

August 9, 2022

## Q1FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	1,403		1,342	
Sales (Rs. m)	15,693	20,486	15,021	19,594
% Chng.	4.5	4.6		
EBITDA (Rs. m)	3,099	4,137	2,904	3,957
% Chng.	6.7	4.6		
EPS (Rs.)	19.0	25.6	18.1	24.5
% Chng.	5.1	4.6		

### Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. mn)	5,169	10,817	15,693	20,486
EBITDA (Rs. mn)	1,300	2,135	3,099	4,137
Margin (%)	25.1	19.7	19.7	20.2
PAT (Rs. mn)	1,351	2,143	2,531	3,418
EPS (Rs.)	10.6	16.1	19.0	25.6
Gr. (%)	106.2	51.8	18.1	35.1
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	45.9	27.9	19.4	21.3
RoCE (%)	28.7	20.1	18.6	21.2
EV/Sales (x)	27.4	13.2	9.1	6.9
EV/EBITDA (x)	108.9	66.9	46.2	34.4
PE (x)	104.4	68.8	58.3	43.1
P/BV (x)	39.3	12.5	10.3	8.3

### Key Data

**AFFL.BO | AFFLE IN**

52-W High / Low	Rs.1,511 / Rs.763
Sensex / Nifty	58,853 / 17,525
Market Cap	Rs.147bn/ \$ 1,851m
Shares Outstanding	133m
3M Avg. Daily Value	Rs.458.67m

### Shareholding Pattern (%)

Promoter's	59.89
Foreign	15.40
Domestic Institution	6.37
Public & Others	17.87
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	6.4	(14.2)	32.9
Relative	(1.5)	(15.7)	22.6

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## Affle (India) (AFFLE IN)

Rating: BUY | CMP: Rs1,106 | TP: Rs1,403

### Consistent strong performance

#### Quick Pointers:

- EBITDA margin expanded 113bps QoQ to 19.8% led by revenue growth leverage and increase in Jampp EBITDA margins to 10% (vs 7% in Q4FY22)

**Affle reported strong revenue growth of 127.9% YoY (Ple: 118%). Organic business grew 45% YoY implying strong growth of 15% QoQ in Jampp (~36% of consolidated revenue). As per management, Affle is not much impacted by inflationary pressures faced by developed markets as it has negligible exposure to Europe and very low exposure to US, with 80% of exposure to emerging markets. We believe that if advertising budgets tighten, spend will shift more towards digital advertising and ROI linked CPCU advertising model such as that of Affle. Affle is well positioned to grow higher than the industry led by its strong tech platform, deep verticalization and vernacular strategy, and ability to profitably scale up acquisitions.**

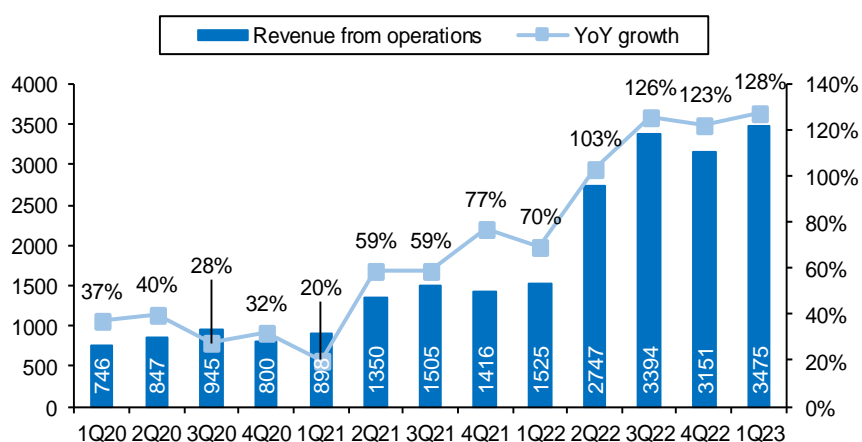
**Our EPS estimates increase by ~6%/6% for FY23/24 led by increase in revenue estimates by 4%/5% in FY23/24 led by beat in Q1 and 53bps increase in margin estimates in FY24. We arrive at a DCF based TP of Rs. 1403 with implied earnings multiple of 54x on FY24EPS. The stock is trading at 42x on FY24 EPS of Rs.26 with Revenue/Normalized EPS CAGR of 38%/37% over FY22-24.**

