



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✗

Company details

Market cap:	Rs. 17,214 cr
52-week high/low:	Rs. 1136/916
NSE volume: (No of shares)	2.68 lakh
BSE code:	542752
NSE code:	AFFLE
Free float: (No of shares)	6.0 cr

Shareholding (%)

Promoters	56.9
FII	14.8
DII	14.7
Others	13.6

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	10.7	4.6	8.4	28.4
Relative to Sensex	10.2	3.1	-4.2	8.2

Sharekhan Research, Bloomberg

Affle (India) Ltd

Good Q4 despite weak seasonality

Internet & new media

Sharekhan code: AFFLE

Reco/View: Buy



Upgrade



CMP: Rs. 1,228

Price Target: Rs. 1,535



Downgrade

Summary

- Affle's (India) Q4FY24 revenue stood at Rs. 506.2 crore up, 1.5% q-o-q/42.3% y-o-y, beating our estimates of Rs. 499.8 crore, driven by steady growth in CPCU revenue.
- EBITDA margin was flat at 19.4%, on q-o-q and y-o-y basis, slightly beating our estimate of 19.2%. CPCU revenue recorded steady growth at Rs. 503.8 crore, up 5.5% q-o-q/57.8% y-o-y. Converted users grew 5.5% q-o-q/41.7% y-o-y to Rs. 8.8 crore.
- The company is poised to further accelerate its growth trajectory in FY2025 with a gradual increase in profitability margin. The company is experiencing a strong market opportunity as advertisers are consistently increasing their digital spending.
- We maintain BUY on Affle with an unchanged PT of Rs. 1,535, as the company is expected to accelerate the growth trajectory, driven by a wider adoption of its CPCU model and increased digital spending by advertisers. At CMP, the stock trades at 43/36.1x its FY25/FY26E EPS.

For Q4FY2024, Affle's (India) revenue grew 1.5% q-o-q/42.3% y-o-y to Rs. 506.2 crore, beating our estimate of Rs. 499.8 crore, driven by steady growth in CPCU revenue despite weak seasonality. CPCU revenue recorded steady growth at Rs. 503.8 crore, up 5.5% q-o-q/57.8% y-o-y. Converted users grew 5.5% q-o-q/41.7% y-o-y to Rs. 8.8 crore, while the average CPCU rate was flat sequentially at Rs 57. EBITDA margin was flat at 19.4%, on a q-o-q and y-o-y basis, slightly beating our estimate of 19.2%. Net profit jumped to Rs. 87.5 crore, up 13.9% q-o-q/40.2% y-o-y, beating our estimate of Rs. 77 crore, supported by strong other income. During the quarter, Indian and emerging markets contributed to 72.9% of the revenue, while developed markets contributed about 27.1% to the revenue with turnaround in the developed market gathering traction. The company believes it is poised to further accelerate the growth trajectory in FY25 with a gradual increase in profitability margins and is confident of achieving 20% plus growth. We maintain BUY on Affle with an unchanged price target (PT) of Rs. 1,535, as the company is expected to accelerate the growth trajectory, driven by a wider adoption of its CPCU model, increased digital spending by advertisers, broad-based bounce back across verticals in India, and increased traction in developed markets from its integrated approach. At CMP, the stock trades at 43/36.1x its FY25/FY26E EPS.

Key positives

- CPCU revenue recorded steady growth of Rs. 503.8 crore, up 5.5% q-o-q/57.8% y-o-y.
- Converted users grew 5.5% q-o-q/41.7% y-o-y to Rs. 8.8 crore.

Key negatives

- Average CPCU rate at Rs. 57 was flat on q-o-q and y-o-y basis.

Management Commentary

- The company has started FY25 with significant momentum, having recently secured one patent grant in the US. and one in India.
- The company is poised to further accelerate its growth trajectory in FY25 with a gradual increase in profitability margins and is confident of achieving 20% plus growth.
- The company is experiencing a strong market opportunity as advertisers are consistently increasing their digital spending, driven by a widespread adoption of its CPCU model across its customer base and its application to premium use cases.
- In India, the company is seeing a more broad-based bounce back across verticals and is no longer feeling over-dependence on real money gaming.
- After an increase in ETR this quarter, the company expects the ETR to gradually inch up going forward.

