

Date: May 12, 2026

To
BSE Limited
Listing Department
Phiroze JeeJeebhoy Towers, Dalal
Street Fort, Mumbai -400001
Scrip Code: 544614

To,
National Stock Exchange of India Limited
Listing Department
Exchange Plaza , Bandra Kurla Complex
Bandra (East), Mumbai -4000051
Symbol: CAPILLARY

Dear Sir/Madam

Subject: Announcement under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript - Earnings Call - Financial Results for the quarter and year ended March 31, 2026.

Pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("SEBI Listing Regulations"), please find enclosed herewith the transcript of the earnings conference call with analysts and investors held on Wednesday, May 06, 2026.

The said transcript is also being made available on the website of the Company and can be accessed at the following link: <https://www.capillarytech.com/investors/>

We request you to take the above information on records.

Yours faithfully,

For Capillary Technologies India Limited

Gireddy Bhargavi Reddy
Company Secretary and Compliance Officer
Membership No. A17091
Place: Bengaluru

Capillary Technologies India Limited

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**“Capillary Technologies India Limited
Q4 FY '26 Earnings Conference Call”**

May 06, 2026



**MANAGEMENT: MR. ANEESH REDDY BODDU – FOUNDER, MANAGING
DIRECTOR AND CHIEF EXECUTIVE OFFICER –
CAPILLARY TECHNOLOGIES INDIA LIMITED
MR. ANANT CHOUBEY – EXECUTIVE DIRECTOR,
CHIEF FINANCIAL OFFICER AND CHIEF OPERATING
OFFICER – CAPILLARY TECHNOLOGIES INDIA
LIMITED**



Moderator:

Hello and good evening, everyone. On behalf of EY IR practice, I welcome you all to the Q4 and FY '26 Earnings Call of Capillary Technologies India Limited. Please note that a copy of the disclosures are available on the Investor section of the website as well as on the Stock Exchange. Please note that anything said on this call which reflects the outlook for the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces.

To give you some in-depth understanding of the company and answer to all of your queries regarding the results and the company, we have with us the management side, Mr. Aneesh Reddy Boddu, Founder, Managing Director and CEO, and Mr. Anant Choubey, Executive Director, CFO and COO.

With that being said, I would like to hand over the call to Aneesh to take you guys through the presentation. Thank you. Over to you, Aneesh.

Aneesh Reddy:

Thanks, Kanav. Hi everyone. Thanks for joining us today for our second quarterly call and our first annual call. Kanav has introduced us already, so let's move. We thought we will spend a few minutes as a quick refresher to what we do as a company.

We play in the loyalty and engagement space. We are a global leader in what we do. We basically offer AI-powered cloud solutions for larger enterprises to run their loyalty programs. We today work with 20 of the Fortune 500 customers. So, about 400 brands that use our platform.

We probably have the largest data set on customer loyalty globally, about 1.9 billion consumers on the platform for these large brands that work with us. Customers in about 49 countries now. About 700 employees worldwide. We are a system of record, part of the infrastructure for every transaction that happens for any of our customers ends up hitting our platform, so uptime is very important for us.

We have a Five nines (99.999%) uptime as a platform. What's loyalty? Loyalty is any kind of a long-term retention mechanic. So, in India, if you've stayed at a Taj, the Taj InnerCircle program, or if you've flown an Indigo recently, the IndiGo BluChip, you know, or if you've shopped at the Tatas, the Tata Neu program, right? Any kind of a long-term earn-retention kind of program is what loyalty is.

We power that for some of the brands that I mentioned right now and for about 115 large enterprises globally. Yes, that's the latest Forrester Wave that came out at the end of last year in December of 2025. You can see us right at the top there. We, both in terms of the strength of the current offering and in terms of strategy on what we want to build, we are regarded to be the best in the world at this.

Take any analyst report for that matter, whether it's an Everest, whether it is a Spark, whether it's Loyalty360, you will see us either in the first position, sometimes in the second. Again, what do analysts and customers like about us? Our tech stack is fairly AI-native now as compared to most of our competition, which tends to be agencies or mega vendors.

We have a much more deeper tech stack, very AI-first platform approach. The report is actually available on our website for a download. So, if you read it up, it talks about our AI-first platform approach. It also talks about good customer feedback. Out of the 27 criteria that Forrester has for loyalty, we have a 5 on 5 on 22. I think that's probably the highest that you have in that report for anyone.

Again, quickly recapping on the products of the company. We have a customer data platform as the base. Basically, we integrate into every touchpoint of the customer, whether it's the POS, whether it's the e-commerce, mobile apps, etcetera. We get all of their customer data into one place. We then use that to run their loyalty program across channels, across all touchpoints.

Our loyalty stack is roughly, I'd say, 90% of our revenues, majority of our revenues come from the loyalty stack. It is a system of record. It's priced on a per-member or a per-transaction type pricing. Very system of record like bank ledger like pricing there. This is our bread and butter. It's what we are best at. Our customers also use some of our other products. Engage is our marketing automation, campaigns type product.

