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Truecaller

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MODULAR FINANCE

Speakers

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CEO | Truecaller

Odd Bolin
CFO | Truecaller

Operator

Daniel Thorsson
Analyst | ABG Sundal Collier

Prepared Remarks

Rishit Jhunjhunwala
CEO | Truecaller

Hello, everyone, and welcome to our Q3 report webcast. I'm Rishit Jhunjhunwala, the CEO of Truecaller, and with me, I have Odd Bolin, our CFO. As always, I'll talk about how we performed in the quarter in a few important areas. Then I'll hand over to Odd to talk about the financial performance. Then, as always, we'll open up for Q&A. In Q3, the average MAU was 476 million, which is a growth of 8% year-on-year. Our average DAU was 411 million, which is an 8% growth year-on-year. We continue to have a very healthy engagement with a DAU-to-MAU ratio of 86%. Our net sales were lower by 1% year-on-year in SEK terms, but grew by 3% year-on-year in constant currency. Our EBITDA decreased by 9%, and we reported a margin of 32%, excluding non-recurring items.

Rishit Jhunjhunwala
CEO | Truecaller

In general, I'm very pleased with this quarter, as it is the second quarter with strong sequential recovery across all our revenue streams, and also because this quarter, we returned to year-on-year growth in constant currency with a healthy EBITDA margin. In terms of user growth, we added 5 million users this quarter, which is 35 million users year-on-year. This is slower growth than we've experienced in earlier quarters, and I'd like to describe what is the cause of this. The primary cause is the dramatic drop in smartphone shipments globally. It is estimated that smartphone shipments are poised to be more than 20% lower this quarter, Q3, compared to 2025. This is due to smartphones becoming more expensive, given the rise in memory chips, resulting in lower sales.

Rishit Jhunjhunwala
CEO | Truecaller

This is further corroborated by the fact that preloads of Truecaller also showed a lower trend, not because we reduced our budgets, but simply because OEMs shipped devices less. We've also seen this same trend a few years ago, and now we're seeing this on other apps as well, which have been affected by lower smartphone shipments. This particularly hits our established markets, where we are well penetrated, and our growth comes from first-time smartphone buyers. But in regions where we don't have significant penetration and better ARPU, we are seeing healthy growth. I also don't think that we've seen the worst of smartphone sales as yet. Q4 is typically the period where devices sell the most, and we believe that the deceleration in user growth will continue to be evident in the near term.

Rishit Jhunjhunwala
CEO | Truecaller

It is important to note that the trend we see in user growth is not something we see impacting our financial trajectory or our financial performance in any way. We are on a positive revenue trend in all three revenue streams, and we are growing in regions which have better ARPU, which is all part of our strategy. Another key event in the quarter was that we finalized the acquisition of text+. We're very excited at the opportunity this unlocks for us. text+ provides a second phone number service in the U.S. for calls as well as texting on iOS and Android. 80% of text+'s revenue comes from Premium subscriptions, which have grown year-on-year even without Truecaller. We are now working closely with text+ to unlock the synergies between both products. text+ aligns with multiple focus areas for us.

Rishit Jhunjhunwala
CEO | Truecaller

Firstly, the continued focus on recurring revenues, which, as you know, has been a big focus. Secondly, the market that text+ reaches out to are very valuable for our geographical diversification. Lastly, the product expansions that are possible when we own the number itself, like a telco does, creates a very exciting path ahead with a very large possible footprint. This type of an opportunity wouldn't be possible without text+'s expertise, and we truly believe we can have a huge global audience with a very differentiated offering. Now I'll talk about our three revenue streams, starting with advertising revenues. In Q3, our ads revenue showed strong sequential growth with 23% compared to the previous quarter. We did decrease year-on-year, but far less than the previous quarters.

Rishit Jhunjhunwala
CEO | Truecaller

Overall, we're in a good state in our ads business, serving less impressions with higher quality, and it is not just in our programmatic business, but also in our direct sales initiatives. Sorry for the tech challenges. We're also transforming how we do ads and how our bidding is done overall. We have moved our entire user base to the new architecture, and therefore, the new auction-based bidding model has been scaled up to around 10% of our user base already, with a further scale-up expected in Q4. This last year has been rough for ads, but I think we've come out of this far superior. Our ad stack is more powerful. We have a specific focus on long-term scalability of this revenue stream, and we are now well-poised to be a publisher of choice for brands that seek scale along with the high quality and a brand-safe experience.