Revision in estimates – We have fine-tuned our earnings estimates to factor in Q4FY24 performance and FY25 outlook.

Our Call

Valuation – Maintain BUY with an unchanged PT of Rs 1,535: Affle reported a good quarter despite the weak seasonality surpassing the cyclical trend by growing sequentially, driven by strategic initiatives and strong business momentum. The company's strong FY24 exit indicates its resilience and signals the continuity of high-growth momentum in FY25. Further, higher realisation of synergies from the full integration of YouAppi to aid in expanding scale and drive premium conversion to advertisers. We expect a sales and PAT CAGR of 25% and 16.4%, respectively, over FY2024-FY2026E. We maintain BUY on Affle with an unchanged PT of Rs. 1,535, as the company is expected to accelerate the growth trajectory, driven by a wider adoption of its CPCU model, increased digital spending by advertisers, broad-based bounce back across verticals in India, and increased traction in developed markets from its integrated approach. At the CMP, the stock trades at 43/36.1x its FY25/FY26E EPS.

Key Risks

- Entry of a large technology player in this space;
- Inability to generate relevant data for targeted advertisers; and
- Government regulations related to the management of consumer data and respect for privacy.

Valuation (Consolidated)

Particulars	FY22	FY23	FY24	FY25E	FY26E
Revenue	1,081.7	1,434.0	1,842.8	2,375.9	2,880.0
OPM (%)	19.7	20.1	19.5	20.1	20.5
Adjusted Net Profit	183.3	246.3	334.2	380.1	452.8
YoY growth (%)	78.3	34.4	35.7	13.7	19.1
EPS (Rs.)	13.9	18.6	24.6	28.0	33.4
PER (x)	89.2	66.4	48.9	43.0	36.1
P/BV (x)	13.9	11.2	6.5	5.7	4.9
EV/EBITDA	74.6	54.7	42.4	31.2	24.6
ROE (%)	15.6	16.8	13.4	13.2	13.6
ROCE (%)	20.6	15.9	14.9	12.2	12.9

