

## Strong growth in converted users

**About the stock:** Affle India (Affle) is a technology platform that 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
- As on FY21, 98.2% business comes consumer platforms, while rest comes from enterprise platform

### Q3FY22 Results: Affle reported robust Q3FY22 results

- Revenues increased 23.6% QoQ, 125.5% YoY to ₹ 339 crore
- EBITDA margin grew by 100 bps QoQ to 19.9%
- Converted users grew 20.1% QoQ/91.2% YoY to 58.5mn

**What should investors do?** Affle's share price has grown by ~8.6x since listing (from ~₹ 149 [adjusted for split] in August 2019 to ~₹ 1,292 levels in Feb 2022).

- We now assign BUY rating (vs HOLD earlier)

**Target Price and Valuation:** We value Affle at ₹ 1,500 i.e. 67x P/E on FY24E EPS

### Key triggers for future price performance:

- Key beneficiary of a shift of advertising budget to digital medium
- 6bn connected consumer devices to be added globally by 2025
- Significant increase in India's digital user base from 525mn in FY20 to 902mn by FY25E, 11.4% CAGR, while mobile ad spend is expected to rise 32.4% CAGR in the same period
- We expect 48% revenue growth in FY21-24E (organic & inorganic combined)

**Alternate Stock Idea:** Apart from Affle, in our IT coverage we also like Just Dial.

- Change in promoters and shift of advertising to digital medium key positives
- BUY with a target price of ₹ 1,095



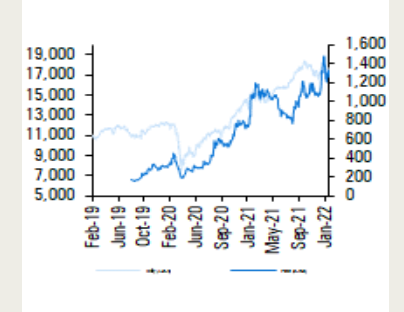
#### Particulars

Particular	Amount
Market Cap(₹ Crore)	17,216.0
Total Debt	116.8
Cash and Invest (₹ Crore)	63.2
EV (₹ Crore)	17,269.6
52 week H/L	1510/768
Equity capital	25.5
Face value	2.0

#### Shareholding pattern

	Mar-21	Jun-21	Sep-21	Dec-21
Promoters	62.6	59.9	59.9	59.9
FII	17.3	18.3	16.1	15.7
DII	6.9	7.0	6.4	6.6
Others	13.2	14.9	17.6	17.9

#### Price Chart



#### Recent event & key risks

- Revenue growth remains healthy
- **Key Risk:** (i) Adverse regulations on data/User privacy (ii) Deceleration in converted user growth

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### Key Financial Summary

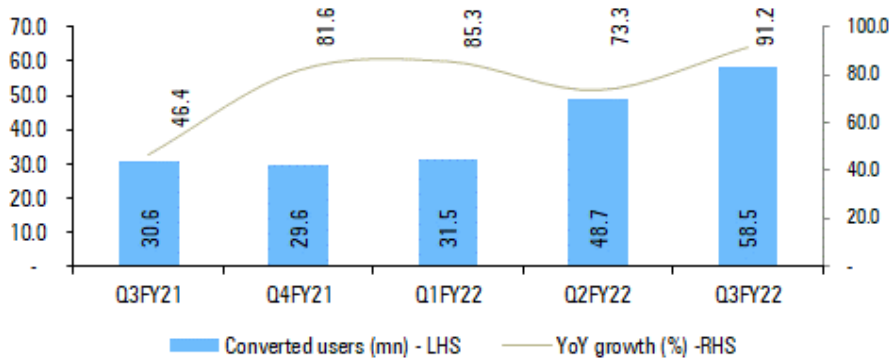
₹ Crore	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 Year CAGR (FY21-24E)
Net Sales	249	334	517	NA	1,214	1,421	1,670	47.8%
EBITDA	70	88	130	NA	245	315	379	42.9%
EBITDA Margins (%)	28.2	26.3	25.2		20.2	22.2	22.7	
Adjusted Net Profit	49	65	103	NA	186	246	298	42.4%
Adjusted EPS (₹)	4.0	5.1	7.7		14.0	18.5	22.3	
P/E	321.4	251.4	127.4		89.1	69.8	57.7	
RoNW (%)	67.4	28.2	28.7		16.2	17.6	17.5	
RoCE (%)	72.8	26.2	25.8		15.5	17.3	17.3	