Rishit Jhunjhunwala
CEO | Truecaller

Moving on to Premium subscriptions. Premium subscriptions revenues continued to grow with 32% year-on-year. Our subscriber base also grew by about 23% year-on-year, touching 4.06 million Premium subscribers. Our conversion rate to Premium also grew year-on-year by about 16%. Numerous countries show great growth, and we continue to be excited about our Premium business. To give some examples on how revenues are developing in key markets for us, in Colombia, for example, revenues doubled year-over-year and grew with 25% quarter-on-quarter. In South Africa, as another example, revenues grew by 60% year-on-year, 13% quarter-on-quarter. Malaysia revenues grew by 50% year-on-year and more than 10% quarter-on-quarter.

Rishit Jhunjhunwala
CEO | Truecaller

Then we have smaller revenue markets for us, which are also growing at a high pace, like Nigeria, which more than doubled revenues year-on-year, and Mexico grew 70% year-on-year. This geographical diversification is one of the cornerstones of our future strategy, and I'm really pleased with the distribution we have there. In terms of conversion rates, we had better conversion rates compared to the previous quarter as well, both on Android and iOS. This too is an important factor that makes us invest more and more in this area of our business. Now on to Truecaller for Business, our third revenue stream. Net sales grew by 6% year-on-year in SEK terms and 14% in constant currency terms. We saw strong sequential growth here, just like in the ads business again.

Rishit Jhunjhunwala
CEO | Truecaller

ARR for Verified Business increased 3% in SEK, which is an increase of 8% in constant currency, while keeping churn at the same levels as before. Business Messaging volumes grew very well year-on-year and grew significantly from the previous quarter due to the return of our earlier longstanding partner, which happened in late Q2. Truecaller for Business grew really well, and we're really happy with the results, but our ambitions with Truecaller for Business are much higher. We've therefore been focused on growing Truecaller for Business product suite, adding more value to our customers. Some of these capabilities were launched in Q3 already. Some of them are expected to be launched soon. These new capabilities will help the business grow even faster using the Truecaller platform, and we're confident we will return to faster growth over time.

Rishit Jhunjhunwala
CEO | Truecaller

On Business Messaging, the new partner scaled up volumes, as well as our longstanding exclusive partner from earlier scaled up volumes too. This made us deliver 18% more messages than the same period last year. Our SDK product, our number intelligence product, both continue to contribute, and we continue to expect to invest in them and grow them in the future as well. I'll talk about a few interesting product updates during this quarter. With the growing menace of fraud globally, we wanted to extend our fraud detection capabilities beyond just phone numbers and beyond our app as well. Scam Checker allows you to check any URL, phone number, and such artifacts for fraud signals before you act and get defrauded. Early usage is healthy, and we're continuing to make this more and more sophisticated, and we believe this will help in making the world a safer place.

Rishit Jhunjhunwala
CEO | Truecaller

Also in Q3, we announced a partnership that we're particularly excited about with LinkedIn. It brings a very trusted source of identity for professionals globally into Truecaller. This partnership lets LinkedIn verified users show off their professional credentials in the caller ID itself. We're rolling this out in Q4 on Android to start with, and iOS will follow soon after that. Another update is on Premium, where we've been partnering with other services for bundling Premium as well as for distribution. We are now live with several bundled products in LATAM. We're also bundled with telcos in Chile and the Maldives, and also in India, where CRED members got a very special Premium package on their app. We will continue to work on this track to partner with exciting services that add value to our audience.

Rishit Jhunjhunwala
CEO | Truecaller

With that, I'll hand over to Odd Bolin to walk you through our financial performance in more detail.

Odd Bolin
CFO | Truecaller

Thank you, Rishit. Let me, as usual, then walk you through the financials in some more detail. This quarter, we are happy to be able to once again report quarter-over-quarter growth in all our revenue streams, like Rishit said. On a year-over-year basis, net sales grew in constant currencies, and they were stable in SEK. 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 SEK and in constant currencies. The constant currency figures are our best estimates based on the information that we have available, as usual. In SEK, our net sales decreased by 1%, but in constant currencies, net sales increased by 3%. Due to the acquisition of text+ that Rishit mentioned, we had non-recurring costs of 18 million SEK in Q3 relating to advisory fees.