Source: Company; Sharekhan estimates

Key result highlights

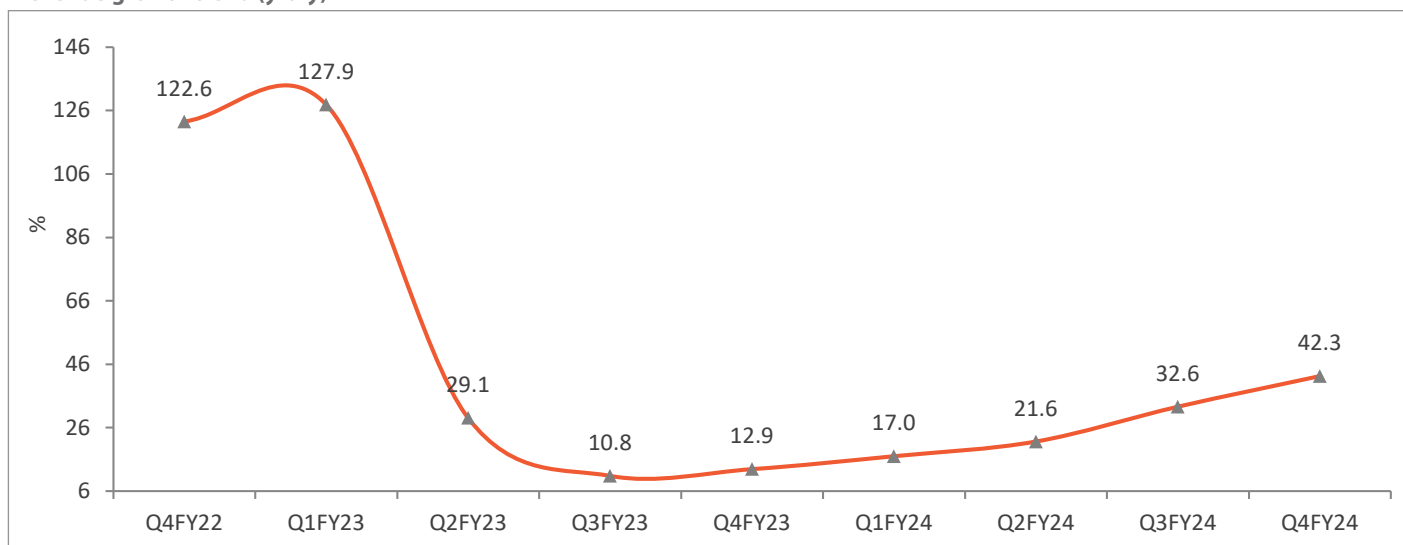
- ♦ **Revenue growth:** Revenue grew 1.5% q-o-q/42.3% y-o-y to Rs. 506.2 crore, beating our estimate of Rs. 499.8 crore, driven by steady growth in CPCU revenue. CPCU revenue recorded strong growth at Rs. 503.8 crore, up 5.5% q-o-q/57.8% y-o-y. Converted users grew 5.5% q-o-q/41.7% y-o-y to 8.8 crore, while the average CPCU rate was flat sequentially at Rs. 57.
- ♦ **India and global emerging markets:** During the quarter, Indian and emerging markets contributed to 72.9% of the revenue, while developed markets contributed about 27.1% of the revenue. Revenue for FY24 stood at Rs. 1842.8 crore, up 28.5% y-o-y. In India, the company is seeing a more broad-based bounce back across verticals and is no longer feeling over-dependence on real money gaming. The company does not see any issues in global emerging markets beyond India and is benefiting from selling more integrated product propositions.
- ♦ **Developed markets:** The company is taking an integrated approach and is finding positive outcomes. There is less pressure now on the fintech vertical compared to last year. In Q4FY24, the company has seen budgets coming back from those customers, which had scaled back before.
- ♦ **Cash flows:** Operating cash flow in FY24 stood at Rs. 262.3 crore compared to Rs. 260.3 in FY23.

Results (Consolidated)

Particulars	Rs cr				
	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Net sales	506.2	355.8	42.3	498.7	1.5
Inventory and data costs	308.6	216.3	42.7	307.3	0.4
Employee expenses	60.0	49.3	21.7	61.6	-2.5
Other expenses	39.6	21.2	87.1	33.1	19.7
EBITDA	98.0	69.0	42.0	96.7	1.3
Depreciation	20.2	13.6	49.0	18.5	9.4
EBIT	77.8	55.4	40.3	78.2	-0.6
Other income	27.3	17.5	55.6	10.2	168.2
Finance cost	4.9	3.1	57.5	5.0	-2.0
PBT	100.2	69.9	43.4	83.4	20.1
Total tax	12.7	7.5	69.5	6.6	92.9
Minority interest	1.3	1.1	18.2	0.8	60.6
Net profit	87.5	62.4	40.2	76.8	13.9
Adjusted net profit	87.5	62.4	40.2	76.8	13.9
EPS (Rs.)	6.5	4.7	37.8	5.7	12.8
Margin (%)				BPS	BPS
EBITDA	19.4	19.4	-4	19.4	-3
EBIT	15.4	15.6	-22	15.7	-32
NPM	17.3	17.5	-25	15.4	188
Tax rate	12.6	10.7	195	7.9	477