Source: Company, ICICI Direct Research

### Key takeaways of recent quarter & conference call highlights

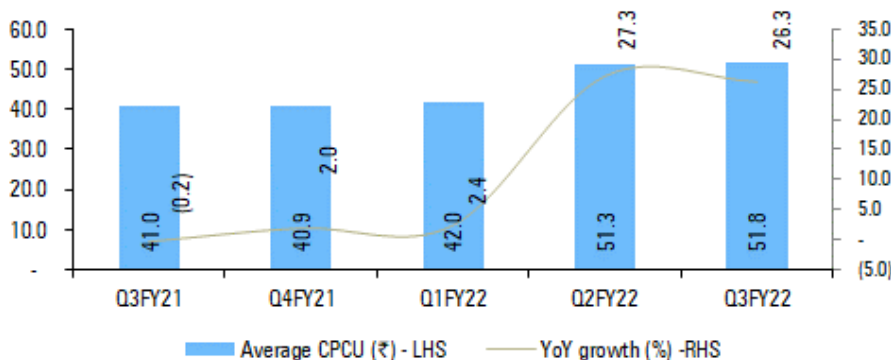
- The company reported healthy growth for the quarter. Converted users grew by 20.1%/91.2% YoY to 58.5mn while average CPCU was at ₹51.8 grew by 26.3% YoY. CPCU revenue grew by 141% YoY to ₹303 crore.
- Our back of envelope calculation shows Jamp revenues grew by 33% QoQ while organic growth was 15% QoQ/48% YoY.
- Overall Revenue grew by 125.5% YoY, led by 42% YoY and 197% YoY growth in India and international markets, respectively
- The company indicated that revenue mix in India and international was 50:50 before Jamp acquisition. The mix is now skewed towards international (after Jamp consolidation) and the breakup now stands at 69:32 (International: India)
- The company indicated that EBITDA margins have come down after Jamp consolidation as it has lower margin profile. However, the company indicated that EBITDA margins for Jamp have improved significantly and now stands at 7-8% in Q3FY22 vs breakeven level in CY20 and 5% in Q2FY22. The company is looking to scale up EBITDA margins for Jamp to 20% in 2 years' time as it is being benefited as a part of Affle brand now, both in terms of revenues and costs.
- The company on June 8,2020 informed the stock exchanges about acquisition of 66.67% stake in Appnext PTE (belonging to mobile advertising technology industry) for USD17.25mn ( 1.7x price to sales) and option to acquire remaining 28.33% and 5% stake within 3 to 5 years from that date. The company now signs share purchase agreement with Appnext PTE to acquire 28.33% stake for the consideration of USD8.21mn. The company indicated that there is no change in the valuation for the additional stake purchase and it remains the same.
- The company indicated that Affle model is isolated to any changes in the mobile privacy and cookies setting

