

CMP: ₹ 1155 Target: ₹ 1126 (-2.5%) Target Period: 12 months

HOLD

October 8, 2021

Stock split executed; valuation expensive

About the stock: Affle (India) is a technology platform, which enables advertisers to do targeted advertising.

- It helps advertisers to measure the effectiveness of advertisement as it charges only when a user downloads an app or completes a transaction
- In FY19-21, revenue, PAT have grown at a CAGR of 44%, 45%, respectively

Event: Stock Split

- Shares of the company were split on October 7, 2021 (ex-date) pursuant to the board and shareholder approval granted for sub-division of shares in its meeting on Sep 23, 2021. The record date for the same has been fixed as October 8, 2021. Subsequently, the shares of the company have been split in the ratio of 1:5 i.e. one (1) equity share of ₹ 10 face value has been subdivided into five equity shares of ₹ 2 face value each
- Today is the ex-date for the stock split. Thus, the stock price has adjusted to one-fifth

What should investors do? Since our initiation report, the stock price has appreciated by ~4.5x (from ₹ 225 (price adjusted for stock split) in May 2020 to ₹ 1,154 in October 2021)

- We continue to like Affle India as it is a key beneficiary of shift of advertising budget to digital medium. However, on expensive valuation, we are now assigning **HOLD** recommendation on the stock, we would revisit our numbers, TP and rating post Q2 results

Target Price and Valuation: We value Affle at ₹ 1,126 i.e. 65x FY23E EPS

Key triggers for future price performance:

- Key beneficiary of a shift of advertising budget to digital medium
- Increasing smart phone penetration and rising online shoppers (from 120 million to 450 million, CAGR of 24% in the next five years) is expected to drive 35% CAGR in the Indian region (50% of revenues)
- Affle expects organic growth of 25-30%. We expect organic revenue to grow at 35% CAGR over FY21-23E
- We expect 58% revenue growth in FY21-23E (organic & inorganic combined)



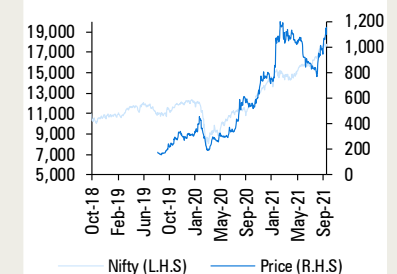
Particulars (done)

Particular	Amount
Market Cap(₹ Crore)	15,390.5
Total Debt	116.8
Cash and Invest (₹ Crore)	63.2
EV (₹ Crore)	15,444.1
52 week H/L	1257/501
Equity capital	25.5
Face value	₹ 10

Shareholding pattern

	Sep-20	Dec-20	May-21	Jun-21
Promoters	68.4	63.8	59.9	59.9
FII	8.4	14.9	19.9	18.3
DII	10.3	8.5	7.1	7.0
Others	12.9	12.9	13.1	14.9

Price Chart



Recent Event & Key risks

- Revenue growth remains healthy
- Key Risk:** (i) Deceleration in mobile advertising (ii) Inability to turn acquisition profitable

Research Analyst

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Key Financial Summary (done)

₹ Crore	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	2 Year CAGR (FY21-23E)
Net Sales	249	334	517	NA	915	1,290	58.0%
EBITDA	70	88	130	NA	185	293	50.1%
EBITDA Margins (%)	28.2	26.3	25.2		20.2	22.7	
Adjusted Net Profit	49	65	103	NA	144	231	49.7%
Adjusted EPS (₹)	4.0	5.1	8.1		10.8	17.3	
P/E	287.3	224.7	109.0		101.9	66.5	
RoNW (%)	67.4	28.2	28.7		13.0	17.2	
RoCE (%)	72.8	26.2	25.8		13.0	17.1	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating Income	334	517	915	1,290
Growth (%)	33.8	54.8	77.0	41.0
COGS (employee and Inventory)	219	352	645	890
Other expenses	26	35	85	107
Total Operating Expenditure	246	387	730	997
EBITDA	88	130	185	293
Growth (%)	25.0	47.9	42.1	58.5
Depreciation	13	20	37	49
Other Income (net)	5	38	25	25
PBT	79	148	174	269
Total Tax	14	13	23	38
Reported PAT	66	135	150	231
Adjusted PAT	65	103	144	231
Growth (%)	32.4	59.5	40.0	60.1
Reported EPS	5.2	10.6	11.3	17.3
Adjusted EPS (₹)	5.1	8.1	10.8	17.3