- Highest ever converted users and CPCU rate:** Converted users for the quarter stood at 61.9 mn, 9% QoQ, 97% YoY. Deeper verticalization and vernacular strategy led to growth in share of Direct customers (75.1% in Q1FY23 vs 74% in FY22). Connected devices in Affle's in-house data management platform increased to 2.5 Bn on LTM basis vs 2.4 Bn in FY22. CPCU rate increased by 2% QoQ to Rs. 52.1 led by increase in share of international revenue 69.8% (vs 65.3% in FY22).
- Increase in margins:** EBITDA margin improved by 113bps QoQ to 19.8%. Inventory costs remained stable at 63.3% of revenue on QoQ basis. Employee costs decreased by 110bps QoQ. Jampp's EBITDA margin improved to 10% (vs 7% in Q4FY22).
- Affle has always prioritized consumer interests and data privacy:** Management mentioned that impact of blocking of pop-up ads on gaming apps by Google is minimal because contribution from gaming vertical is less than 10% for Affle and pop-up ads is one of the less preferred user targeting use case for them. Affle was recently awarded Data Protection Trustmark certification for a period of 3 years by IMDA Singapore, making it part of a selective group of companies that made it to the DPTM certification.
- Potential partial divestment in Bobble AI, it will remain strategic partner:** Affle is considering divesting partial stake from current 25% in Bobble AI to improve ROI and its own cash position. Affle still intends to hold one of the highest stake in the company. It will continue to be long term strategic partner of Bobble AI. This will also allow Affle to strengthen its relationships with multiple other keyboard and publishers' partners.

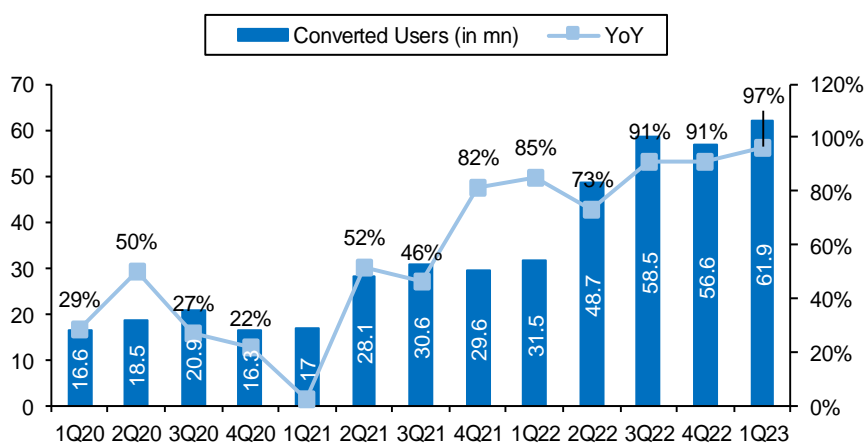
**Exhibit 1: Q1FY23 Result Overview (Rs mn)**

Y/e March	1Q23	4Q22	QoQ gr.	1Q22	YoY gr.	PI Estimate	PL vs Actual
Revenue	3475	3151	10%	1525	128%	3,326	4%
EBITDA	687	587	17%	351	96%	612	12%
EBITDA margin	19.8%	18.6%	113bp	23.0%	-323bp	18.4%	136bp
EBIT	594	494	20%	299	99%	510	16%
EBIT margin	17.1%	15.7%	141bp	19.6%	-251bp	15%	176bp
PAT	545	685	-20%	357	53%	520	5%
Normalized PAT	527	601	-12%	265	99%	520	1%
EPS	4.1	5.1	-20%	2.7	51%	4	6%
Normalized EPS	3.99	4.51	-12%	2.03	97%	4	2%

Source: Company, PL

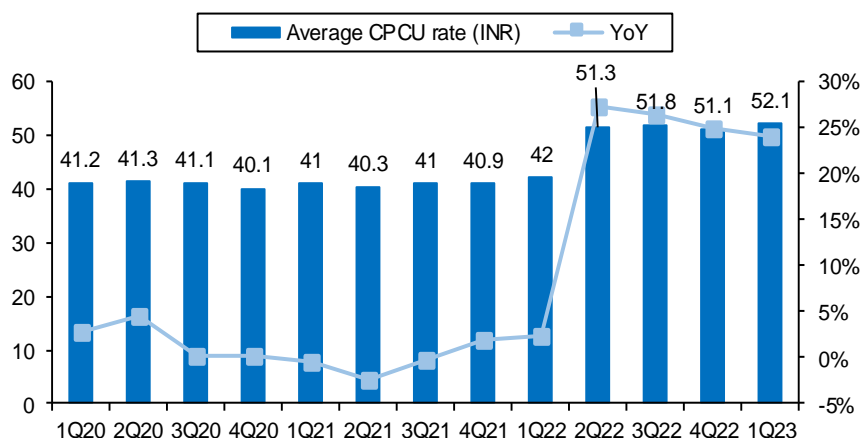
**Exhibit 2: Consistent strong revenue growth**


