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Truecaller AB (TRUE.B.SE)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Truecaller's Q3 Presentation for 2025. [Operator Instructions]

Now I will hand the conference over to CEO, Rishit Jhunjunwala; and CFO, Odd Bolin. Please go ahead.

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

Hello everyone and welcome to our Q3 report webcast. I am Rishit, the CEO of Truecaller. And with me, I have Odd Bolin, our CFO.

Today I'll talk about how we performed in the quarter in a few important areas and then I'll hand over to Odd to talk about the financial performance and then we'll open up for Q-A, as always.

So let's get started with the highlights of the quarter. In Q3, while our recurring revenue streams continued to show strong growth, our ads business came in soft, being unfortunately affected by a few external factors. Our recurring revenue grew by 32% year-on-year, 48% in constant currencies, which is a number I'm very happy with. This has been an area where we've invested heavily over the years and we continue to believe that our broader strategy of growing recurring revenue is falling into place nicely and it sets us up for long term that are less affected by external factors.

Truecaller for Business continued growing in established markets and new markets. FX headwinds did have a material impact here, but we are clearly continuing to add more value to enterprises, and we will expand further in

this area. Premium subscriptions are showing strong growth too. Multiple markets are showing strong performance – some markets where we have a conversion of 5% to 8% versus our global average of 0.7%. Growth came from both Android and iOS platforms, with iOS specifically being up 20% quarter-on-quarter. Again, something I'm very happy about.

In our advertising business, the quarter started out really well, but we had a few setbacks in the second half of the quarter. Our largest demand partner rolled out an unannounced algorithmic change related to click tracking on their platform, which affected several publishers, including us. Additionally, the ban on Real Money Gaming in India affected overall demand as well. And this was all in addition to the uncertainty created by the tariff situation and the GST tax reforms in India. In the near term, we foresee headwinds given the factors mentioned above, but we are working harder than ever before to make sure that our ads business is resilient to such external factors.

Now I want to talk a bit about our ads business in general and our strategy for it. Our ads business is fundamentally a sound business and will continue to be an important revenue source for us. But what got us this far will not take us to the next phase of growth. While programmatic has been the core of our advertising revenue historically, our strategy now is to create more sophistication in our own direct offerings, reducing the dependence on programmatic advertising.

But what do I mean when I say more sophisticated? Firstly, creating proprietary ad products powered entirely through our own AdTech platform as opposed to generic ads which can be bought programmatically from ad networks at low CPMs. And to demonstrate how this is impactful, in Q3, more than half of our direct sales revenue came from such premium inventory formats, such as Roadblocks, Truecaller Masthead and Truecaller Play, underscoring the need and the growth opportunity for such ad products.

Secondly, our AdTech stack will leverage our first-party data, which is a very rare asset that we hold. We have signals that very few platforms in the world have because we are a global communication service and we are confident that we can deliver the best ROI to brands globally using our intelligence. And again, as an example of this, we've seen 50% higher click-through rates when our AI recommendation engine, adVantage, was used in numerous proof-of-concept campaigns so far and we are actively working on making adVantage an important pillar of our AdTech stack. This therefore means less dependence on large programmatic partners and more emphasis on direct sales, and we have made progress on this two – our two largest programmatic partners used to be 71% of our total revenues in 2022, and now it's approximately 45% in Q3 of 2025. So, we've diversified that a lot, but we still have more to do.

Another important part of our ad strategy is our geographical spread. Truecaller is a household name in many markets in addition to India, and those markets show great potential both on programmatic as well as direct sales. We've increased our regional efforts in these markets and have already started showing encouraging results for us.

So, all this we believe will create a more controllable, predictable and high quality ads business in the future and one that is immune to external events that we spoke about earlier. We've been working hard to make all this happen and I'm confident we'll get to a better stage very soon.

Truecaller continued to show strong growth across the world in the third quarter. We recently announced that we hit 450 million users on Android globally. In India, we grew strongly in this quarter. And outside of India, we're very happy that we have multiple markets growing at over 20% year-on-year now. These are large markets that hold significant promise for the future for us. Many of them are in LATAM, Southeast Asia and Middle East and Africa regions.

And not only are we growing, but the engagement on the product continues to stay healthy, with 86% of our users using the product daily. So, we essentially add about 1 million users each week on to our platform, mostly organic, which very few companies in the world can achieve. We process 9 billion calls through our platform, which demonstrates how useful we continue to be in people's lives; and going ahead, we're going to continue to focus on user growth to lay foundations for long-term sustained growth.

So, that was a quick recap from my side on how we fared in Q3 and what are some of the priority areas and how we're thinking about it. I'll now hand over to Odd for the financial performance.

Odd Bolin

Chief Financial Officer, Truecaller AB

Thank you, Rishit. So, let me, as usual, walk you through the financials for the quarter. This quarter has been characterized by three major factors or trends: namely, a continuing very good growth for our recurring revenues, some substantial ads headwinds, and then currency effects. Like before, to make it easier to understand the underlying development for our business, we will give you the net sales and EBITDA development in both Swedish crowns and in constant currencies this quarter. Constant currency figures are our best estimates based on the information available to us. We don't have full information about how partners, like Google, are managing exchange effects, which limits the precision we can achieve. That is should be kept in mind.

Now, in Swedish crowns, our net sales grew by a meager 2%; but looking at it in constant currencies, growth was 14%, a decent figure considering market conditions for ads. EBITDA decreased by 2% in Swedish crowns, but grew by 14% in constant currencies. The EBITDA margin was 34.7% in Swedish crowns, but slightly higher at 36.6% in constant currencies.