About 5% to 7% of our revenues come from the Engage stack. Insights is our dashboards and some of that. Rewards, we power third-party rewards for a lot of our customers, especially banks and telcos who work with us. Rewards is again more around the 5%, 7% of our revenues. Off late we in the last few calls have spoken about our AI stack, aiRA. aiRA has seen some pretty good love in the last quarter or so.

We are a few million dollars now in revenues from the aiRA stack. The aiRA stack will, I think, over a period of time replace our Insights piece, but we'll talk about it more in the slides ahead. Overall, what we try and do as a platform is deliver loyalty as an outcome, which kind of differentiates us quite a bit against our competition, which tend to be more like a points program or more like a points solution.

We tend to do, like, not only the system of record piece but also help you action it out, help you see your insights and a lot more on the same platform. Right, so with that, Anant, you want to move next?

Yes, coming to growth and profitability levers for the firm. You know, we'd covered this in the last two calls as well. There are really three levers of growth for the business. The first is net retention rate expansion, which is how much are our customers growing annually on our platform. If you look at our FY26 net retention rate, we had a 110% NRR for the full year. Organic, which is customers who started the year on the Capillary platform.

So as you know, we also do acquisitions, so there is a chunk of revenue that sits on platforms that we've acquired. Usually, we call organic as customers who started the year on the Capillary platform. So, organic expansion has been at 114% for the year, powered by three levers again. The first is platform usage, overages, and inflationary increases. We've seen pretty good growth coming there.

The second is product upgrades, things like the AI stack, Engage. We are seeing , very good traction on the AI stack specifically. About a fourth of our customers now are either piloting it

or already paying us for using that stack. The third, of course, is, our existing customers taking us to more new brands or geographies. This is, let's say, a customer like Tatas, who are a large customer for us, taking us to a new brand that they have acquired.

Or a customer like Abbott taking us to a new country. Right, so that's the third expansion piece. Together, we've delivered a 114% on the Capillary stack. On the inorganic side, our net retention rate for the year is 94%. As we had mentioned in the DRHP and spoken about last time as well, typically on inorganic, you acquire the business, you get a bunch of customers, then you upgrade them onto the Capillary platform from the older platform that they were on.

During this upgrade, you tend to give them a discount, not everyone migrates, right? So, you give them one-time discounts. So, last year we had significant migrations from Brierley as well as the Persuade platforms. So, overall NRR for the inorganic side was 94%, and overall that brings you to an average of 110% between the organic and the inorganic pieces. So, that's the first lever of growth, net retention rate.

Continues to be pretty good on the platform side, on the core Capillary platform side, we continue to see the 114%, 115% NRR. Second axis of growth for us is the new customer wins. So, this is net new logos that we continue to win. Last year was a pretty good year in terms of number of deals that we did. We also announced a very large Fortune 50 retailer, a \$20 million deal over a four-to-five-year period that we signed up in March.

We've seen, so if you look at last year, we've signed at least, I think, three to four Fortune 500 customers through the year. So, some very, very good momentum, especially in the US on the new logo side. Coming to our third axis of growth, M&A. We announced the acquiring the merchant loyalty business from Mastercard. It's a company called SessionM on Feb 24th. We closed that transaction on May 1st. So it's a sizeable \$35 million business, 40 plus logos, including five Fortune 500 companies.

We had spoken about this in the last call that this should take us to, you know, over the next 12 to 18 months, this will take us to 115 million in ARR as an entity. Having said that, you know, M&As take time to deliver EBITDA for us because, you know, as the customers upgrade to the Capillary platform is when you see the margins increase.

So, the EBITDA expansion cycle might take a year or two on the SessionM side. On the Kognitiv part, we've already started to see EBITDA getting accrued on from the acquisition. We've been having very good conversations on upgrading the Kognitiv customers to our platform. There's also a lot of interest from Kognitiv as well as SessionM customers on the AIRA stack, which is helping these conversations on a faster upgrade, which will eventually lead to both revenue as well as EBITDA growth.

Right, so I think overall growth has been pretty good for the year. Q4 grew at 26% year-on-year. For the full year, we grew at 23%. Some good solid growth there. Coming to profitability levers, we again have three profitability levers there. First is the net retention rate-led expansion comes at a higher margin because your cost of data, the servers, the, you know, the team cost is already loaded, right?

So, any net retention rate typically comes at an 85% to 90% gross margins, which then reflects in the overall gross margin going up. Looking at FY26 over FY25, our overall gross margins increased by about a percent thanks to this overall NRR of 110%, right? So, the second axis of growth is leverage on the non-COGS cost. We, you know, about 60% of our cost is not linked to, you know, cost of goods sold, is below the gross margins. This is things like technology, sales and marketing, corporate functions.

If you look at our last year's numbers, revenue grew 23%, but overall cost grew about 14%, right? So, that again shows up as a clean flow down into EBITDA's. Finally, coming to upgrade of customers from M&A. As you know, our strategy is to buy on the M&A side competing platforms and, you know, which typically run on a low gross margin and upgrade those customers to the Capillary platform.