Source: Company, PL

**Exhibit 3: Converted users increased 97% YoY in Q1FY23**


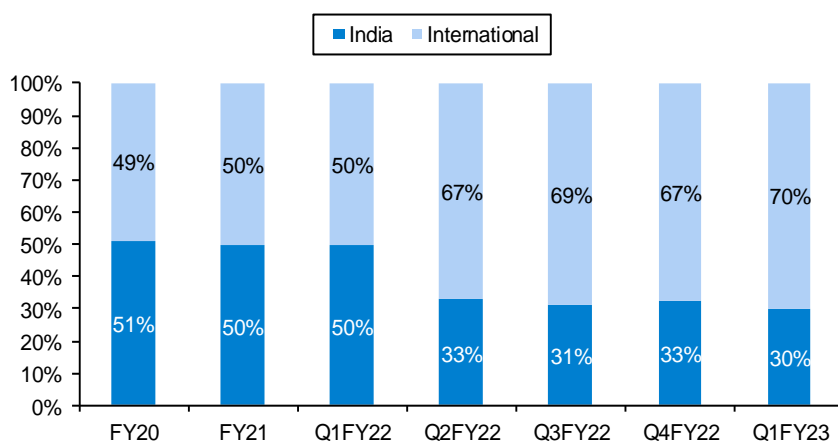
Source: Company, PL

**Exhibit 4: CPCU rate on increasing trend due to increasing share of revenue from international markets**



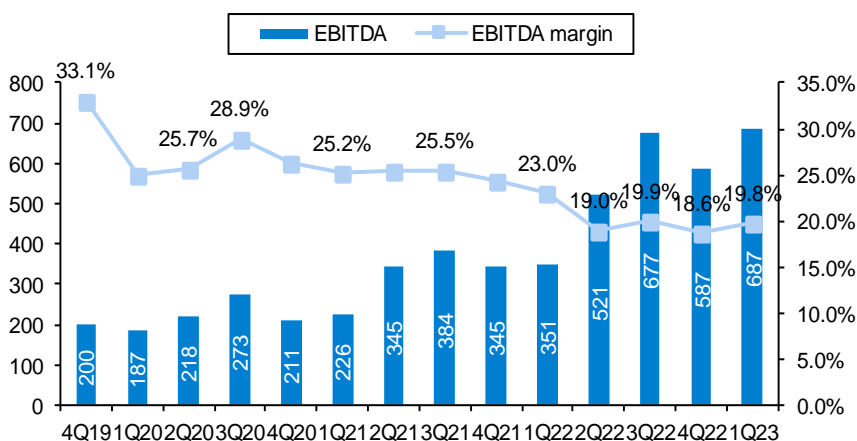
Source: Company, PL

**Exhibit 5: Revenue mix shifting towards International geography**

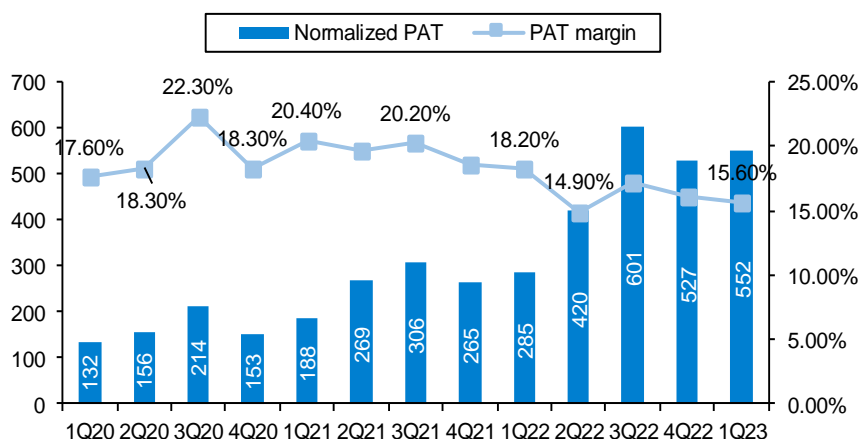


Source: Company, PL,

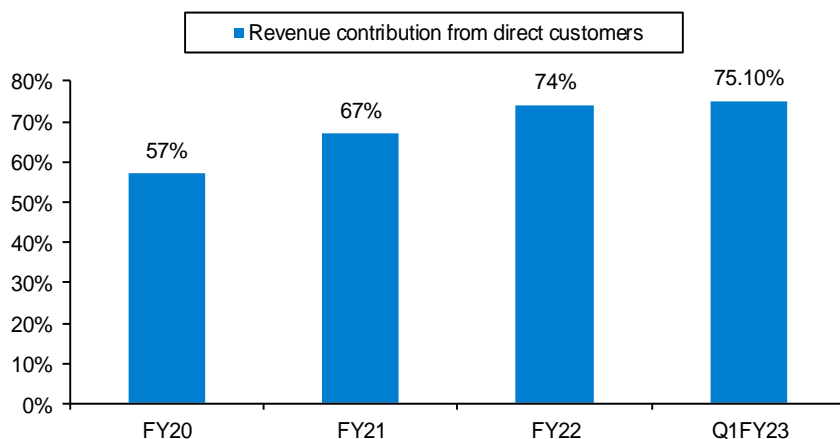
**Exhibit 6: EBITDA margin improved 110bps QoQ led by revenue growth leverage**



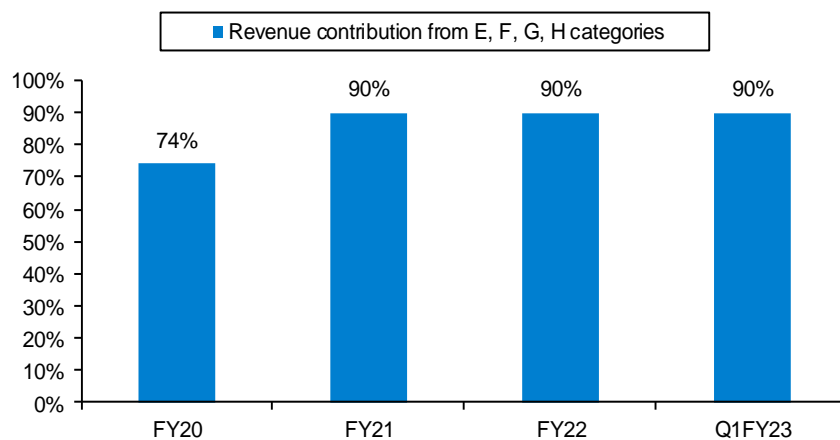
Source: Company, PL

**Exhibit 7: Normalized PAT grew 93.5% YoY**


Source: Company, PL

**Exhibit 8: Consistent improvement in direct customer revenue share**


Source: Company, PL

**Exhibit 9: Revenue contribution from key verticals remains at ~90%+**


Source: Company, PL

## Exhibit 10: Change in Estimates

Particulars	FY23E	FY24E
<b>Revenue (INR m)</b>		
New	15,693	20,486
Old	15,021	19,594
<i>Change (%)</i>	<i>4%</i>	<i>5%</i>
<i>USD Revenue growth (%)</i>	<i>45.1%</i>	<i>30.5%</i>
<b>EBIT Margins (%)</b>		
- New	17.1%	18.0%
- Old	16.6%	17.9%
<i>Change (%)</i>	<i>53 bps</i>	<i>8 bps</i>
<b>EBITDA Margins (%)</b>		
- New	19.7%	20.2%
- Old	19.3%	20.2%
<i>Change (%)</i>	<i>42 bps</i>	<i>0 bps</i>
<b>EPS (Rs)</b>		
- New	19.2	25.9
- Old	18.1	24.5
<i>Change (%)</i>	<i>6%</i>	<i>6%</i>