What I really want to emphasize here is the continuous strong growth of our recurring revenues. While the currency effect was substantial, in particular for Truecaller for Business, recurring revenues grew by 32% year-over-year or 48% in constant currencies. Considering the size of this business now, this is a growth rate that we are very, very happy with.

Now, our ads revenue saw a 10% decline in Swedish crowns, 1% decline in constant currencies. This is obviously something that we are fundamentally unhappy about and, like Rishit has described, we are taking a number of actions to mitigate this, both short and long term. However, let me just reiterate the main causes for the weak ads revenue. Our largest ad demand partner in mid-August, August 13th to be specific, made a change to their ads algorithm, meaning that our click-through rates via that demand partner tanked. We are in the process of mitigating this change in a number of ways, but the final outcome of this is still uncertain. It, however, further strengthens us in our belief that we should continue diversifying our demand partner network and decrease dependency on a few large players that tend to set and change the rules as suits them.

Secondly, the ban on Real Money Gaming in India reduced the auction pressure on demand in the overall ads market, thereby reducing both fill and prices. This then came on top of the general uncertainty that we have seen since the present tariff controversies that were initiated that very much involves India. Now, like already mentioned, we are on a path to become less dependent on external factors outside of our control. We work on geographical diversification and expand, for example, in the Middle East and Africa and as well as in LATAM. In Middle East and Africa, our sales grew by 12% in constant currencies during the quarter.

We also work diligently to increase our direct sales. We onboarded 27% more new customers in the quarter than we have done in previous quarters, including logos like Apple, Honda and Swiggy. We also expanded our

footprint in industry verticals where we have had a weak presence previously, such as travel. Importantly, we started monetizing both Masthead and Truecaller Play and did our first six successful campaigns based on these products. Last but certainly not least, we did full scale testing of adVantage, AI ads targeting platform tool, where we could see a 50% increase in click-through rates based on our better user targeting.

Now over to our premium subscriptions. Subscription revenue grew by a very good 55% in constant currencies, 43% in Swedish crowns. I apologize for there being a slight error in the report where we say that we reached SEK 87 million during the quarter; that was unfortunately the second quarter number. The actual number for the third quarter is SEK 96 million, meaning that we grew, like I said, 43% in Swedish crowns versus the same quarter last year. Now, we reached 3.3 million users, increasing from 0.59% to 0.69%. Although this figure is still small, we continue to believe very strongly in the growth potential in this business and aim to grow the conversion rate substantially over time based on ever more important functionality for our users.

Monthly revenue per user also continues to grow, with more iOS users being a contributing factor. So, for subscriptions, all underlying metrics are pointing in the right direction this time. We already have a strong product market fit, which is obvious from our figure, from our growth rates on both iOS and Android.

The geographical revenue distribution is healthy with all regions growing well. We see good growth rates in markets with high potential both short and long-term, such as Nigeria, Colombia, Brazil and the US. We also have a number of markets where conversion rates already are up to between 5% and 8%, such as the US, Chile, UK and Indonesia.

This motivates us to work even – ever harder in order to increase conversion in markets where it still is very low. It is obvious to us that our product is such that the potential [indiscernible] (00:12:57) continue to be very large. iOS revenue growth continue to be good, 65% year-over-year during the quarter.

Now, Truecaller for Business also continues to grow at a good rate. The growth rate in Q3 was a healthy 39% year-over-year in constant currencies, although in SEK, it came out at 21%. Truecaller for Business gets all its revenues in INR and USD, which has been hard hit by the strengthening of the Swedish crown.

Revenue churn continues to be low and while all revenue streams within Truecaller for Business continue to do well. The growth in Truecaller for Business revenue comes from good growth numbers for all revenue streams. Verified Business is growing in India, but also rapidly outside of India. This quarter, the growth rate outside of India was 75%. We also launched Truecaller for Business in Europe in October.

We are in the process of creating a full customer experience platform, where we manage a larger share of our customers' user interactions. 75% of our larger customers have now added Call Reason to the services they buy from us, and both Call Me Back and Video Caller ID is gaining traction.

Customers using these add-on services almost doubled year-over-year. Our Number Intelligence product offering continues to scale up well so far primarily in India, but we're also having initial discussions on international expansion. Business Messaging is about to enter its next phase of growth through international expansion.

Our gross profit grew by 1% year-on-year to 75.7%. This was an effect of a larger share of our ads traffic coming through partners, where we recognize revenue growth since we have full information on the fees paid by the partners and a lower share from partners where you have to recognize a revenue net due to lack of information on the fees kept by those partners. We also saw slightly higher server and verification costs during the quarter.

Moving to the costs side, let's start with the incentive costs that came down materially during the third quarter, although what I like to call the dilution cost increased as an effect of the new incentive program that was set in place by the AGM in May. The decrease in the share price meant that the social security bookings for our incentive programs were negative in Q3.

It is important to remember that although incentive costs have a substantial impact on our bottom line, they give limited material insight into our operational performance. Part of the cost are 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 are in the money at exercise.

Our operational performance and our operational leverage is best understood by also looking at our profit, excluding these costs, and we therefore present both of those numbers. Apart from incentive cost, employee expenses decreased somewhat due to more vacation taken during the Swedish holiday season. Vacation earned during the year is mostly used in Q3, which decreases our cost base.

Other external expenses, including user acquisition, preloads, marketing, et cetera, were rather stable versus previous quarters. The year-to-date tax rate was 27.9%, in line with our continuing message that as more revenue origination is recognized in India instead of Sweden, the group's blended tax rate increases.