Exhibit 1: Converted users grew 91.2% YoY



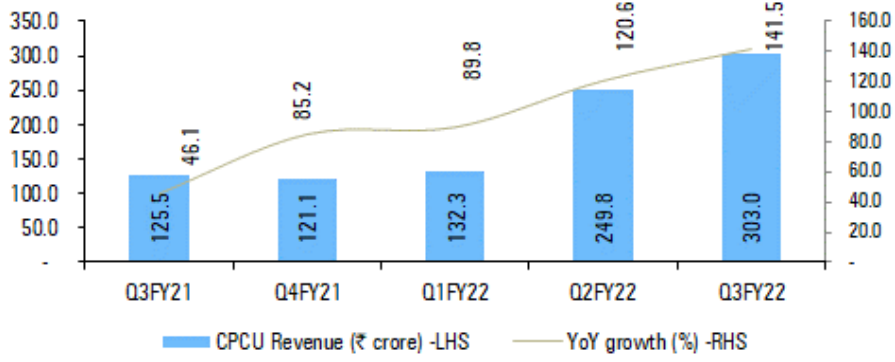
Source: Company, ICICI Direct Research

Exhibit 2: Average CPCU grew by 26.3% YoY



Source: Company, ICICI Direct Research

Exhibit 3: CPCU revenue grew by 141.5% YoY



Source: Company, ICICI Direct Research

**Exhibit 1: P&L**

	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	Comments
Revenue	339.4	150.5	125.5	274.7	23.6	Revenue aided by strong additions in converted users
Employee expenses	37.1	16.1	143.2	31.4	20.0	
Gross Margin	302.3	134.4	125.0	243.3	24.2	
Gross margin (%)	89.1	89.3	-22 bps	88.6	50 bps	
SG&A expenses	234.7	96.0	144.4	191.3	22.6	
EBITDA	67.7	38.4	76.3	52.0	30.1	EBITDA performance was strong on operating leverage
EBITDA Margin (%)	19.9	25.5	-557 bps	18.9	101 bps	
Depreciation & amortisation	9.9	5.1	93.4	8.1	22.3	
EBIT	57.8	33.3	73.6	44.0	31.6	
Finance cost	1.9	1.0		2.2		
EBIT Margin (%)	17.0	22.1	-509 bps	16.0	104 bps	
Other income (less interest)	14.4	1.4	931.1	15.2	-5.2	
PBT	70.4	33.7	108.8	57.0	23.4	
Tax paid	8.1	3.1	160.4	9.2	-12.3	
PAT	62.3	30.6	103.5	47.8	30.3	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

₹ Crore)	FY22E			FY23E			FY24E	Comments
	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	915	1,214	32.7	1,290	1,421	10.2	1,670	We increase revenue on strong 9MFY22 performance
EBITDA	185	245	32.6	293	315	7.7	379	
EBITDA Margin	20.2	20.2	-2 bps	22.7	22.2	-51 bps	22.7	Margins will be lower due to Jump acquisition which has low margin profile
PAT	144	193	34.2	231	246	6.5	298	
EPS (₹)	11.3	14.0	34.2	17.3	18.5	6.5	22.3	

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 3: Profit & loss statement (₹ crore)				
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Total operating Income</b>	<b>517</b>	<b>1,214</b>	<b>1,421</b>	<b>1,670</b>
Growth (%)	54.8	135.0	17.0	17.5
COGS (employee and Inventory)	352	856	988	1,152
Other expenses	35	113	118	139
<b>Total Operating Expenditure</b>	<b>387</b>	<b>969</b>	<b>1,105</b>	<b>1,291</b>
<b>EBITDA</b>	<b>130</b>	<b>245</b>	<b>315</b>	<b>379</b>
Growth (%)	47.9	88.7	28.6	20.1
Depreciation	20	49	54	63
Other Income (net)	38	25	25	31
PBT	148	222	287	347
Total Tax	13	29	40	49
Reported PAT	135	193	246	298
<b>Adjusted PAT</b>	<b>103</b>	<b>186</b>	<b>246</b>	<b>298</b>
Growth (%)	59.5	80.9	32.0	21.0
<b>Reported EPS</b>	<b>10.6</b>	<b>14.5</b>	<b>18.5</b>	<b>22.3</b>
<b>Adjusted EPS (₹)</b>	<b>7.7</b>	<b>14.0</b>	<b>18.5</b>	<b>22.3</b>
Growth (%)	52.6	80.9	32.0	21.0

