

Healthy growth in revenues continues...

Affle India (Affle) reported healthy growth in Q4FY20 revenues. Revenues increased 32.3% YoY to ₹ 80 crore (organic revenue growth was ~11%). In terms of revenue split, India revenues (account for 54% of revenues) increased 45% YoY to ₹ 43.4 crore (entire growth was organic) while international revenues increased 28% YoY to ₹ 38.6 crore (entirely driven by acquisition & organic revenue growth fell ~15%). EBITDA and PAT adjusted for write back of creditors, were broadly flat. Adjusted EBITDA, PAT margins were at 25%, 18% vs. 33%, 24% in Q4FY19, respectively.

Near term headwinds, robust growth expected in coming years

Revenues (especially international revenues) in Q4FY20 were impacted by the Covid-19 pandemic. In Q1FY21E, we expect revenues to decline 9.0% YoY led by lockdown related challenges. However, we expect revenues to improve in coming quarters with easing of lockdown and improvement in e-commerce revenues. Also, in the longer run, we expect the company to be a key beneficiary of increased spend in mobile advertising (to increase at a CAGR of ~35% in 2019-25). Further, in a post-Covid world, we expect a significant shift among consumers to adopt digital technology globally, which will drive long term revenues. In addition, we expect Affle to continue to register healthy PAT margins of above 19% over FY20-22E.

Unique business model makes Affle preferred ad tech partner

Affle, through its various platforms like data management platform, fraud detection platform and real time inventory buying ad inventory helps advertisers deliver more relevant & engaging experiences to consumers, which is more likely to lead to the desired action, such as downloading of an app or the purchase of a product or service. This differentiates Affle from its cost per click peers and helps advertisers generate higher return on investment (RoI). We believe this is a unique business model and expect the market to move towards such performance-based advertising making Affle a preferred ad tech partner.

Valuation & Outlook

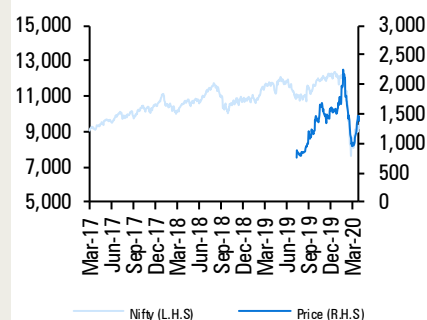
The company will be a key beneficiary of increased spend in mobile advertising (to increase at ~35% CAGR in 2019-25). Further, in a post Covid world, we expect a significant shift among consumers to adopt digital technology globally, which will drive long term revenues. In addition, the company's unique business model, healthy PAT margins (above 19%) and RoIC of 26% makes Affle an attractive company. Hence, we have a **BUY** recommendation on the stock with a target price of ₹ 1,775/share.



Particulars

Particular	Amount
Market Capitalization (₹ Crore)	3,936.6
Total Debt	63.8
Cash and Investments (₹ Crore)	126.5
EV (₹ Crore)	3,873.9
52 week H/L	2296/751
Equity capital	25.5
Face value	10.0

Price Performance



*listed in August 2019

Key Highlights

- Robust growth in mobile advertising, unique business model coupled with high margins and return ratios makes us positive on the stock from a long term perspective
- Maintain BUY rating on stock with target price of ₹ 1,775