We're managing our tax exposure within the limits set by transfer pricing regulations in order to ensure that we fulfill the expectations from both the Indian and the Swedish tax authorities. EBITDA, including the incentive cost, decreased 3% year-over-year. However, in constant currencies, we saw 14% increase, once again showing how the strengthening of the Swedish crown has been punishing us this year.

The margin was somewhat lower than last year, a direct effect of the ads headwinds during the second half of the quarter. EBITDA, excluding incentive costs, decreased by 1% year-over-year. However, in constant currencies, we again saw a 14% increase. The EBITDA margin excluding incentive costs came in at – still healthy at 39.8%.

The margin was somewhat lower than last year, a direct effect of the ads headwinds during the second half of the quarter. Our cash flow conversion continues to be good with no financial costs and our working capital develops in a manageable way, as our direct sales and Truecaller for Business grows, more of our revenues comes from end customers and partners other than Google, Apple and Meta. This has increased our DSO compared to the situation two, three years ago since payment terms in most of our markets generally are longer than what we have with Google, et cetera.

However, we are in good control of our accounts receivables and they are not growing any faster than revenue from those customers and those partners. Last quarter, we saw a brief uptick in working capital due to the fact that 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 – that was booked as a liability in working capital by June 30. This obviously had a corresponding impact on cash flow this quarter when we pay those taxes.

We still have no financial debt and approximately SEK 1 billion in cash and short-term investments. Our revolving credit facility of SEK 500 million is not utilized, but still available for interesting M&A opportunities.

We continue to actively evaluate such opportunities either when we get inbounds coming our way or due to the fact that we see areas where we could further strengthen our product and services portfolio and reduce time to market for important initiatives if we can find the right fit.

Now, reflecting on our financial targets, it is quite clear that by now that we are unlikely to fully achieve the financial target for 2025 as it was defined back at our IPO in 2021, namely an EBITDA margin, including both FX effects, incentive costs, et cetera, of 35%.

2025 has obviously had its challenges for us, primarily in terms of ads volatility and currency headwinds. Disregarding those currency headwinds, we are actually likely to not be that far away from achieving our target of an EBITDA margin of 35% in 2025.

But including those effects, that seems to be an unlikely outcome the way things look today. Back at the time of the IPO, we set a revenue growth target for 2021 to 2024, followed by a profitability target for 2025 onwards. This imply that we by now should have reached a point where profitability was a more important metric for us than continued growth. That is not the case.

We continue to see huge growth potential ahead of us, both for our existing products and services and for potential new products going forward [indiscernible] (00:20:05) the user bases in the world and we have intend to continue growing our revenues based on that at a strong pace.

We continue to invest in ads business because we see that we're not yet close to reaching the full potential of that revenue stream. However, digital advertising is and will continue to be a volatile business. We, therefore, put even more emphasis on our recurring revenue streams, premium subscriptions and Truecaller for Business.

Considering the huge potential that we see based on our user base, we will continue to have an impact on our profitability from time to time. The operating leverage we have in our business model is such that we are confident that an EBITDA margin of 35% is more than achievable over time, but some years, we may be below that level, some years we will be above.

Bottom line is that it is still far too early to predict when we could reach a point where we will put more emphasis on profitability than growth. From a shareholder perspective, we believe that we should work very diligently to continue fulfilling that potential that we see in the market ahead of us.

Now, considering where we are today with more than 450 million Android users and a rapidly growing iOS premium user base, we see that the organic growth rate of our Android user base is quite satisfying, as is. This is not [indiscernible] (00:21:29) new geographies where we see a huge medium to long-term potential for all our revenue streams.

Like Rishit pointed out, we see 20% year-over-year growth in many of those regions. But where we at present monetize less effectively than we do in some of our largest markets, we therefore consider investing less in accelerating that user growth through user acquisition for the time being. Instead, we will increase our investments in new products and functionalities that benefit our existing user base and customer bases in order to create even more value and increase our monetization potential.

With that, I will hand over to Rishit again.

Rishit Jhunjhunwala

Chief Executive Officer, Truecaller AB

Thanks, Odd. And now to wrap things up, a summary of the third quarter. We grew strongly, adding 15 million users and had a very healthy engagement ratio, DAU to MAU ratio at 86%. We did have external challenges in our ads business, but we're executing well on our plan for long-term growth.

We believe in the ads business and are looking [indiscernible] (00:22:33) if it wasn't for the headwinds we faced in the second half of the quarter, we would have done really well on the ads side as well, as well as other parts of our business like we did.

Truecaller for Business and premium subscriptions are scaling up well on all fronts, setting us up for even more recurring revenues. Our EBITDA margin was healthy at almost 35%. And lastly, we have an exciting product roadmap ahead and several products that are almost ready for being made public, further bolstering our growth and our engagement.

As usual, I'd like to say a huge thank you to the phenomenal Truecaller team, our investors, people that support us, people that use Truecaller in their daily lives, thank you very much. We're very excited in what lies ahead and we will continue executing on our vision.

Right. Now, we can take some questions.

QUESTION AND ANSWER SECTION

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

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Q

Yeah. Hi, guys. Thank you for taking my questions. I have a couple, let's do them perhaps one-by-one. If we start on the Google changes mid-October, you know, given that it's happened halfway through the quarter, could you provide us some sort of breakdowns or details as to how we should think about it moving forward as it gives full effect?