So, what the customers get is a AI-first stack, very high efficiency, you can do a lot of stuff by just configurations, you need not, where it also helps us is as the customer upgrades, we move from the 30% gross margin to a 65% gross margin, which means better profitability and better cash flow generation. We shared some data in our last analyst call where we actually showed you that, you know, for the first two acquisitions that we did, we've had a four-year cash payback.

We are expecting Brierley as well as the Kognitiv acquisitions to also return cash in, about the cash we paid fully back in about a similar time frame. So, another big update here is we've now developed an AI-led platform to upgrade customers from our acquired stacks to Capillary. We think this will significantly improve the pace of, you know, upgrades, one.

Second, I think it also improves the experience for the customer. So, instead of a big migration and a lot of work, it's typically a two-to-four-week UAT which then the customer needs to do. We are very hopeful that this will lead to a lot of acceleration on improvement in margins and, you know, integrations from acquisitions not taking a long time but happening in a 12-to-18-month type period. Right, so again overall on the EBITDA numbers, you know, we closed Q4 at a 19% adjusted EBITDA margin. A good improvement from last year. For the full year again, we had a pretty good 14.7% margin. Yes, with that, let's move forward, Anant.

We spoke about this last time as well. You know, we spend about, I'd say, about 20% of our revenues on technology teams. So, we are constantly building to keep the platform at the cutting edge and, you know, I think the goal is to be the best loyalty platform globally. We today are there and we'll hopefully continue to be there going forward as well.

There's really five things we do to really be at the cutting edge. The first is the pieces around the AI-first loyalty. There is a lot of stuff, even non-generative AI, right? Just the older AI stuff around forecasting, fraud prevention, helping you to configure better, a lot of that in the tool. The second is of course conversational interfaces. The idea is to remove the need for any training for anyone to use the platform, right?

Simple English, you should be able to do a lot of stuff. We've also now launched a bunch of stuff around no-code workflows for integration, for faster go-lives and things like that. The third is going beyond the usual points and membership. We think the younger audiences tend to like

a lot more community rewards, challenges, gamification type loyalty experiences. We probably again have the best Swiss Army knife type coverage on a lot of these non-financial, you know, rewards and loyalty experiences.

Fourth, although we are a horizontal play across multiple verticals, we've always looked at loyalty as being vertical-specific. We continue to make those investments. You know, today we support, although we started off with retail, we support hotels, we support, you know, airlines, we support healthcare, we support a bunch of verticals and every year we pick one or two verticals and build deep for it. This also plays very well into the AI pieces.

You know, I think we are also able to embed a lot more of the vertical-specific use cases both on analytics and on campaigns or actioning through a very vertical-specific focus. Finally, we work with very, very large enterprises and there is a constant investment on privacy, data security, compliance, etc, which keeps us, you know, ahead of the curve on the trust governance and the enterprise readiness side.

Coming to the AI piece, you know, there's a lot of talk on the AI side. We thought we'll cover this a little bit more in detail today. So, I think the foundation of what we do is the core loyalty platform, right? So, this is a system of record. It is a bank ledger for customers who give points out or give rewards out or give coupons out and things like that. It's truly a system of record, very, very accurate, very auditable.

A lot of our customers run annual audits, so it can't be a fuzzy AI-led system. It's a very hard, very stable, deep database that we maintain for each of our customers. The pricing here is again a per-transaction or a per-member based pricing. So, this is a very system of record like pricing. We do believe that with AI coming in, you might move from one system of record to another, which would have happened even in a pre-AI world, but system of records will continue to exist and stay, right?

So, that's the core platform that's 90% plus of our revenues. Rewards is another system of record. So, between system of records, we probably have between 90% to 95% of our revenue coming from there. What we are actually seeing is with AIRA and some of the stuff that we've done now, we are able to go beyond a system of record. Right, so what we are able to do is we now have a very powerful analytics agent. Given the depth of data that we have across customers, right? 1.9 billion consumers, over 10 billion transactions every year, over a trillion dollars of commerce that hits the platform annually now.

We've been able to codify this down into a very, very strong analytics agent, right? So, and the idea is that if you're a user on the customer side, you can ask it any kind of question, any kind of analysis, and it would do a very deep job of responding, you know, specific to that vertical, specific to this customer's language. We think this is a very, very large space in the loyalty marketing or in general in the retention marketing space.

Because today what happens is mostly a lot of this is done by agencies. and the experience with the agency is you send them an email, you call them, they will send you a PPT, you've already moved on. While here it is like chatting with ChatGPT or Claude, right? You just type in a

question; five minutes it tells you what you asked for. And we've seen very good adoption on the AIRA stack. It's been like adoption-wise; I think it's been our fastest in terms of both trials and then, you know, as customers use, they continue to use more.

We are also pricing this interestingly on an action and outcome-based price, which is number of questions you asked, number of analysis you did type pricing. So, I think there is a possibility of a serious increase in NRRs if this takes off. The third piece is once you've done your analysis, you know, you want to run a campaign or you want to, you know, go do some action.

Right, you want to target someone better, you want to, like, plan out which products you want to put in which stores, or, you know, some kind of an analysis, some kind of an action, right, beyond the analysis. We are now taking AIRA into more the action space as well. Again, this will kind of replace a little bit of what we do on the Engage stack, but again we are seeing very, very good adoption here.