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>5,169</b>	<b>10,817</b>	<b>15,693</b>	<b>20,486</b>
YoY gr. (%)	54.9	109.3	45.1	30.5
Employee Cost	2,977	6,789	9,896	12,935
Gross Profit	2,192	4,028	5,796	7,551
Margin (%)	42.4	37.2	36.9	36.9
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>1,300</b>	<b>2,135</b>	<b>3,099</b>	<b>4,137</b>
YoY gr. (%)	46.2	64.2	45.2	33.5
Margin (%)	25.1	19.7	19.7	20.2
Depreciation and Amortization	197	324	409	456
<b>EBIT</b>	<b>1,103</b>	<b>1,811</b>	<b>2,691</b>	<b>3,681</b>
Margin (%)	21.3	16.7	17.1	18.0
Net Interest	37	71	75	67
Other Income	415	712	296	291
<b>Profit Before Tax</b>	<b>1,482</b>	<b>2,452</b>	<b>2,912</b>	<b>3,905</b>
Margin (%)	28.7	22.7	18.6	19.1
Total Tax	129	301	363	469
Effective tax rate (%)	8.7	12.3	12.5	12.0
<b>Profit after tax</b>	<b>1,353</b>	<b>2,151</b>	<b>2,549</b>	<b>3,436</b>
Minority interest	2	8	18	18
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,351</b>	<b>2,143</b>	<b>2,531</b>	<b>3,418</b>
YoY gr. (%)	106.2	58.6	18.1	35.1
Margin (%)	26.1	19.8	16.1	16.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,351</b>	<b>2,143</b>	<b>2,531</b>	<b>3,418</b>
YoY gr. (%)	106.2	58.6	18.1	35.1
Margin (%)	26.1	19.8	16.1	16.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,351	2,143	2,531	3,418
<b>Equity Shares O/s (m)</b>	<b>127</b>	<b>133</b>	<b>133</b>	<b>133</b>
<b>EPS (Rs)</b>	<b>10.6</b>	<b>16.1</b>	<b>19.0</b>	<b>25.6</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>860</b>	<b>1,253</b>	<b>2,986</b>	<b>3,913</b>
Tangibles	32	26	52	78
Intangibles	828	1,226	2,934	3,835
<b>Acc: Dep / Amortization</b>	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>860</b>	<b>1,253</b>	<b>2,986</b>	<b>3,913</b>
Tangibles	32	26	52	78
Intangibles	828	1,226	2,934	3,835
Capital Work In Progress	-	-	-	-
Goodwill	3,149	6,163	7,493	8,824
Non-Current Investments	1,000	1,350	1,350	1,350
Net Deferred tax assets	(5)	(32)	(32)	(32)
Other Non-Current Assets	-	45	45	45
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	1,079	2,347	3,439	4,490
Cash & Bank Balance	632	6,046	5,527	6,468
Other Current Assets	69	220	220	220
<b>Total Assets</b>	<b>7,526</b>	<b>18,269</b>	<b>21,906</b>	<b>26,156</b>
<b>Equity</b>				
Equity Share Capital	255	267	267	267
Other Equity	3,337	11,515	14,045	17,463
<b>Total Network</b>	<b>3,592</b>	<b>11,794</b>	<b>14,312</b>	<b>17,730</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	893	891	841	791
Provisions	16	18	18	18
Other non current liabilities	7	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	275	593	573	553
Trade payables	1,260	2,559	3,998	5,150
Other current liabilities	401	1,135	1,085	1,035
<b>Total Equity &amp; Liabilities</b>	<b>7,526</b>	<b>18,269</b>	<b>21,906</b>	<b>26,156</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	1,479	2,448	2,912	3,905
Add. Depreciation	196	324	409	456
Add. Interest	25	35	75	67
Less Financial Other Income	415	712	296	291
Add. Other	(393)	(371)	(315)	(309)
Op. profit before WC changes	1,308	2,437	3,081	4,119
Net Changes-WC	(174)	(99)	276	31
Direct tax	(117)	(278)	(363)	(469)
<b>Net cash from Op. activities</b>	<b>1,016</b>	<b>2,060</b>	<b>2,994</b>	<b>3,682</b>
Capital expenditures	(1,616)	(2,911)	(3,472)	(2,714)
Interest / Dividend Income	27	162	296	291
Others	(159)	(2,811)	-	-
<b>Net Cash from Invt. activities</b>	<b>(1,748)</b>	<b>(5,559)</b>	<b>(3,176)</b>	<b>(2,423)</b>
Issue of share cap. / premium	-	5,907	-	-
Debt changes	567	281	(50)	(50)
Dividend paid	-	-	-	-
Interest paid	(21)	(31)	(75)	(67)
Others	(18)	14	(200)	(200)
<b>Net cash from Fin. activities</b>	<b>528</b>	<b>6,171</b>	<b>(325)</b>	<b>(317)</b>
<b>Net change in cash</b>	<b>(204)</b>	<b>2,672</b>	<b>(507)</b>	<b>941</b>
Free Cash Flow	524	1,334	(478)	968