Odd Bolin
CFO | Truecaller

You will not see anything similar to that in the next quarter. EBITDA, excluding those non-recurring costs, decreased by 9% in SEK and 5% in constant currencies. The EBITDA margin was 32% in both SEK and in constant currencies. Although we did see this small year-over-year decrease in net sales, quarter over quarter, we saw a substantial improvement, 18%. text+ contributed marginally to the net sales figure by approximately SEK 3 million since the closing of the transaction that we did on September 10. Looking at our three revenue streams, ads decreased by 12% year over year, a much lower pace than we have seen during the last few quarters. Programmatic sales are bouncing back after the partner issue that we have had, since that partner issue has been resolved.

Odd Bolin
CFO | Truecaller

There is still materially more we can do based on our work with a new ad stack sales infrastructure and more sophisticated targeting. Direct sales continue to improve gradually. New ad formats, more specialized sales capacity, and an improved customer offering all contributed to this growth. Premium continues on a steady growth path with sequential growth quarter over quarter. For Truecaller for Business, we have stable developments. Truecaller for Business continue to see good customer inflow and old customers returning due to our more advanced functionality. Business Messaging continues to grow on the back of traffic returning from our previous exclusive partner, as well as traffic from the new partners that we have signed up this year. Our smaller early-stage products, SDK and risk business, they are still small, but they are growing well.

Odd Bolin
CFO | Truecaller

As you can see in this waterfall graph, the revenue decrease in our ads business is more than compensated for by the growth in Premium and Truecaller for Business, but currency effects continue to have a negative impact as the Swedish crown has stayed strong versus the corresponding period last year. Given the recent Swedish crown developments, it is however quite possible that we will see a minor reversal in terms of currency effects going forward. Ad revenues decreased by 15%, 12% in constant currencies versus the same quarter last year. The decline mainly comes from lower demand due to the previously mentioned partner issue. The flag removal late in the second quarter this year improved revenue, but we continue to be mindful of how we optimize our ads business in order to ensure that we do not run into similar problems again.

Odd Bolin
CFO | Truecaller

We expect to see programmatic revenues continue to improve gradually, and our new ads infrastructure creates further opportunities for more competition and better pricing. Verified Business continued to grow year-over-year and had a stable development quarter-over-quarter. Business Messaging started to recover in the second quarter and has continued with increasing volumes from all partners during the third quarter. Strong Swedish crown versus USD and INR continues to negatively impact finances, also for Truecaller for Business, but at a slower rate. After the recent slowdown for Truecaller for Business, we are now back on track regarding recurring revenues. They grew 26% year-over-year in constant currencies. As you are aware, this has been an area of focus for us, and we are happy to see this development back to the growth trajectory we were used to.

Odd Bolin
CFO | Truecaller

We now include text+ and eSIM in recurring revenues, and we expect such revenue streams to gradually contribute more of our recurring revenue growth. Moving to profits. Gross profit decreased by 7% year-over-year in Swedish crowns, but grew by 17% quarter-over-quarter. Gross margin is still at 72%. The decrease in gross margin that we have seen since the end of last year is primarily an effect of the higher costs for our own ads infrastructure, the Truecaller ad servers, and related functionality aimed at increasing competition for our ads inventory. This is a necessary investment in order to ensure the long-term strength of this business area and decrease our dependency on external partners. We also see some temporary price hikes for verification of new customers.

Odd Bolin
CFO | Truecaller

Optimizing verification cost is an ongoing process where we switch between different channels and means in order to always push verification costs down without impairing our user experience. Improved transparency on some partner fees compared to a year ago is something I already mentioned. That means that we can book these partner revenues gross rather than net, which means that we will see slightly higher cost of goods sold, slightly higher revenue or net sales, but it will have no impact on the bottom line. Looking at operating expenses, the largest component, employee costs, decreased from the beginning of May due to the restructuring announced on May 7th. The full effect of the lower amount of FTEs is clearly visible this quarter. As I mentioned before, we had non-recurring costs of SEK 18 million this quarter relating to advisory fees for the text+ acquisition.