So, overall, I think, you know, our TAM today was largely in the loyalty platform, the foundation space that you seek. We are now expanding into the intelligence and the action spaces as well, So, which traditionally has been like less than 5% of our revenue. So, we think there is significant addition of TAM that will happen if this plays out like how we are seeing it play. Just to summarize for you, AI does not replace the loyalty platform.

We continue to be a system of record, so hard to replace that. What it does is it does multiply what the platform can do. So, instead of going to an analytics agency for your analytics or instead of going to some other tool for your campaigns or actions, today you can do pretty much all of that stuff in Capillary.

Right, so we do think we are seeing a lot of uptake for trials and using some of this. We do think this will play out into serious revenues over the next few quarters. So, with that, this is a little bit on AIRA. We've added more functionality to AIRA from last time. It was a little bit more support and analytics. Today we do campaign execution, a lot of decision intelligence type stuff. Analytics insights we had last time as well. We are also adding a creative studio to it. So, as a marketer, you could just say spin up five different type of campaigns and emailers and creatives. It'll do that for you.

We are also doing a lot of very cool stuff on trying to build a harness so you can have very good brand context and memory here., so a bunch of good stuff that, you know, some of these demos are available on our website. I don't want to use a lot of the call for it today. But very good traction on this. In fact, what we're starting to see is a lot of learning that's starting to happen, right?

You analyse, you ask some questions, you analyse data, you decide what you want to do, you act, and then the system goes back and measures if that worked or that didn't work, right? So, I think we're starting to see that loop taking shape on the platform very well. With that, over to you Anant on the numbers.

Anant Choubey:

So, here's a quick snapshot of Q4 as well as FY26. We ended Q4 at a healthy growth of 26% year-on-year on revenue versus last year at INR191 crores. Adjusted EBITDA saw another 28%

year-on-year growth for the same time period at about INR35.7 crores. And in terms of PAT, we stand at INR43 crores for the quarter. If we normalize this, that's at about INR19.6 crores, and I'm going to take you in detail on what this normalization is over the next few slides.

In terms of FY26, we ended the year at revenue of INR734 crores. That's at 23% year-on-year increase. At a 43% increase in adjusted EBITDA at about INR107 crores, and a normalized PAT for the year at about INR32 crores. Moving ahead. So, what you see on the screen is a 53% CAGR revenue over the last four years. And as you've seen by now, loyalty is a very sticky business which compounds naturally at a high single digit. And as we shared before, our NRRs have been in the range of 110 to 115, which means that your existing customers are growing at 10% to 15% year-on-year.

And what makes it very predictable is that about third of this growth comes from inflationary increases, from metric expansion, so things that don't need any effort and it continues to be a healthy trend for our business. On EBITDA front, you can see constant growth over the last few years. Over the last four years, our adjusted EBITDA has grown from -3% to about 14.6%. And large contributors for this growth is NRR-linked growth because that comes at a much higher margin.

And then Aneesh was telling that our COGS are growing at a much lower rate compared to the top-line growth. And lastly, migration of the customers that we get through acquisitions onto Capillary platform. So, a combination of these show a healthy trend on both revenue as well as on adjusted EBITDA.

Moving ahead. A little bit more colour on inorganic NRR over here. So, when we acquire companies, what we get is a business with low gross margin and a people-intensive time and material-based model, which is then moved onto Capillary platform and converted into a tech model from an agency-driven model. Now, this migration means that the gross margin goes up significantly, but in this process, we end up retaining about 70% of the top line that of what we acquired and hence you see a sub-100 of NRR.

But this revenue profile converts to a 45% to 50% contribution margin. So, this is a design of the business to keep in mind as you see on both growth and profitability. Now, the other important piece is 45% CAGR on run rate. We ended the year at a run rate of INR765 crores. And in terms of new business, we continue to see strong new business. We have new ACV of INR121 crores, similar to that of last year.

And you would see that our sales investment is at about 17% of top line, which is best-in-class in the industry. In terms of profitability metric, this is an important slide. Our PAT for whole of last year was about INR14 crores, and just Q4 normalized PAT is at INR19.6 crores. So, you can see the trajectory of the business here. Now, to understand the delta in PAT versus normalized PAT here, in Q4 we had a one-time exceptional income of INR25 crores.

Now, this exceptional income represents compensation received under a churn indemnity clause in the Kognitiv acquisition, which was triggered because seller failed to meet certain agreed commitments. And it's a one-time thing and hence we have called it out separately and hence a

normalized PAT has been shared. You can see a healthy growth in both Q4 as well as FY26 level on PAT growth.

So, at a normalized level, you see a 51% growth at a Q4 level and 128% growth at a FY26 level. Now, moving ahead on cash front. The business inherently generates cash, and this can be seen from the fact that we had adjusted EBITDA of INR107 crores and operating cash flows of INR150 crores. Now, this happens because we bill and collect money upfront in a healthy growing business.