Then, considering that it's happened halfway through the quarter, presumably, the latter parts of the quarter saw less dependency of the two large platforms than the early parts of the quarters. Could you tell us how large share of sales went through the platforms towards the latter parts of the quarter?

Odd Bolin

Chief Financial Officer, Truecaller AB

A

No, we haven't given that sort of granularity in our information. What we have said is that during the quarter as a whole, 45% of our ads revenue came through our two largest demand partners. But we have not dwelled into details on first and second half of the quarter, et cetera.

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Q

Okay. Okay. And just a brief follow-up on that. I mean, given that the quality of the click-through improves, should one expect you to be able to recoup some of the volume loss on CPM?

Odd Bolin

Chief Financial Officer, Truecaller AB

A

I think that is a fair assumption that we will be able to recoup some. Whether that is the lion's share or a smaller part is still too early to say. We are doing – taking lot of actions to mitigate the – what happened mid-August. We believe that there would be some successes.

We don't know for a certain though when we're going to be able to start recouping that revenue, whether it's going to be in the near future or whether it's going to be slightly longer into the future. So, at this point, I think it's prudent to say that hard work is being done in order to fix this particular issue, but it's too early to tell to what extent and when you will see material results from that.

Ramil Korja

Analyst, Danske Bank A/S (Sweden)

Q

Okay. Okay. And then, I'm a [ph] tiny bit (00:26:21) surprised about the fact that you're referencing the algo change more than – well, you haven't spoken too much about the impact of tariffs on the general macro economy in India.

I'm a bit surprised by that, but we've also seen recent tax cuts and positive implications on things like discretionary spend in India. I know it's very, very early days, but do you see any impact sort of in the last couple of days/week from the tax cuts?

Rishit Jhunjhunwala

Chief Executive Officer, Truecaller AB

A

Yeah, that's a good question. I think what you're talking about is the GST reforms that took place in India recently. The GST reforms actually created some uncertainty. I think there were budgets that needed to be reallocated during this time, and companies were trying to figure out how exactly they're going to tackle this. So, it did create a little more uncertainty. In the recent past, we haven't seen any material difference with this GST reforms, Ramil.

Ramil Korja

Analyst, Danske Bank A/S (Sweden)

Q

Okay. That's very clear, Rishit. And then, just finally for me, I'd love to hear a little bit about your thinking, what the discussion is with the Board of Directors as to new financial targets, given that [indiscernible] (00:27:40) in connection with the IPO, things have changed, Truecaller has grown, pivoted, et cetera, et cetera. Should we expect any new financial targets any time soon?

Odd Bolin

Chief Financial Officer, Truecaller AB

A

That's an ongoing discussion. Of course, since when we set the financial targets back in – ahead of the IPO, we did that based on the fact that in order to get listed, you must have short to medium-term and medium to long-term financial targets. And we set targets that, to the best of our understanding at that time made sense.

But like I said, the targets that we set implied that by now we should have more focus on profitability and less on growth, which in – then itself it implies that the growth potential would have, to some degree, been fulfilled already. We don't see that. We see that the growth potential that we have ahead of us is just as large as the one that we had in 2022.

So, we want to keep growing and we want to keep investing in growth. Now, we think that like I said that the existing financial target that we do have, EBITDA margin of about 35% is very, very achievable. We have the operating leverage in the business that would take us above that, if we were to focus primarily on profitability.

But that being said, we still want to be able to continue to invest, such that we will not necessarily meet that financial target every given time. Whether the board wants to change, make changes to that is obviously something they will have to decide on. I don't have any information on that topic apart from the fact that we have the target we have right now.

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Okay. Thank you.

Q

Operator: The next question comes from Predrag Savinovic from Carnegie. Please go ahead.

Predrag Savinovic

Analyst, DNB Carnegie Investment Bank AB

Hi, Rishit. Hi, Odd. First, a quick follow-up to some of the questions Ramil asked earlier. But in the [indiscernible] (00:30:00) large share of ads, revenues came from the two major ad platforms.

Q

Odd Bolin

Chief Financial Officer, Truecaller AB

Let me – I said that was more than 45%. But we've had a continuing trend decreasing our dependence on the two largest ad platforms ever since 2022 when we were at 71%.

A

And that has been a rather stable development, so but then of course, like Ramil implied, the fact that we had this algorithmic change made a difference during the second half and took the number down further than we would have seen if it hadn't been for this change.

So, without giving you any specific numbers, since we haven't published any of those, I can say that it was higher than 45%, but not materially high. The trend is very clear and has been very obvious for quite some time.

Predrag Savinovic

Analyst, DNB Carnegie Investment Bank AB

Okay.

Q

Odd Bolin

Chief Financial Officer, Truecaller AB

And this thing that happened in August was just at the end of day [indiscernible] (00:31:10).

A

Predrag Savinovic

Analyst, DNB Carnegie Investment Bank AB

Okay. Fair enough. And what level of ad revenue per DAU is reasonable to expect for Q4 and Q1? What is most representative? Is it the number you show now for the third quarter or a blend of what you've seen so far this year?

Q

Odd Bolin

Chief Financial Officer, Truecaller AB

A

That's a very good question. And as you know, we don't give any particular guidance. But I think considering the algorithmic change mid-August and considering that although we are doing – we're taking a lot of actions in order to mitigate that, but we can't say for sure when we're going to get to a point where that partner of ours, where we're in agreement that that some of that revenue that we lost in mid-August will be worked. I think that the best guess for now is that things are where they were at the end of the second – third quarter.