Odd Bolin
CFO | Truecaller

We also increased our user acquisition and marketing costs somewhat in order to achieve better results. Incentive costs are somewhat more stable now than they used to be since the dependence on the share price has come down as we decreased the number of employees and had one large incentive program mature this summer. Going forward, we will no longer continue reporting profits both including and excluding incentive costs. The incentive costs will, of course, continue to be explicitly stated in our reports, though. Obviously, the accounting treatment in the profit and loss account is different from the cash flow effect. We have mentioned that numerous times, but I just wanted to point it out again, that cash flow is only impacted once an incentive program matures, such as it did in June this year. Looking at EBITDA continued to improve well quarter-over-quarter.

Odd Bolin
CFO | Truecaller

These figures exclude the SEK 18 million in non-recurring cost. Year-over-year, we still saw a small decline, though. The group tax rate was 37% this year, largely due to the fact that the non-recurring advisory costs are not being tax deductible, meaning the loss caused by those are not offset by a corresponding deferred tax asset. That is why we can see a tax rate that is higher than the tax rate for our Indian operations, where we have the highest tax rate from an operational point of view. Looking at cash, net cash flow from operating activities, excluding paid income tax and changes in working capital, was SEK 157 million versus SEK 177 million a year ago.

Odd Bolin
CFO | Truecaller

We continue to produce a healthy amount of cash, and our financial position is consequently strong with SEK 1.3 billion in cash and short-term investments, or SEK 450 million net, considering that we have a term loan since the summer of SEK 850 million. Changes in working capital year-to-date was SEK-33 million, and the accounts receivable trends continue to be stable. Finally, an update on our transfer pricing situation. As we have communicated previously, our Indian operations are subject to a transfer pricing survey by the Indian tax authorities. This is focused primarily on the company's transfer pricing practices for the fiscal years 2018 to 2024. We have now received the first formal transfer pricing order from those authorities, and that will soon be followed by an assessment order.

Odd Bolin
CFO | Truecaller

Once we receive that assessment order, we will most likely have to put up a bank guarantee covering the tax claim in the order, which will be approximately SEK 270 million. Eventually, we expect tax claims totaling approximately SEK 900 million with a corresponding bank guarantee for that amount. The bank guarantee will have to be in place until the claim has been settled once and for all, and most likely in the bilateral process that we have initiated with the Swedish tax authorities. Considering tax refunds from Sweden, in order to avoid double taxation, the possible net exposure is approximately SEK 550 million after paybacks from the Swedish tax authorities. This is a worst-case scenario, and our position has in no way changed.

Odd Bolin
CFO | Truecaller

We, as well as our advisors, continue to believe that our transfer pricing model has correctly allocated revenues and profits between Sweden and India, and we intend to unilaterally challenge any potential assessment orders. In parallel, we have invoked a bilateral process between the competent tax authorities of India and Sweden, through which we believe the matter ultimately will be resolved. This bilateral process is expected to be concluded no earlier than late 2027 or during 2028. Based on our assessment of the tax claims and our counterarguments to the arguments given to us by the Indian tax authorities, we have made a provision of SEK 92 million for the potential, although not necessarily likely, actual exposure.

Odd Bolin
CFO | Truecaller

This provision, it is important to remember, covers the total tax claim that I said we will most likely see to be in the order of SEK 900 million gross from India. This provision covers the total tax claim for all the years being audited by the Indian tax authorities. It is nothing that we will do on a regular quarterly basis. The SEK 92 million should cover all of the claims that we see as being reasonably realistic. With that, I will hand back to Rishit again for a summary.

Rishit Jhunjhunwala
CEO | Truecaller

Thanks, Odd. I will now summarize, and then we can open up for questions. Firstly, all three of our revenue streams grew sequentially, and we are back to growing year-on-year in constant currencies. The ads transformation is progressing well. In September, we grew year-on-year, which is something we have been working on for a year now. Business Messaging is back on track as well after a few rough quarters. text+, the acquisition that we spoke about, has massive potential. eSIM, which is now on Android as well. Both of these create new trajectories for our business. Now we also have more clarity on the tax survey. We have the cash position to handle the bank guarantee without any disruption to our business or our ambitions whatsoever. This is truly a very exciting time for Truecaller. We have overcome an incredibly trying period for the company.