So, a good KPI to look at over here is free cash flow to PAT. That's also at a very healthy number of 200%. And in terms of return on capital employed, we have seen a constant improvement and today stand at about 3%. And a more relevant term for a cash-generating business like ours is a cash return on invested capital, and this stands at 22%.

Moving ahead. Now, if you look at the relation between a PAT, EBITDA, and adjusted EBITDA, PAT of about INR43 crores, removing the exceptional one-time income of about INR25 crores from here. If you look at the tax expense or credits that continues to be = negative and would continue to be negative given we have accumulated tax losses.

Then about depreciation and amortization expense of about INR19 crores for Q4. Again, this trend would continue given the acquisitive nature of the business. And finance cost of about a crore. That gets us to an EBITDA of INR38 crores.

ESOP expenses continues to be in range of about INR3 to INR4 crores, and finance income of about INR6 crores. That takes to adjusted EBITDA of INR35 crores. So, our adjusted EBITDA margins for Q4 has been at about 19% and for the year stands at about 15%.

So, that brings us to the end of the presentation. We've shared FAQs, but happy to take any questions.

Moderator: Thanks, Anant. So, now whoever wants to ask a question, please use the raise hand symbol on your screen and we'll wait for a while for the questions to assemble. So, first question is from the line of Disha Chordiya. Disha, please go ahead.

Disha Chordiya: Hello. Am I audible, sir?

Moderator: Yes, Disha. Please go ahead.

Disha Chordiya: Yes, thank you so much for this opportunity and congratulations for a good set of results. So, looking at the margins trajectory, we can clearly see operating leverage playing out. And this 16% sort of EBITDA that we've done in Q4.

How sustainable do you feel this is because I think as our base is rising, the operating leverage will get more benefit due to that. So, where do you see this sustainability of this 16% margins and how do you see the steady-state margin level?

Anant Choubey: So, if you look at the business, Disha, it's a run rate-driven business and high stickiness in terms of revenue. So, we expect these margin levels to continue. Now, you see a bit of increase in cost in Q1 given the salary increments happen in this quarter.

So, there is a bit of softness that happens in Q1, but what you see on a Q4 is a sustainable number going forward. Now, in terms of the percentage numbers, you might see a dip given we have just announced acquisition of SessionM. But on absolute dollar or rupee value number, you would continue to see healthy growth.

Disha Chordiya: And just in terms of our percentage, so this year I think we had compared to last year, 150 bps sort of margin expansion. So can we continue to grow in terms of the percentage basis, 150 to 200 bps increase, can we see in FY27 and go in the head?

Anant Choubey: Disha, we have delivered percentage expansion over the last few years, as I showing you, like last four years trend, we have continued to have percentage expansion.

But I don't want to comment on what the future might be given the large acquisition that we've just done. So percentage growth might be a little slow, but the absolute number growth would continue.

Aneesh Reddy: Let me break that up for you, Disha. So, there is the Capillary core platform revenues, which today generate pretty much all the EBITDA in the business. Those you will continue to see rise, right? So, even in this, I don't know, in this INR735 crores, probably about INR80 crores or INR100 crores might be acquisition-linked, probably a little bit more, might be acquisition-linked revenues which don't generate much margin.

For the organic platform side, you will continue to see this 2%, 3% more margin growth and probably that's a better way to show it. We'll probably change the slides hopefully next time. The inorganic side, which is the INR35 million that we bought from SessionM, right, those will not show much margins for the next 12 months.

So, overall margins might not show the same or might show a 1% growth, 1.5% growth, but the core business continues to ramp up on margins. In terms of steady-state margins to your question, we spoke about this in the DRHP as well. I think this is a very high gross margin business.

So, we at steady state we'll be at like a 70% gross margin. We spend about 15% to 16% on tech, we spend a similar amount on sales and marketing, we spend about 5% to 7% on G&A. So, net-net, this should be a 25% to 30% steady-state, probably more, EBITDA margin business.

so what's happening is the core organic business is moving fast towards that 25%, 30% margin. Then we keep acquiring competitors who we acquire at zero and over two years get them to that same 30% margin. So, that's the balance that keeps happening. I hope I was able to answer your question, Disha.

Disha Chordiya: Yes, that was really, really clear, sir. Thank you so much for that. And sir, this acquisition, can you just elaborate a bit more on what sort of synergy benefits are we expecting and any more inorganic acquisition on the cards that you're looking at?

Aneesh Reddy: Yes, so on the M&A side, this is obviously a very large acquisition. SessionM was part of Mastercard for the last six years. Very good business, Five Fortune 500 customers, multiple large logos. So, it is a large acquisition. We've now gone met all the customers over the last two months.

We're very encouraged by what we see there. There's a lot of interest in our AI stack. So, we do think that this should deliver similar or better outcomes than what our earlier acquisitions have delivered. We've also got this at a very, very good price, right, at like 0.5x revenue is what we've got the deal at.

In terms of synergies, we had spoken about this in the last call. The business should be at a break-even for year one and probably a little bit positive margins for year two. So, year three is when you will start seeing significant margins as the upgrades happen, as the customers fully move over.

But from an EBITDA standpoint, it will not hurt, it will not like burn for this year. Right, so on the revenue growth side, of course, it's significant, right? It like you might see another year of like very good growth CAGR like Anant was referring to on the growth side.