Predrag Savinovic

Analyst, DNB Carnegie Investment Bank AB

Q

Okay. Okay. And then, in terms of the mix that you foresee for 2026, you referenced the 70% to 45% MAU. Are we tracking towards 40% or 30% or 24% for next year and the next steps also in increasing the traffic on other ad partners as well as on the direct side?

Odd Bolin

Chief Financial Officer, Truecaller AB

A

I think it's important to remember here that the work we've been doing in order to diversify away from those two ad partners have been ongoing for quite some time. And our new ads manager that started beginning of this year has done a very, very good job so far setting the foundation for much more direct sales and also sales to other, many other ads partners than those two large ones.

Now, setting the foundation doesn't mean that you see the volume increases right away, but I have high expectations for 2026 when it comes to both direct sales and the sales through other ad partners. I think you will see this number continue shrinking. What happened in August gave some extra boost in the sense that we accelerated even further our work on decreasing the dependency on that ad partner.

But also remember that ad partners like those are an important part of the ecosystem, and we will continue to have – do work with them and do business with them. But they will no longer be like they were in 2021, 2022, 2023. The primary revenue source for us within ads, there will be more [ph] decrease in the machinery (00:34:09) that we will need to ensure that our entire ads business is working well even though most of the business eventually will come from direct sales and other ad partners.

Predrag Savinovic

Analyst, DNB Carnegie Investment Bank AB

Q

Okay. Very good. And then, finally on premium, we see very, very healthy growth here. But can you also discuss on the churn on iOS and Android alike as into, how important is it to continue maintaining net new subscriber growth all the time to upkeep this or is there not that important because your new churn very little, et cetera. Can you discuss those topics please?

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

Yeah. The growth on premium has been significant. We're very happy with that both on iOS and Android, and also a good combination of India and global. This has happened definitely due to lower churn that we're seeing as well. We're also seeing that markets are getting more used to paying for services like Truecaller as they see the value grow, especially on iOS. And we're also seeing many new markets open up for us, and that is a very encouraging sign as well.

Predrag Savinovic

Analyst, DNB Carnegie Investment Bank AB

Okay. Very good. Thank you very much, guys.

Q

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

Thanks, Predrag.

A

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

John Karidis

Analyst, Deutsche Bank AG

Thank you. I'll go one at the time as well, if I may. I just want to try again on the algorithm change, please. How much revenue do you think you lost as a consequence of this? And what I don't understand is how – is it something that you need to fix? Is it something that you need to live without? So, this is just a permanent change and you simply have to find something unrelated to mitigate it. And then, how long would that take? So, can I stop there for this topic, please?

Q

Odd Bolin

Chief Financial Officer, Truecaller AB

I can start. We lost approximately one-third of the revenue from that demand partner at that time. And then, I'll give it to you.

A

John Karidis

Analyst, Deutsche Bank AG

Sorry. What is that in absolute terms, Odd? We don't really know the absolute numbers.

Q

Odd Bolin

Chief Financial Officer, Truecaller AB

I know, John, but I'm pretty sure that you can do that math without me.

A

John Karidis

Analyst, Deutsche Bank AG

Well, asking, because I can't. I don't know how much that particular partner contributed to the overall sales.

Q

Odd Bolin

Chief Financial Officer, Truecaller AB

Well, like we said, the two largest partners contributed altogether 45% of our ads revenue and that the very largest ad partner makes up the lion's share of that.

A

John Karidis

Analyst, Deutsche Bank AG

Okay. And then in terms of do you fix this or you do you mitigate it?

Q

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

Yeah. I can talk about that. So, it is a combination of both. The change in the algorithm is essentially about how the ad partner determines the quality of the click.

The quality, of course, is an ambiguous term and it is to us as well, it's ambiguous and it's up to us to actually run experiments on various samples of user base and then reach a point when that ad partner says that our clicks are back to the quality that they want.

Of course, this was a unannounced change. There was no notice given to us. We didn't have any chance to remedy this. We didn't have any grace period. It affected a set of publishers. It wasn't just us that was affected. So, we went down the track and we started running experiments. We are, of course, in war room mode right now.

We have eventually reached a state when the ad partner is seeing light at the end of the tunnel and seeing that we are within the new threshold that they have set. And of course, that is a journey now to roll this out and then see what hiccups, if any, we encounter along the way. So, it's a gradual change that we're going to do.

But this is very recent, a very recent event that we've started seeing better data from the advertising partner. I hope that gave you some answer to your question that it's a combination of mitigation as well, a fix. It's not really a issue or a bug that we need to fix. It's a new threshold, a new goalpost that we have to gun for going forward essentially.

John Karidis

Analyst, Deutsche Bank AG

Q

Okay. Thank you. An easy question now before the – I guess more difficult one. The easy question is, direct sales, what proportion of the ad revenue in the third quarter came from direct sales, please?

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

I believe it was similar to earlier, close to 10%.

John Karidis

Analyst, Deutsche Bank AG

Q

10%. Okay. Thank you. And then, I think in the statement, you talk about the ad revenue per DAU on average for the quarter being down 15%, partly because of the issue that we just discussed, but also because Africa has lower GDP for the time being.

Odd, you mentioned about ad revenue at the end of the quarter rather than on average, and we should go off that going forward. I have no idea what that was. Was it – can you give us an idea of what that was?

Odd Bolin

Chief Financial Officer, Truecaller AB

A

What, precisely what was?

John Karidis

Analyst, Deutsche Bank AG

Q

Well, you said that the ad revenue per DAU was down 15% on average for the quarter, right? And you said that the quarter was strong to begin with and it was impacted at the end, though at the end of the period, I presume that ad revenue per DAU was down significantly more than 15%.

