything we can to accelerate the growth also in Q3 and beyond.

Ramil Korla

Analyst, Danske Bank A/S (Sweden)

Okay. That's very encouraging. Thank you so much, Rishit.

Q

Rishit Jhunjhunwala

Chief Executive Officer, Truecaller AB

Thanks. Thanks so much.

A

Operator: The next question comes from John Karidis from Deutsche Bank. Please go ahead.

John Karidis

Analyst, Deutsche Bank AG (UK)

Thank you. Good afternoon. The first set of questions are focused on ad revenue per DAU. Number one, is ad – how does the ads revenue per DAU from direct sales compared to the average that you report? I would imagine it's higher than average, given that you're using different ad formats, but I just wanted to confirm that, please.

Q

Odd Bolin

Chief Financial Officer, Truecaller AB

Yes, it is both for the reasons you said, the [indiscernible] (00:40:25), but also because we have a better control of the pricing discussion with the ad buyer in a direct sales situation.

A

John Karidis

Analyst, Deutsche Bank AG (UK)

Okay. Thank you, Odd. And the second question is, I'm trying to square the fact that ad revenue per DAU was down 5% on a constant currency basis in the second quarter and 6% in the first half, which implies that, in the first quarter, when there wasn't any sort of India and Pakistan conflict, there wasn't sort of the Iranian conflict, that metric was down sort of 7% if my arithmetic is correct. And I'm trying to sort of square – and that basically tells me that the ad market overall keeps getting worse quarter-on-quarter-on-quarter, more so given your answer about direct sales.

Q

So, how would you advise me to square this? Because just these numbers suggest that this thing keeps getting worse, and I don't understand why that is, and I don't really understand what would change this. I know you were asked about what would happen in the second half, but it just feels like a falling knife to me.

Rishit Jhunjhunwala

Chief Executive Officer, Truecaller AB

I think the ads market over the last few quarters has actually been stable. The Q1 numbers were primarily IPL numbers. As you know, it's a big cricket tournament that takes place and it's a big advertising spend season. Q2 is less of IPL, but was affected by the geopolitical conflicts that we spoke about, tariff wars that we spoke about. So, I don't have a good answer, honestly for the ad revenue per DAU difference between Q1 and Q2, but they are two very different quarters essentially and had different reasons. But we haven't seen any difference in the ad market between Q1 and Q2.

A

Odd Bolin

Chief Financial Officer, Truecaller AB

A

And also to add to that...

John Karidis

Analyst, Deutsche Bank AG (UK)

Right.

Odd Bolin

Chief Financial Officer, Truecaller AB

...like Rishit mentioned, we didn't see some, let's call it, geopolitical uncertainty during the second quarter. The most important one from our point of view was definitely Pakistan and India, where we did see a material slowdown in the Indian ads market, not for very long, but for some time. And that decreased our revenue, which also means decrease in revenue per DAU, of course, because the number of DAUs didn't change.

So that would be the – by far, the most important single factor impacting both revenues and revenue per DAU during the quarter. And with us having most of our users and most of our revenues from India, and India and Pakistan being an important and very material issue here, it did have a material impact.

John Karidis

Analyst, Deutsche Bank AG (UK)

Right. Thank you for these. I mean, these answers – just these answers in aggregate imply that the year-on-year decline on a constant currency basis should sort of disappear in the second half going forward unless, of course, there's another India-Pakistan conflict...

Odd Bolin

Chief Financial Officer, Truecaller AB

Which we really hope won't happen.

John Karidis

Analyst, Deutsche Bank AG (UK)

And could I also sort of – sorry.

Odd Bolin

Chief Financial Officer, Truecaller AB

Which we really hope won't happen for many, many reasons, right?

John Karidis

Analyst, Deutsche Bank AG (UK)

Yeah, indeed. But could I also respectfully say to you that when you restated numbers, you didn't restate it going back far enough. So, we can't really self-check what Rishit just said about year-on-year decline in DAU – in ad revenue per DAU being so flat last year, because we didn't get the ad revenue per DAU in the year before. But just as an aside...

Odd Bolin

Chief Financial Officer, Truecaller AB

Right. And just to emphasize that the numbers that we give in constant currencies are our best estimates. They are approximations. We do have to make certain assumptions and we do not guarantee that they are correct to

the very last decimal. It's our very best effort. But you need to take them with a little bit of salt, because the situation is the way it is and we can't do much about it. We just have to take the information we have available to us and calculate these constant currency numbers as well as we possibly can, but...