So, we have very, good visibility on revenue growth for next year thanks to both the SessionM acquisition as well as the organic ads that we have done through the year.

Anant Choubey Yes, just on the synergy side, if you look at what over last year, and we have shared this in the FAQ as well, our headcount increase has been about 1%, which delivered about 23% growth. So, the non-COGS is where you would see a lot of synergies coming in as we integrate the business.

Aneesh Reddy: Yes, if we had spoken about this again in the last M&A thing, usually, once we upgrade these customers, it delivers a 45% contribution margin. So, if you're buying \$35 million, let's say you're able to migrate like 70% of revenues, which is again what we have seen in the last few acquisitions that we've done

And that delivers a 45% contribution margin. SessionM should easily deliver about a INR15 million type EBITDA to the business over the next few years, annual EBITDA going forward. Today that number is at zero, but if it plays the way the last three, four acquisitions have played, you should have another 5 million coming in as we integrate SessionM fully.

Disha Chordiya: Okay, and on the growth side, you mentioned that we have good visibility. Any sort of number you'd like to put on the revenue growth that we can expect for this year?

Aneesh Reddy: We've just integrating SessionM, just those revenues coming in will take you like closer to a INR1,050 crores mark,. So yes, we do have that visibility now. With the acquisition having closed, we are comfortable that revenues will cross INR 1,000–1,050 crores in FY27.

Disha Chordiya: Okay, That was really helpful. Thank you so much and all the best.

- Moderator:** Thank you. So, whoever wishes to ask a question, please use the raise hand symbol on your screen. So, the next question is from Bharat Gulati. Bharat, please let us know your name of the organization and go ahead.
- Bharat Gulati:** Hi. Bharat from Dalal & Broacha. Thank you for the opportunity. Just had a question regarding the ACV and our ARR. Just wanted to understand the link between the two. Would it be fair to say that the growth that we've seen in ARRs and the ACVs that have come in this year have contributed to that growth?
- Anant Choubey** So, Bharat, actually have to divide growth into three levers. The part of growth comes from new customer's acquisition, second set of growth comes from expansion of existing customers, and the third comes through acquisitions.
- The ACV over here, like ACV detail that we shared, is essentially from acquiring new customers as well as expansion from existing customers. Right, so that's a number of about INR121 crores that we showed you.
- The second question that you asked is about ARR. That's the run rate at a point in time, right? So, FY26, end of FY26, while the revenue was the revenue for the year was about INR735 crores, we are at a run rate of INR765 crores.
- Aneesh Reddy:** This doesn't include the SessionM acquisition because that we've closed only like on May 1st, right? So, end of March, we were at that INR765 crores run rate.
- Bharat Gulati:** Yes, I get that. Anant, I think my question, I'll be a little more specific, was that this ARR encompasses these new ACV wins. So, that would bring us to this current ARR that we are at, right? I was just trying to get that understanding?
- Anant Choubey:** That's correct, Bharat.
- Bharat Gulati:** So, when I do that math, there is a rough delta of INR36 crores. So, I'm just trying to understand that is that the natural hike that we have in our existing contracts that, like a 5.5%, 6% kind of increase in commit that we have embedded in our existing contracts that is giving us that extra delta of bringing our ARRs to the current level?
- Anant Choubey:** Yes, so the inflationary hike changes from geography to geography. Like in West, you would see more like 3%, 4%, in higher inflationary countries you see like 7%, 8%. So, combination of this plus the metric expansion, meaning all these contracts are linked to number of transactions or number of customers on the platform, which also grows at couple of percentage every year. So, what you're saying as in combining these two is the natural growth that you see year-on-year in our existing contracts.
- Aneesh Reddy:** Bharat, to your point, this INR735 to INR765 is not all only inflationary increase or that part. Now, what happens is, let's say we won this large INR20 million contract, right, which we had announced last quarter. Now, not all of it goes live in the first quarter itself, right?

It takes about probably six months, nine months to go live. So, there is also that delta. So, that INR120 crores of ACV that we've signed up, not all of it is fully live right now. So, there is still more there, and that does not include in the INR765 crores. So, there is some delta there which will show up in Q1, in Q2 of this year as well. Right, so yes.

Bharat Gulati: Got that, got that. Really helpful, really helpful.

Aneesh Reddy: It's actually all the three levers of growth which contribute to that INR30 crores and there is more left in terms of the growth in terms of what's already locked in as numbers for next year.

Bharat Gulati: Fair, fair. Got it. So, I'm just trying to understand that when we look at NRR, there would be a percentage of NRR that is that inflationary increase that we are getting and on top of that whatever our contract expansions that happen.

So, just trying to understand what would be a ballpark NRR figure that we would like to see going forward and how much contribution would we see to top line X of NRR, that means customers that newly come in. Roughly this year it would be 13 percentage points. So, what would that be on a, you know, going forward basis?

Aneesh Reddy: Got it. Usually, the way we plan the business, Bharat, is about 115% NRR on the organic business. Right, inorganic, you don't want to chase NRR, you want to chase upgrades, right? Because that delivers the margins. Right, that really delivers the margins there.