I mean, at the end of the day, all I'm trying to do is when this call ends, this metric was down 7% in the first quarter, 5% in the second quarter and 15% in the third quarter. And I have no idea how to extrapolate from these three numbers to forecast ad revenue per DAU in Q4 and next year.

Odd Bolin

Chief Financial Officer, Truecaller AB

A

I certainly respect your difficulties here because it's a mix of different factors, right. One is the one that you touched on, namely the fact that the user growth that we see now are to a considerable extent in markets where we see very, very strong long-term potential, but where you see a lower earnings potential per user as of today, such as African markets, parts of the Indian market where we're expanding, et cetera.

So, that is contributing. We get more users, which is long-term, very, very good for us, while it's good for us short-term too. But it does have an impact on our average revenue per user at this time, negative impact, et cetera.

But what differed in Q3 versus Q1 and Q2 is obviously, first of all, the algorithm change and secondly, primarily, the RMG ban that decreased ads pressure somewhat overall in a market which took down pricing, generally speaking. So, it's not an easy thing to digest, so to speak.

There are a number of different factors that has happened. The underlying trend from Q1 and Q2 is still there, namely that we continue to add those 1 million users per week on an average, right now, they decrease our profitability per user or revenue per user, KPI, which was then in the second quarter or the third quarter amplified by primarily this algorithmic change.

Like I said, the change happened mid-third quarter. We are in the process of mitigating that to the best of our knowledge and our best of our ability. It is still not clear to what extent that mitigation will be successful and it's still not clear when we will see the effects of that mitigation. So, I hope that gives you enough food for thought for your work.

John Karidis

Analyst, Deutsche Bank AG

Q

It does. Thanks, Odd. Thank you, Rishit.

Odd Bolin

Chief Financial Officer, Truecaller AB

A

Thank you, John.

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

Thank you.

Operator: The next question comes from Thomas Nilsson from Nordea. Please go ahead.

Thomas Nilsson

Analyst, Nordea Bank ABP

Q

Thank you for taking my question. Given the record 310,000 subscriber additions this quarter, how sustainable do you think this phase of net adds is?

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

We definitely have ambitions to sustain. It remains to be seen how we do in the next few quarters. But we are definitely bullish about how premium is doing for us. We are continuing to expand in other geographies. We are adding more capabilities into the premium tier as well and, yeah, I mean, it definitely remains our ambition to sustain this growth.

Thomas Nilsson

Analyst, Nordea Bank ABP

Q

Okay. And the second question, if I may. How close are you to achieving feature parity with Android? And what would you say are the next [ph] monetization (00:44:57) steps for iOS in 2026?

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

So, I actually don't think we'll ever achieve feature parity with Android simply because the operating systems are very different from each other. Having said that, I don't think it's the right strategy to have feature parity as well. The Apple ecosystem and its users are very, very different from the Android ecosystem, and we leverage the capabilities of each operating system that they provide in isolation of each other.

So, I don't think we'll ever have feature parity as such. Both the products have a very different model of premium. The iOS, as you know, when we launched it earlier this year, is a premium-first strategy. The Android has a very powerful free tier with advanced capabilities being behind the paywall, and I think we're going to continue on that strategy. Clearly, it's proven well for us and we'll, of course, add – on both platforms, we will continue to make each of them more powerful, possibly in different ways, and some capabilities will be the same on both. But it's not a question of parity as such between both.

Thomas Nilsson

Analyst, Nordea Bank ABP

Q

Okay. Thank you.

Operator: The next question comes from Daniel Thorsson from ABG Sundal Collier. Please go ahead.

Daniel Thorsson

Analyst, ABG Sundal Collier AB

Q

Yes and thank you very much, Rishit and Odd. The first question on premium here. What activities are your key drivers today to convert users into premium users? And then also a follow-up on that, is the reason mainly that users wanting an ad-free experience or do you see any ad other feature accelerating as a reason recently?

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

It's a combination of many capabilities. The key one that has driven growth recently has been the ability to automatically block spam calls. It's a capability we introduced a few quarters ago where not only will we identify that this is a spam caller, but you have the capability to block these spam callers automatically. That has been a key driver. In addition to that, the ads-free experience is a driver as well. There's assistant capabilities on the iOS in certain markets. That is a big driver. So, it's a combination of a few different things in the different markets that create this growth.

Daniel Thorsson

Analyst, ABG Sundal Collier AB

Q

Yeah. I see. That makes sense. And then a second one on the cost side here. Employees up with 14 people in Q3 on the back of 17 net adds in Q2, which is a bit more than previous quarters. You've talked about in the beginning your path for more growth here, you will continue to invest. But where do you invest this, is it product wise, but also geographically and should we expect it to continue at roughly this pace perhaps in the coming quarters?

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

Yeah. I can take that, Odd. And then you chime in. That's a good question. How are we thinking about people growth? We primarily grow in both our strong geographies, which is Sweden as well as India. The functions that we grow on are areas where we specifically see growth opportunities...

Odd Bolin

Chief Financial Officer, Truecaller AB

A

Revenue growth opportunities.

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

Exactly. So, one is in terms of revenues where we see significant growth opportunities. We also see product as a big area for growth. We've grown – almost all our growth is organic even today, something we're really proud of, and it's our product that gets us this growth. So, those are the two main areas. All the revenue areas definitely we're looking at growing constantly and the geographies are going to be India as well as Stockholm, both.

Daniel Thorsson

Analyst, ABG Sundal Collier AB

Q

Yeah. And should we expect it to continue at roughly this pace for the coming quarters?