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	79	148	174	269
Add: Depreciation	13	20	37	49
(Inc)/dec in Current Assets	(41)	(62)	(144)	(136)
Inc/(dec) in CL and Provisions	27	45	159	114
Taxes paid	(11)	(12)	(23)	(38)
CF from operating activities	73	102	177	233
(Inc)/dec in Investments	(45)	30	29	29
(Inc)/dec in Fixed Assets	(119)	(162)	(503)	(79)
CF from investing activities	(164)	(175)	(474)	(50)
Interst expenses	(1)	(2)	(4)	(4)
Others	141	57	594	10
CF from financing activities	140	53	591	6
Net Cash flow	49	(20)	294	190
Exchange difference	-	-	-	-
Opening Cash	21	70	49	343
Closing Cash	70	49	343	532

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet				
	₹ crore			
Equity Capital	25	25	27	27
Reserve and Surplus	204	334	1,084	1,315
Total Shareholders funds	229	359	1,110	1,342
Total Debt	64	117	111	121
Long term provisions	15	109	137	129
Deferred Tax Liability	0	1	5	6
Total non current liability	15	110	142	135
Total Liabilities	308	586	1,363	1,598
Assets				
Property, plant and equipment	5	3	27	28
Goodwill	111	315	315	315
Intangibles	47	42	486	514
Intangible assets under development	5	40	40	40
Other assets	0	101	101	101
Cash	70	49	343	532
Bank	57	14	14	14
Trade receivables	74	108	191	269
Unbilled revenue	20	53	93	131
Prepayment & O.fin.assets	5	20	35	50
Other current assets	6	7	12	17
Total Current Assets	232	251	689	1,014
Trade payables	75	126	223	314
Unearned revenue	1	6	10	15
OCL & provisions	16	34	61	85
Total Current Liabilities	92	166	294	414
Net Current Assets	140	85	395	600
Application of Funds	308	586	1,363	1,598

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
Adjusted EPS	5.1	8.1	10.8	17.3
Cash EPS	6.2	12.1	14.1	21.1
BV	18.0	28.2	83.3	100.7
DPS	-	-	-	-
Cash Per Share	9.9	5.0	26.8	41.0
Operating Ratios (%)				
EBITDA margin	26.3	25.2	20.2	22.7
EBIT margin	22.3	21.4	16.2	18.9
PAT Margin	19.4	19.9	15.8	17.9
Debtor days	81	76	76	76
Unbilled revenue	22	37	37	37
Creditor days	83	93	93	93
Return Ratios (%)				
RoE	28.2	28.7	13.0	17.2
RoCE	26.2	25.8	13.0	17.1
RoIC	42.1	22.9	15.3	24.1
Valuation Ratios (x)				
P/E	224.7	109.0	101.9	66.5
EV / EBITDA	174.4	118.8	82.0	51.1
EV / Net Sales	45.9	29.9	16.6	11.6
Market Cap / Sales	46.1	29.8	16.8	11.9
Price to Book Value	64.3	41.0	13.9	11.5
Solvency Ratios				
Debt/EBITDA	0.7	0.9	0.6	0.4
Debt / Equity	0.3	0.3	0.1	0.1
Current Ratio	1.1	1.1	1.1	1.1
Quick Ratio	0.9	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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