Research Analyst

Devang Bhatt
devang.bhatt@icicisecurities.com

Key Financial Summary

₹ Crore	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Net Sales	167	249	334	409	532	26.2%
EBITDA	45	70	89	108	145	27.8%
EBITDA Margins (%)	27.2	28.2	26.6	26.5	27.3	
Net Profit	28	49	66	79	110	29.3%
EPS (₹)	11.5	20.1	25.7	31.1	43.0	
P/E	134.7	76.8	60.0	49.7	35.9	
RoNW (%)	91.4	67.4	28.6	25.7	26.2	
RoCE (%)	119.3	72.8	26.2	28.1	29.8	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit & loss statement (₹ crore)				
(Year-end March)	FY19	FY20	FY21E	FY22E
Total operating Income	249	334	409	532
Growth (%)	49.1	33.8	22.5	30.0
COGS (employee and Inventory)	155	219	269	348
Other expenses	24	26	31	38
Total Operating Expenditure	179	245	301	386
EBITDA	70	89	108	145
Growth (%)	54.6	26.3	22.0	33.9
Depreciation	10	13	16	21
Other Income (net)	(0)	4	5	10
PBT	60	79	97	134
Total Tax	11	14	17	24
PAT	49	66	79	110
Growth (%)	75.4	34.4	20.8	38.4
EPS (₹)*	20.1	25.7	31.1	43.0
Growth (%)	75.4	27.8	20.9	38.4

Source: Company, ICICI Direct Research, * FY20 EPS is post issue from IPO proceeds

Exhibit 2: Cash flow statement (₹ crore)				
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit after Tax	60	79	97	134
Add: Depreciation	10	13	16	21
(Inc)/dec in Current Assets	(42)	(41)	(24)	(39)
Inc/(dec) in CL and Provisions	28	27	29	41
Taxes paid	(9)	(11)	(17)	(24)
CF from operating activities	48	73	96	123
(Inc)/dec in Investments	(5)	(45)	6	10
(Inc)/dec in Fixed Assets	(45)	(119)	(25)	(32)
CF from investing activities	(50)	(164)	(19)	(23)
Interest expenses	(1)	(1)	(2)	-
Others	9	141	(45)	(19)
CF from financing activities	8	140	(47)	(19)
Net Cash flow	6	49	31	82
Exchange difference	-	-	-	-
Opening Cash	15	21	70	100
Closing Cash	21	70	100	182

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet (₹ crore)				
(Year-end March)	FY19	FY20	FY21E	FY22E
Equity Capital	24	25	25	25
Reserve and Surplus	48	204	283	392
Total Shareholders funds	72	229	308	418
Total Debt	9	64	19	-
Long term provisions	2	15	18	24
Deferred Tax Liability	0	0	5	7
Total non current liability	2	15	24	31
Total Liabilities	83	308	351	449
Assets				
Property, plant and equipment	1	4.7	5	6
Goodwill	33	110.7	111	111
Intangibles	24	47.4	56	66
Intangible assets under develop	2	4.8	5	5
Other assets	0	0.4	0	0
Cash	21	70	100	182
Bank	10	57	57	57
Trade receivables	48	74	91	119
Unbilled revenue	13	20	24	32
Prepayment & O.fin.assets	5	5	7	9
Other current assets	2	6	7	9
Total Current Assets	99	232.1	287	408
Trade payables	52	75	92	119
Unearned revenue	1	1	1	1
OCL & provisions	23	16	20	26
Total Current Liabilities	75	92	113	146
Net Current Assets	24	140	174	261
Application of Funds	83	308	351	449

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
EPS	20.1	25.7	31.1	43.0
Cash EPS	24.3	30.9	37.5	51.3
BV	30	90	121	164
DPS	-	-	-	-
Cash Per Share	13	50	62	94
Operating Ratios (%)				
EBITDA margin	28.2	26.6	26.5	27.3
EBIT margin	24.1	22.6	22.5	23.3
PAT Margin	19.6	19.7	19.4	20.6
Debtor days	70	81	81	81
Unbilled revenue	19	22	22	22
Creditor days	77	83	83	83
Return Ratios (%)				
RoE	67.4	28.6	25.7	26.2
RoCE	72.8	26.2	28.1	29.8
RoIC	118.3	42.7	48.8	60.5
Valuation Ratios (x)				
P/E	77	60	50	36
EV / EBITDA	56	44	35	25
EV / Net Sales	16	12	9	7
Market Cap / Sales	16	12	10	7
Price to Book Value	52	17	13	9
Solvency Ratios				
Debt/EBITDA	0	1	0	-
Debt / Equity	0	0	0	-
Current Ratio	1	1	1	1
Quick Ratio	1	1	1	1

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Devang Bhatt, PGDBM, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.