Odd Bolin

Chief Financial Officer, Truecaller AB

A

I don't think that is necessarily the best assumption. We are very cautious when it comes to recruiting. We don't want to recruit unnecessarily. We don't want to become bloated. We have the same philosophy now that we've had for many years. We only recruit when we really see a need. We have this rule of thumb saying that we should have one employee for every million users, but that would imply 52 new employees every year and that's not necessarily where we're heading. We recruit opportunistically and strategically, but always based on where we're seeing a pressing need for more resources or more competence. So, the level that we've been at over the last two quarters, it is not unreasonable, but it doesn't necessarily mean that that's exactly where we're going to be

going forward. It could be slightly higher temporarily, but it is also not unlikely that it will be somewhat lower going forward.

Daniel Thorsson

Analyst, ABG Sundal Collier AB

Yeah. I see. Thank you very much.

Q

Operator: The next question comes from Erik Larsson from SEB. Please go ahead.

Erik Larsson

Analyst, Skandinaviska Enskilda Banken AB

Good afternoon. I just have a follow-up on the most recent question here, specifically more though on direct advertising. It's clear you have ambitions here, but I just wanted to hear sort of how many people do you have working with direct ads? Where do you see this going within the couple of months or years, maybe just as a way to quantify this ambition?

Q

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

It's definitely an area of investing that we're doing right now. We have invested significantly in people in the direct sales area already this year and we will continue doing so ahead as well.

A

Odd Bolin

Chief Financial Officer, Truecaller AB

And thinking about where we aim to be, like I said before, the foundation has been laid this year for a much more successful direct sales offering going forward. We did have a small team working mostly with direct sales also previously, but they did not have the resources necessary and they didn't have the – not necessarily all the experience needed in order to be truly successful in this area. Now we have a much better, stronger leadership when it comes to direct sales with more experience. We keep investing, like Rishit said, but our ambition is to make direct sales a substantially more important part of our sales mix – ad sales mix than it is today. Whether that means that we're going to hit 50% over the next couple of years, that's quite possible, but we don't have any such external targets. We obviously have internal ways of looking at it. But right now, first and foremost, we want to start building on that foundation that we have by monetizing volume-wise the agreements that we already set up this year, which is with the important logos like Apple and Swiggy and Honda, for example.

A

Erik Larsson

Analyst, Skandinaviska Enskilda Banken AB

Okay. Is it possible to ballpark, like, how big is the team today? What is the starting point? I mean, it sounds like it used to be a handful of people only.

Q

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

No. I mean, it was more than a handful even earlier. But we have significantly grown it now. So I can also describe that it's not just about throwing people at this problem. It's not that if you have more salespeople, you will get more revenues. It isn't about that. It's about first, like Odd has mentioned, setting the foundation right for our existing sales team also to be able to perform well in the market. And that's what we have achieved. And from here onwards, by adding more sales people, different types of salespeople, whether it's category experts or

A

measurements and analytics experts or even international sales experts, that is how we've been growing so far and it's definitely an area that we will continue to invest. I think like specific numbers we'll stay away from. But I can tell you that we'll always look at it very strategically.

Erik Larsson

Analyst, Skandinaviska Enskilda Banken AB

Okay. Thanks for that color. That was all for me.

Odd Bolin

Chief Financial Officer, Truecaller AB

Thank you.

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

Bharath Nagaraj

Analyst, Cantor Fitzgerald Europe

Hi. Thanks for taking my questions. I have a few. I'll go one by one, please. With regards to the direct ad sales, I think you mentioned 10% to 15%. I think you mentioned a similar sort of figure, 10% to 15% of the ad revenues comes from direct. I think you mentioned a similar sort of figure last quarter as well, if I'm not wrong. So, are you not – I mean, if we just calculate that, that basically means you have actually not grown on that direct sales. Is that right? Because given you've been focusing on this for a while, just wondering why you haven't grown if my calculation is indeed correct?

Odd Bolin

Chief Financial Officer, Truecaller AB

Well, like we said, this year has been about building the foundation. The direct sales team that we had prior to this year has kept doing what they did before, which isn't – they performed well given the resources they had available. Now with our new sales manager with much more experience in direct sales, international global direct sales, he has been creating a foundation that is much more solid than anything we've had before. Most of the work this year has gone into that. As you can see in the report, we sign up a number of new logos for direct sales this quarter, including, like I said, Apple, Honda and Swiggy. Now that is part of building the foundation.

The next step is to start monetizing those logos based on the agreements that we now have. That hasn't happened overnight. It's a process that takes certain [ph] time (00:56:04) to create the confidence among those logos that you sign up. We're in the middle of that process. But this year has been about building the foundation and also keep doing what we've been doing before, which is the reason why we haven't really started growing the sales yet, but we have now the tools in place to do that. And now you can say that, well, the foundation is just a foundation. But what I mean when I say foundation, it includes setting up the many new agreements, signing up many new customers. The next step is to actually monetize them and we will.

Bharath Nagaraj

Analyst, Cantor Fitzgerald Europe

Okay. Okay. Thanks. And what's the reason given by your ad partner on the algorithm change? Could it also happen with other partners as well? And I had a follow-up question on the impact, but I think you kind of answered that already with the other people.

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

Yeah. We have many ad partners in addition to the one that we're talking about right now. We've never had an issue with any of them. This is the only specific one that we had this change in algorithm that we've experienced so far. I mean, could it happen again? Yes. I guess it could happen again. I think we need to build a business that is more resilient to changes by third parties and that's the track that we're on right now and we're progressing really strongly on that track.