Source: Company, ICICI Direct Research, adjusted EPS after stock split

Exhibit 4: Cash flow statement (₹ crore)				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit after Tax	148	222	287	347
Add: Depreciation	20	49	54	63
(Inc)/dec in Current Assets	(62)	(253)	(75)	(90)
Inc/(dec) in CL and Provisions	45	302	27	106
Taxes paid	(12)	(29)	(40)	(49)
<b>CF from operating activities</b>	<b>102</b>	<b>265</b>	<b>228</b>	<b>346</b>
(Inc)/dec in Investments	30	29	29	35
(Inc)/dec in Fixed Assets	(162)	(668)	(87)	(102)
<b>CF from investing activities</b>	<b>(175)</b>	<b>(639)</b>	<b>(58)</b>	<b>(67)</b>
Interst expenses	(2)	(4)	(4)	(4)
Others	57	598	11	27
<b>CF from financing activities</b>	<b>53</b>	<b>595</b>	<b>7</b>	<b>23</b>
Net Cash flow	(20)	221	177	303
Exchange difference	-	-	-	1
Opening Cash	70	49	270	447
<b>Closing Cash</b>	<b>49</b>	<b>270</b>	<b>447</b>	<b>750</b>

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet (₹ crore)				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Equity Capital	25	27	27	27
Reserve and Surplus	334	1,126	1,372	1,671
Total Shareholders funds	359	1,152	1,399	1,698
Total Debt	117	115	126	153
Long term provisions	109	182	142	167
Deferred Tax Liability	1	6	7	8
Total non current liability	110	188	149	175
<b>Total Liabilities</b>	<b>586</b>	<b>1,456</b>	<b>1,674</b>	<b>2,026</b>
<b>Assets</b>				
Property, plant and equipment	3	34	36	38
Goodwill	315	315	315	315
Intangibles	42	631	662	698
Intangible assets under development	40	40	40	40
Other assets	101	101	101	101
Cash	49	270	447	750
Bank	14	14	14	14
Trade receivables	108	254	297	349
Unbilled revenue	53	124	145	170
Prepayment & O.fin.assets	20	47	55	65
Other current assets	7	16	19	22
Total Current Assets	251	725	977	1,370
Trade payables	126	296	346	407
Unearned revenue	6	14	16	19
OCL & provisions	34	80	94	111
Total Current Liabilities	166	390	457	537
Net Current Assets	85	335	520	833
<b>Application of Funds</b>	<b>586</b>	<b>1,456</b>	<b>1,674</b>	<b>2,026</b>

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Per share data (₹)</b>				
Adjusted EPS	7.7	14.0	18.5	22.3
Cash EPS	11.6	18.1	22.6	27.2
BV	27.0	86.5	105.0	127.4
DPS	-	-	-	-
Cash Per Share	4.7	21.3	34.6	57.4
<b>Operating Ratios (%)</b>				
EBITDA margin	25.2	20.2	22.2	22.7
EBIT margin	21.4	16.2	18.4	18.9
PAT Margin	19.9	15.4	17.3	17.8
Debtor days	76	76	76	76
Unbilled revenue	37	37	37	37
Creditor days	93	93	93	93
<b>Return Ratios (%)</b>				
RoE	28.7	16.2	17.6	17.5
RoCE	25.8	15.5	17.3	17.3
RoIC	22.9	17.4	22.3	25.8
<b>Valuation Ratios (x)</b>				
P/E	127.4	89.1	69.8	57.7
EV / EBITDA	132.8	69.5	53.5	43.8
EV / Net Sales	33.4	14.0	11.9	9.9
Market Cap / Sales	33.3	14.2	12.1	10.3
Price to Book Value	47.9	14.9	12.3	10.1
<b>Solvency Ratios</b>				
Debt/EBITDA	0.9	0.5	0.4	0.4
Debt / Equity	0.3	0.1	0.1	0.1
Current Ratio	1.1	1.1	1.1	1.1
Quick Ratio	0.8	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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