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	10.6	16.1	19.0	25.6
CEPS	12.1	18.5	22.1	29.1
BVPS	28.2	88.5	107.4	133.1
FCF	4.1	10.0	(3.6)	7.3
DPS	-	-	-	-
<b>Return Ratio(%)</b>				
RoCE	28.7	20.1	18.6	21.2
ROIC	24.4	22.0	23.1	25.7
RoE	45.9	27.9	19.4	21.3
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.1	(0.4)	(0.3)	(0.3)
Debtor (Days)	76	79	80	80
<b>Valuation(x)</b>				
PER	104.4	68.8	58.3	43.1
P/B	39.3	12.5	10.3	8.3
P/CEPS	91.2	59.8	50.2	38.1
EV/EBITDA	108.9	66.9	46.2	34.4
EV/Sales	27.4	13.2	9.1	6.9
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
<b>Net Revenue</b>	<b>2,747</b>	<b>3,394</b>	<b>3,151</b>	<b>3,475</b>
YoY gr. (%)	103.5	125.5	122.5	127.9
Raw Material Expenses	1,755	2,154	1,996	2,199
Gross Profit	992	1,240	1,155	1,276
Margin (%)	36.1	36.5	36.7	36.7
<b>EBITDA</b>	<b>521</b>	<b>677</b>	<b>587</b>	<b>687</b>
YoY gr. (%)	51.0	76.3	70.1	95.9
Margin (%)	19.0	19.9	18.6	19.8
Depreciation / Depletion	81	99	93	93
<b>EBIT</b>	<b>440</b>	<b>578</b>	<b>494</b>	<b>594</b>
Margin (%)	16.0	17.0	15.7	17.1
Net Interest	22	19	16	22
Other Income	151	144	290	75
<b>Profit before Tax</b>	<b>570</b>	<b>706</b>	<b>771</b>	<b>651</b>
Margin (%)	20.7	20.8	24.5	18.7
Total Tax	92	81	76	90
Effective tax rate (%)	16.1	11.4	9.9	13.8
<b>Profit after Tax</b>	<b>478</b>	<b>625</b>	<b>695</b>	<b>561</b>
Minority interest	2	2	2	5
Share Profit from Associates	1	2	3	4
<b>Adjusted PAT</b>	<b>476</b>	<b>623</b>	<b>693</b>	<b>556</b>
YoY gr. (%)	76.8	103.1	18.4	55.7
Margin (%)	17.3	18.3	22.0	16.0
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>476</b>	<b>623</b>	<b>693</b>	<b>556</b>
YoY gr. (%)	76.8	103.1	18.4	55.7
Margin (%)	17.3	18.3	22.0	16.0
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>476</b>	<b>623</b>	<b>693</b>	<b>556</b>
Avg. Shares O/s (m)	133	133	133	132
<b>EPS (Rs)</b>	<b>3.6</b>	<b>4.7</b>	<b>5.2</b>	<b>4.2</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jul-22	BUY	1,342	1,009
2	16-May-22	BUY	1,379	967
3	05-Apr-22	BUY	1,535	1,270
4	08-Feb-22	BUY	1,672	1,292
5	04-Jan-22	BUY	1,530	1,194
6	14-Dec-21	BUY	1,496	1,078
7	12-Nov-21	BUY	1,496	1,169
8	05-Oct-21	BUY	1,411	1,123
9	24-Sep-21	BUY	1,405	1,035

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Affle (India)	BUY	1,342	1,009
2	Coforge	BUY	4,031	3,726
3	Cyient	Hold	776	799
4	HCL Technologies	Hold	982	928
5	Infosys	Accumulate	1,630	1,506
6	L&T Technology Services	Hold	3,184	3,093
7	Larsen & Toubro Infotech	Accumulate	4,280	3,874
8	Mindtree	Accumulate	3,131	2,901
9	Mphasis	Hold	2,382	2,276
10	Persistent Systems	Hold	3,500	3,633
11	Redington (India)	BUY	167	128
12	Sonata Software	Hold	704	750
13	Tata Consultancy Services	Accumulate	3,607	3,265
14	TeamLease Services	Hold	3,573	3,763
15	Tech Mahindra	Hold	1,042	1,017
16	Wipro	Hold	418	412
17	Zensar Technologies	Hold	279	270

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



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