So, the focus on the inorganic side is that get the customers to a better experience, lower churn, better margins, right? So, it's a win-win-win for the customer, for us, for the bottom line as well. On the organic side, you know, we try and target this 115% NRR., so that's the 115% NRR on the organic side will roughly translate to like a 10%, 11% growth coming from the NRR motion.

You should, if we are closing let's say about INR80-90 crores of new business or a INR70 to INR80 crores of new business a year, which is where we are today, that's another 10% growth from the new ACV that you're closing.

Now, this year of course we've had a very big acquisition, so that also adds to the overall number. Right, so was I able to explain that for you, Bharat, the NRR then the new ACV and then the M&A piece?

Bharat Gulati: Yes, I get a fair understanding of it. I was just also trying to allude to organic, the customers that we, onboard onto just in terms of new business X of acquisitions. What would that typically range? If we don't acquire and just go for new customer additions in the coming years.

Aneesh Reddy: We did about like this year we did about INR70 to INR80 crores of absolutely new customers, right? People who were never on the Capillary platform earlier. I think next year you should assume something similar. So, about 10%?

Bharat Gulati: So, 10% growth on top of whatever NRR we are doing X of acquisitions is a fair ballpark to play with?

Aneesh Reddy: Correct.

- Bharat Gulati:** Got it. And just on the last question would be on the front on headcount. So, even though headcount's not growing, costs are significantly growing, almost in line with percentage growth on revenue terms. So, when can we see that significantly come down so that leverage starts playing in a much larger way or is that not what we expect?
- Aneesh Reddy:** Yes, so I think what's happening, Bharat, a little bit is that our headcount hasn't grown, like Anant mentioned. If you look at year-over-year headcount, we've grown 1% while revenue has grown 23%. Now, what we have done is we have ramped up our sales teams in the US. So, our per-cost, you know, sales guys are expensive, right?
- So, the, that's why you see a little bit of that, you know, the headcount hasn't kept pace with the overall cost growth. We've had roughly a 13%, 14% cost growth over a 23% revenue growth, right? So, I think the US business is still only five years old. We are in a very, very solid place. We are the best-rated platform.
- We probably are winning as much business as anyone else in the market, right? So, we are in a very, very good place, like., so we'll continue to make some of those investments. I don't think, you know, you continue to see margin growth happening, you continue to see EBITDA numbers expand. So, we are here, I think there's a long way to go, right, in terms of just steady-state revenue and so we'll continue to invest in good resources globally.
- Bharat Gulati:** Got it. Thank you. Very clear. Thank you so much.
- Kanav:** Thank you. Whoever wishes to ask a question, please use the raise hand symbol on your screen. The next question is from the line of NGN Puranik. Please let us know your organization name and please go ahead.
- NGN Puranik:** Hello.
- Kanav:** Yes, please go ahead.
- NGN Puranik:** Yes, Hi, Mr. Aneesh. I would like to understand how will you manage buying companies which have strong IP, good platform, and struggling margins, and how do you make them smarter and bring to your company level average?
- Aneesh Reddy:** Right, so you know,
- NGN Puranik:** What's your secret sauce?
- Aneesh Reddy:** I think most of the acquisitions we've done, this is our fifth acquisition in SessionM, right? So, we've done this five times now. And if you look at loyalty as a space, it has existed for a while, right?
- NGN Puranik:** Very long, very long history.
- Aneesh Reddy:** Yes, so it's a 30, 40-year-old.
- NGN Puranik:** 30, 40-year-old industry.

Aneesh Reddy: And it's a very sticky business. What happens is once you go live with a loyalty platform, you have some seven, eight integrations in a customer. So, for a customer to then, you know, move, it really needs a lot of pain, right?

So, and what we generally seen is given the fragmented nature of the loyalty industry, there aren't many players beyond the, you know, \$50 million - \$100 million in revenues, right? So, what that means is there are a lot of people below \$50 million and technology changes have been like in the 18 years of Capillary.

You've had a cloud wave come in, you've had a mobile wave come in, you've had a social wave come in, you've had an AI wave come in, and you've had an e-commerce wave come in, right? So, that's five tech changes. And most of these platforms aren't able to continue to invest that \$10 million to \$20 million every year to keep the platform going, right?

So, and that's why what ends up happening is you get to a very good cohort of customers at some point in time, the business is delivering a 5%, 10% margins, the management, the founders of those companies are comfortable and they stop investing in tech and then they start falling back, right?

So, a big customer leaves, you start seeing margins deplete. So, we're really doing a roll-up of companies which were great earlier, right? Put it that way. And that's a big win then for the existing shareholders because they get some money off the table. It's a good win for the customers who are coming in because they get to the best platform in the space.

It's a good win for us because fundamentally, you know, you're moving from a 20% margin platform to a 65%, 67% gross margin platform in Capillary.

NGN Puranik: But can you be specific and elaborate on a specific company where you did acquisition recently, you know?

Aneesh Reddy: Let's talk about Brierley. we actually spoke about this quite a bit on the last call. I'd encourage you to go listen to the last call.