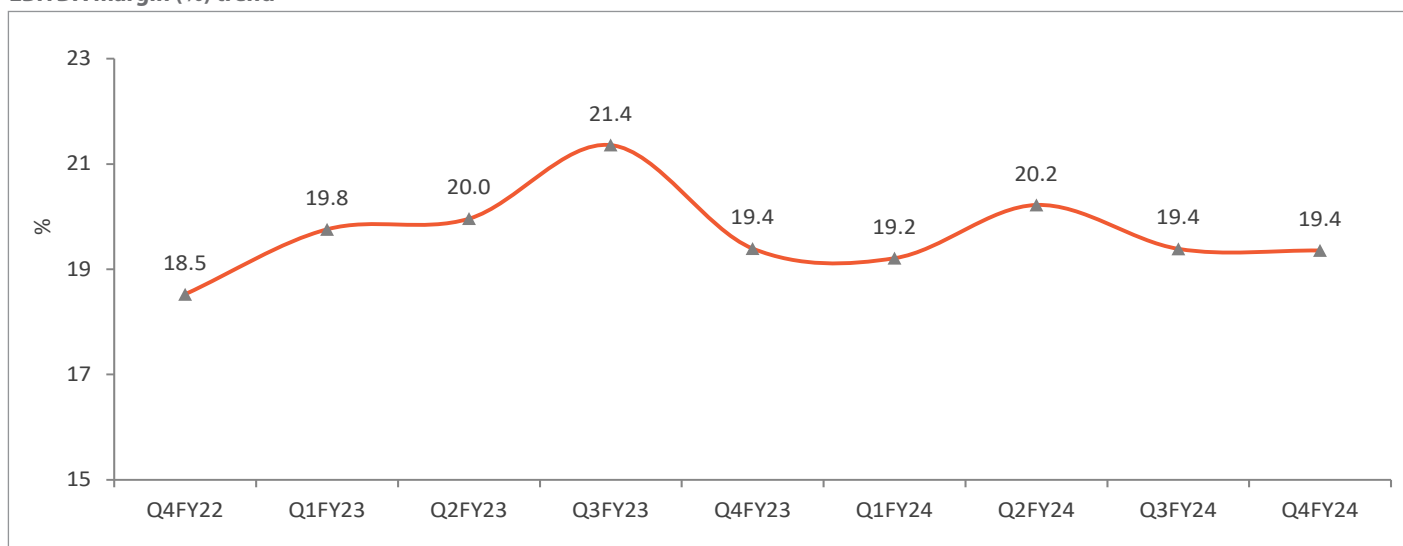
Source: Company, Sharekhan Research

Revenue growth trend (y-o-y)