John Karidis*Analyst, Deutsche Bank AG (UK)*

Q

Okay. Thank you. And then my second and last area of questions or just one question, basically, LTIP. So, as you know, certainly, the sell-side got caught out in the first quarter because the LTIP costs were arguably much higher than what we expected. So, you'd expect most of us to have had some pretty – a number of conversations with your good selves for the second quarter. But we seem to have been caught out by that again, if you look at how the actual results compare with the consensus numbers. Why do you think that is? Why were we on the outside still caught out quite significantly on the LTIP front?

Odd Bolin*Chief Financial Officer, Truecaller AB*

A

Because it's very difficult and very complex to calculate those numbers. We have programs for four different years with different types of instruments running, and doing the calculation on how this impacts our cost base is very complex. And I fully appreciate and acknowledge the fact that, from the outside, it's impossible to make anything more than sort of a best guess. We are trying to give as much – like, we don't give guidance for revenue and profit, but we try to give as much guidance as possible for this particular issue and this particular number.

We, obviously, weren't good enough during the second quarter and we'll try to do better. But you certainly shouldn't blame anyone on the outside, because making these calculations is a – well, let's call it, a supercomputer job almost. It's complicated. And we'll do our best to improve in our communication on that subject. I'm sorry about that.

John Karidis*Analyst, Deutsche Bank AG (UK)*

Q

Thank you, Odd. No, no, not at all. Rishit, Odd, thank you very much. Thank you, both.

Odd Bolin*Chief Financial Officer, Truecaller AB*

A

Thank you.

Rishit Jhunjunwala*Chief Executive Officer, Truecaller AB*

A

Thank you.

Operator: The next question comes from Bharath Nagaraj from Cantor Fitzgerald. Please go ahead.

Bharath Nagaraj*Analyst, Cantor Fitzgerald Europe*

Q

Hi. Good afternoon. Just two questions remaining from my side. It appears you reduced your marketing spend in the second quarter, correct me if I'm wrong there. If so, what was the reasoning behind it, or what were you thinking? Why did you do that? And what level of marketing spend do you expect in the second half?

And my second one is like just a modeling question. Given the tax rate increases that you have already commented on, what kind of level of – what level of the tax rate should we be modeling for 2025 and beyond? Thanks.

Odd Bolin

Chief Financial Officer, Truecaller AB

A

On marketing, we did a marketing campaign focusing on iOS in the first quarter. It was a good campaign. We spent quite a bit of money. We had a little bit of bad luck with the timing, because Apple were still having some bugs. That impacted how our users could use our iOS solution. But it was a good campaign. We didn't do anything similar in the second quarter. We will do other campaigns going forward. And I think a reasonable way to look at it is to see the first quarter being a bit higher than we would normally do and the second quarter being a bit lower than we would normally do in terms of marketing spend.

On the tax rate, that's an interesting question. Of course, as you know, the tax rate is a combination of the Indian and Swedish corporate tax rates. India is 35%, Sweden is 21%. Historically, we have had most of our revenue being recognized and most of our profit being recognized in Sweden. Now, that is changing, and the reason that it's changing is primarily because we do more business out of India, we do more direct sales, which is an Indian business, we do more Truecaller for Business, which is also an Indian-based business. We had – we're increasing the number of Indian paying users. And all of these taken together takes us to a point where more of our profits are being taxed in India.

So the balance between India and Sweden is slowly moving upwards. We will continue to make substantial profits in Sweden because profit – Sweden is where we have the brand name, we have the immaterial properties, et cetera, et cetera. So, we will continue to make a substantial profit in Sweden. But we will, for some time, continue to see profits being made to a larger extent in India. Not that profit is going to go down in Sweden, but more of the profit growth that we see is going to end up in India and that will increase our tax rate over time.

This particular quarter, we had some timing effects that added an extra – slightly more than an extra percentage point to the tax rate, but the trend is quite clear. And we try to manage that. We try to manage our entire tax situation as well as we can within the limits set by transfer pricing regulations, like I mentioned. We want to make sure that we are sort of good citizens wherever we are, active in Sweden and in India, and follow the expectations that we have from both the Swedish and the Indian tax authorities.

Bharath Nagaraj

Analyst, Cantor Fitzgerald Europe

Q

Thanks, Odd for that. Just a quick follow-up. Like given the tax rate in Sweden is 21% and the one in India is 25%, like we are now seeing close to 29%. I'm just trying to make sure that I understand this properly.

Odd Bolin

Chief Financial Officer, Truecaller AB

A

35% in India, 3-5.

Bharath Nagaraj

Analyst, Cantor Fitzgerald Europe

Q

All right. Ah, okay. All right. Okay. My bad. Sorry. Perfect.

Operator: There are no more questions at this time, so I'll hand the word back to the speakers.

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

Okay. Thank you, everyone, for listening in. We look forward to seeing you at our next earnings call. Thank you very much.

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