NGN Puranik: Sure.

Aneesh Reddy: Just summarizing that for you. So, the way it works is let's say we've bought \$100 of revenue, we've roughly paid \$100 on an average, right? So, like we've paid anything between 0.3 to 1.5 times, 1.5 times revenue. So, \$100 of revenue means you've spent \$100.

Now, you upgrade those customers over the next, you know, 24 to 36 months. This was pre-AI. With AI, we think it will be a shorter cycle. But you know, as you migrate, you give these customers discounts, not everyone migrates. We've roughly seen a 70% of revenues migrating post-discount, post-churn, right?

So, usually give a healthy 10% discount in the first year to help with the migrations. So, of the \$100, you're \$70 left. Now, this \$70 in the last the first three acquisitions, Persuade, Brierley,

and Rewards, we've been able to get them to a 45% contribution margin and a like a 65% gross margin, right?

So, this \$70 is now delivering about \$30-\$35 of cash for you every year. Right, so and this we shared this data in the last quarter so if you think of it, take a 18 to 24 months to start delivering this, then a two, three years to pay off, so roughly on a four year basis, you should four to five year basis, you should make all the cash back on any acquisition that you have done.

If you've like if you've bought something at half times revenue, then obviously you're going to make cash back a lot sooner, which is the case with the SessionM business. But I hope you got the broad math.

NGN Puranik: I got the broad math, but what I'm trying to understand is what will these companies bring to the table? The customer access or is it the IP they will add to your platform or what do they bring or just?

Aneesh Reddy: Mostly like 90% of the value comes from the customer access. Right, so just given loyalty is a very sticky business, I think getting access to sticky long-term revenues is the biggest goal. Having said that, each of these have got like the Persuade business got us a lot of good digital capabilities, the Brierley business got us a very, very strong best-in-class consulting arm to the business.

It's a very small part of our revenues but very, very important in terms of winning new customers. The Rewards business got us a rewards stack. With SessionM, we are getting a bunch of this whole card-linked loyalty type stuff, but I would put them more as, you know, the 10%, 20% of the benefit, 80% of the benefit comes from the revenue and the margin increase that they deliver.

NGN Puranik: Beyond loyalty, you have anything else?

Aneesh Reddy: You know, like I don't know if you joined the call late, but we did have the other products that we spoke about. There's of course the Engage stack, which is a broader marketing automation stack. There's a lot of the AI stuff. It's still very early days.

You know, we probably at about 4%, 5% of our revenues coming from the AI stack. Now, not all of it is live. The newer customers are the ones signing up for more the AI stack. But yes, I think there is more there, especially with this AI stuff. We spoke about the whole system of intelligence, system of action, right? So, there is more there as well.

NGN Puranik: So, AI is productive or AI is predictive?

NGN Puranik: The AI what you are using is productive AI or predictive AI?

Aneesh Reddy: You know, you use a little bit of everything, right? So, there are very predictive models, propensity in the tool as well. There are also very like very prescriptive type stuff, right, in the tool. But I don't think from a customer's standpoint, how does it matter?

NGN Puranik: No, from your perspective, from your perspective I'm saying.



- Aneesh Reddy:** It's both. I mean, if you actually think of AI on the stack, we've definitely ahead of the rest of the market. Talk to any analyst, they'll talk about some of the use cases being like way ahead.
- NGN Puranik:** Right. And how will you get the deal sizes better on a platform, loyalty platform like this? You think it can get much better in size for you to get into the next league of growth?
- Aneesh Reddy:** Size in terms of per customer?
- NGN Puranik:** Yes, per customer average signups. You do need to do something about the platform on the IP side, you need to strengthen that, the more intelligence coming out of the platform on customer actions going forward. So, is there anything like that, that's why I was saying predictive part?
- Aneesh Reddy:** There is enough. I mean, I'd encourage you to go look at our website, there's a bunch of very good demos there. Look, I think I think like I spoke about on the AI side, we are looking to price it as a usage-based model.
- So, there's going to be the fixed fee for or the system of record type pricing for the base license for loyalty, and then you will have more usage-based revenues from the AI stack. There's enough there. I think you'll have to give it some time to play out. Just given large enterprises is a, you know, sales cycles are long, they take time to decide, right? So, give it some time to play out.
- NGN Puranik:** Wonderful, Aneesh. Nice talking to you. Bye.
- Kanav:** Thank you. Whoever wishes to ask a question, please use the raise hand symbol on your screen. So, since we do not have any questions, so I'll hand it over to Aneesh for his closing remarks. Aneesh, please go ahead.
- Aneesh Reddy:** Thanks, Kanav. Thanks everyone for joining the call. I think we've had a very, very good quarter both in terms of numbers and general momentum on the business with winning a Fortune 50 customer, acquiring SessionM and closing that deal as well.
- I think we have very good visibility of both revenue growth as well as EBITDA growth for the foreseeable next few quarters. So, yes, looking forward to continuing to deliver on the promise at Capillary. Thanks everyone.
- Kanav:** Thank you everyone. Have a nice day.
- Aneesh Reddy:** Thank you.