Rishit Jhunjhunwala
CEO | Truecaller

We have numerous large markets where people are facing problems that we have been solving for decades, and we are grabbing those opportunities. The text+ acquisition, for example, gives us an opportunity to really rid the world of spam and fraud, because for the first time, we will own the phone number itself and not only be an app you install to protect your phone number identity. Of course, the world is changing very rapidly around us with the advancements in AI. Spam and scam, for example, have never been cheaper, easier, and more sophisticated than they are now. This presents a large opportunity for us. Also, new ways of humans interacting using their agents are emerging, and our proprietary user-driven intelligence continues to be an extremely valuable asset.

Rishit Jhunjhunwala
CEO | Truecaller

This is a very exciting time for technology-focused product companies like ours, and we are really looking forward to what lies ahead for us. Thank you, and we can now open up for questions.

Q&A

Operator

If you wish to ask a question, please dial pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial pound key six again on your telephone keypad. The next question comes from Daniel Thorsson from ABG Sundal Collier. Please go ahead.

Daniel Thorsson
Analyst | ABG Sundal Collier

Yes, thank you very much. A few questions. First one on the SEK 92 million tax provision here. Why do you do that today if you still think that you haven't done anything wrong? Isn't that just opening up for Indian tax authorities to actually hope for an amount, and you still fighting for something which you today admit that you don't expect to happen?

Odd Bolin
CFO | Truecaller

That's a very good point. There are regulations, accounting regulations that forces us to quantify whatever potential risk we see. The fact that we believe that we have done things in the right way doesn't change the fact that we are playing defense versus Indian tax authorities. They have come up with a claim. We need to defend ourselves. We have strong arguments that we can supply the Swedish tax authorities with. But we cannot assume that the Swedish tax authorities, even though they're heavily incentivized by the fact that they would have to pay money back to us, we cannot assume that they will be able to take us to where we should be, namely at zero. So, having analyzed the claim, having analyzed and put their arguments and put in our counterarguments, we have concluded that SEK 92 million is a prudent amount for a provision.

Odd Bolin
CFO | Truecaller

It doesn't mean that we will stop fighting for zero. It doesn't mean that it's going to be SEK 92 million precisely, but it's something that we have to do in order for us to be open and transparent with our shareholders that there is a risk associated with this ongoing tax survey. The risk is not zero, even though, once again, we believe that we should pay nothing. We cannot say that the risk is zero. We are playing defense. We will do our very best on behalf of our shareholders to avoid paying anything, but there is a risk, and we have to quantify that.

Daniel Thorsson
Analyst | ABG Sundal Collier

Okay, understood. That's fair. Secondly, the 1% revenue growth in MEA here. You mentioned a couple of countries growing significantly year-over-year. Which are declining in that region? I guess there must be some, and why are they?

Rishit Jhunjhunwala
CEO | Truecaller

Is your question about user growth in the MEA region?

Daniel Thorsson
Analyst | ABG Sundal Collier

Revenues.

Rishit Jhunjhunwala
CEO | Truecaller

Revenues in the MEA region have been doing well for us. Several regions which are the higher ARPU regions are continuing to do well. I can't think of a particular region where our revenues have declined in MEA, actually.

Daniel Thorsson
Analyst | ABG Sundal Collier

Okay. Last one then on the CNAP updates here being mandatory across operators from 1st of November in India. Do you expect any meaningful impact on Premium or business revenues in Q4 worth having in mind?

Rishit Jhunjhunwala
CEO | Truecaller

Just to give you some background on CNAP. CNAP has been rolled out substantially, I would say, since Q4 of last year. The November 1st date was mandated to be the full-scale rollout. Since then, we haven't seen CNAP change, and we don't expect a material impact on our business with the full-scale rollout.

Daniel Thorsson
Analyst | ABG Sundal Collier

Okay, that's clear. Thanks very much.

Rishit Jhunjhunwala
CEO | Truecaller

Thank you.

Operator

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

Rishit Jhunjhunwala
CEO | Truecaller

Thank you very much once again, everyone, for watching our webcast. Like I said, we've had a very encouraging quarter, and we're poised for a great year ahead in 2027. We're very excited by the roadmap that we have ahead of us. Thank you to our investors, our shareholders, and most of all, the Truecaller team. Thank you.