Odd Bolin

Chief Financial Officer, Truecaller AB

A

But note, in addition to that...

Bharath Nagaraj

Analyst, Cantor Fitzgerald Europe

Q

Okay.

Odd Bolin

Chief Financial Officer, Truecaller AB

A

...we had no advance warning. But we do know that other demand partners have or other publishers like us have suffered from the same algorithmic change. So, we are not the only ones that are suffering from this particular change that they did.

Bharath Nagaraj

Analyst, Cantor Fitzgerald Europe

Q

Yeah. Understand that. But did they give you a reason? Like, I mean, they must tell you something, right?

Odd Bolin

Chief Financial Officer, Truecaller AB

A

No. No reason whatsoever.

Bharath Nagaraj

Analyst, Cantor Fitzgerald Europe

Q

Post the change?

Odd Bolin

Chief Financial Officer, Truecaller AB

A

No.

Bharath Nagaraj

Analyst, Cantor Fitzgerald Europe

Q

Post the change, you didn't get any reason?

Odd Bolin

Chief Financial Officer, Truecaller AB

A

No.

Bharath Nagaraj

Analyst, Cantor Fitzgerald Europe

Q

Okay. All right. With regards to the premium subscribers, you said that you aim to maintain a similar level of growth as you have so far. Do you need to continue to spend a similar level on marketing expenses going forward as well to do that? If not, how are you going to sustain that?

Odd Bolin

Chief Financial Officer, Truecaller AB

A

Well, most of our premium subscriber growth is converting freemium users to premium users, and we obviously have a good communication channel open with all our freemium users every day. Every time they receive a call, every time they make a call, we have a communication opportunity with our users, and that is primarily how we convert freemium users to premium users. It's not about going out in the market and do marketing, et cetera, and win new users for premium. That is, of course, something that happens in parallel. But we have – the good thing about only having 0.7% of your freemium users being premium users is that you have 99.3% of your user base, which in our case means 450 million users as potential premium users. So, we have a lot of people that we are addressing in order to convince them that they should become premium users without spending much time on marketing, et cetera.

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

I think that's a very important point.

Bharath Nagaraj

Analyst, Cantor Fitzgerald Europe

Q

Understood.

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

And it's a great question also that you brought up. Like Odd mentioned, we don't need to spend more and more on marketing to get more premium users. Our product is an extremely strong product. We have great product market fit already, not just in India, but in many other markets as well. We see commission rates all the way up to 8% in numerous markets and we don't feel the need to grow our marketing spends in order to grow our premium revenues.

Bharath Nagaraj

Analyst, Cantor Fitzgerald Europe

Q

Understood. Very helpful. Thank you.

Odd Bolin

Chief Financial Officer, Truecaller AB

A

Thank you.

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

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Q

Hey guys. Just a quick follow-up. I mean, the magnitude of the revenue drop with the DSP, the change to algo begs the question of like how are their policies now compared to other DSPs? Is there a risk that others will align their policies with the change made because the one-third drop from that specific platform seems quite hefty. Yeah.

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

A

I mean, also good question. Thanks for that. So we don't know honestly. We don't know what the threshold was before the change. We don't know the threshold now. It's a bit of a black box because it is a DSP, like you pointed out. So we honestly don't know. What we do know is the experience that we've had with a very large set of demand partners. And this is the only one where we've seen this problem arise of change in threshold overnight. So, none of the others have ever told us anything like this. And I don't think it's – I think each one's platform is specific to themselves. I don't think there is a one size fits all threshold or algorithm that can be applied. So, each one has their own and I don't think that others necessarily will change anything because we've never had a problem with them.

Odd Bolin

Chief Financial Officer, Truecaller AB

A

And it's important to point out...

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Q

Okay.

Odd Bolin

Chief Financial Officer, Truecaller AB

A

...and emphasize what Rishit just said. We don't ever have a problem with them. We are definitely one of the most attractive advertising channels in all the markets where we have a substantial user base and the fact that this particular partner is acting up the way they are, we believe that there are completely different reasons for that. That has no connection whatsoever to our attractiveness as an advertising partner as such. We see that the demand for our services and our advertising channel is huge, not least in a market like India. We see this as a hiccup and [indiscernible] (01:03:00) of course, nothing we are happy about in any way. This was an hiccup. We see that the work that is now being done on direct sales and also signing up new advertising partners is going super good. We see that the attractiveness of our channel is such that this hiccup is going to be nothing more than just a small hiccup if you look back at this sometime into the future.

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Q

But just to test my numbers with you a little bit and I appreciate that answer. But if going into Q3, the two DSPs, the two main ones constituted, say, 50% of total and then the large one, which made the changes constituted, say, two-thirds of that, that implies like a 10% headwind on advertising revenues solely stemming from the policy change. Is that ballpark correct?

Odd Bolin

Chief Financial Officer, Truecaller AB

That is the reasoning is sound as such.

A

Ramil Koria

Analyst, Danske Bank A/S (Sweden)

Okay. Thank you so much. Thank you.

Q

Operator: There are no more questions at this time. So I hand the conference back to the speakers for any closing comments.

Rishit Jhunjunwala

Chief Executive Officer, Truecaller AB

Thank you, everyone, for listening in. We look forward to seeing you at our next earnings call. Again, we're very excited with what's coming ahead. We believe we have a lot of room left for growth across the world and the love that we get from our users to touch 450 million users already is something we're really proud of and we'll continue to grow in the future as well. Thank you, everyone.

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