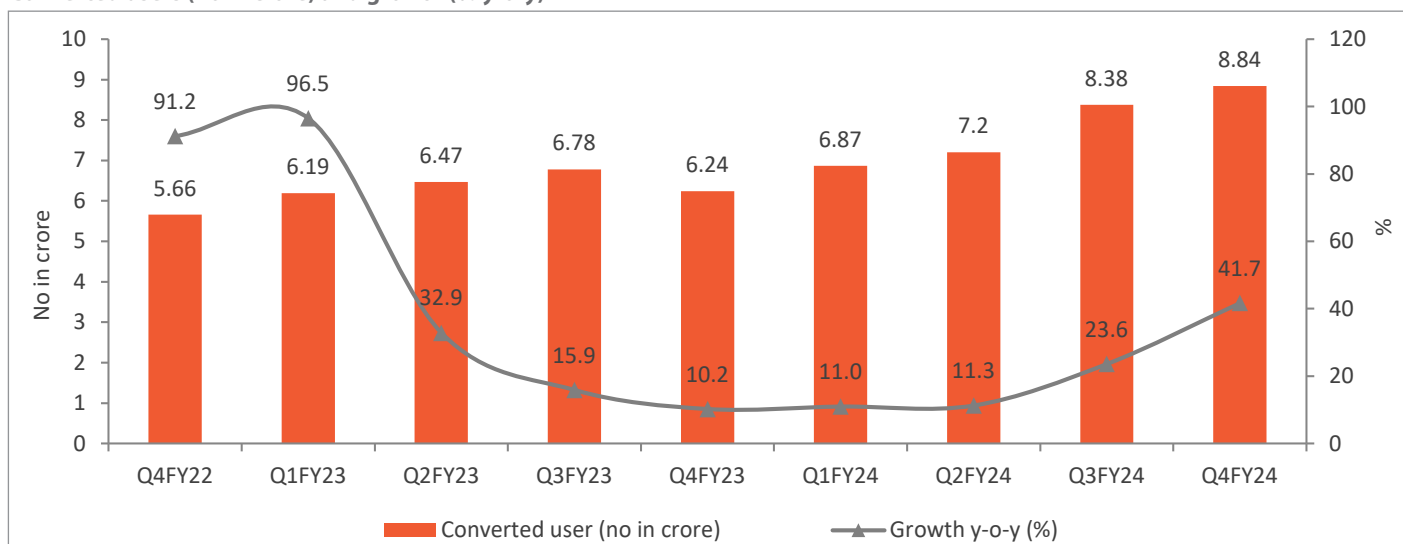
Source: Company, Sharekhan Research

EBITDA margin (%) trend



Source: Company, Sharekhan Research

Converted users (no in crore) and growth (% y-o-y)



Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector view - Expect strong growth in mobile ad revenue to continue

Digital advertising spends are expected to report a 32.5% and 18% CAGR, respectively, in India and Southeast Asia (SEA) in the next five years because of rising active internet users, rapid adoption of smartphones and connected devices, and a young population. Mobile advertisement spends are projected to reach 50% of total advertising spends from 25% currently in India over the next three years. Combined opportunities in mobile-app video, OTT, and CTV programmatic advertising spends across the globe are expected to post a 17% CAGR over 2020-2025.

■ Company outlook - Long runway for growth

Affle's exposure in fast-growing markets such as India and SEA and emerging verticals in developed markets and segments such as e-commerce provide a platform for sustainable growth momentum in the long term. With a scalable end-to-end offering across ad-tech value chain and the CPCU model, we believe Affle would continue to derive high RoI for advertisers. Management expects to deliver at least a 25-30% revenue CAGR in the next five years because of its CPCU model, focus on 2V and 2O strategies to strengthen its market position, expand its reach to connected devices, and enter into new geographies.

■ Valuation - Maintain BUY with an unchanged PT of Rs 1,535

Affle reported a good quarter despite the weak seasonality surpassing the cyclical trend by growing sequentially, driven by strategic initiatives and strong business momentum. The company's strong FY24 exit indicates its resilience and signals the continuity of high-growth momentum in FY25. Further, higher realisation of synergies from the full integration of YouAppi to aid in expanding scale and drive premium conversion to advertisers. We expect a sales and PAT CAGR of 25% and 16.4%, respectively, over FY2024-FY2026E. We maintain BUY on Affle with an unchanged PT of Rs. 1,535, as the company is expected to accelerate the growth trajectory, driven by a wider adoption of its CPCU model, increased digital spending by advertisers, broad-based bounce back across verticals in India, and increased traction in developed markets from its integrated approach. At the CMP, the stock trades at 43/36.1x its FY25/FY26E EPS.

One-year forward P/E (x) band



Source: Sharekhan Research

About company

Affle is a global technology company with a leading market position in India. The company has two business segments, i.e. (1) consumer platform and (2) enterprise platform. The consumer intelligence platform delivers consumer engagement, acquisitions, and transactions for leading brands and B2C companies through relevant mobile advertising. The company owns an in-house data management platform with a reach of over 2.4 billion connected devices. The company's enterprise platform helps offline companies to go online through platform-based app development, enabling O2O (online to offline) commerce, and data analytics.

Investment theme

Affle, a leading ad tech company in India, provides end-to-end offerings to advertisers through mobile advertising using its proprietary mobile audience as a service (MAAS) platform for customers. Given its deep learning algorithm capabilities and ability to deliver more targeted and personalised advertisements, more advertisers have been using the consumer platform for running their digital ad campaigns on its platform. With an increased share of digital ad spending and shifting of advertisers towards programmatic advertising, ad-tech vendors such as Affle are well placed to deliver higher growth going ahead.

Key Risks

(1) High client concentration; (2) entry of large tech player in this space; and (3) inability to generate actionable outcomes for targeted advertisers.

Additional Data

Key management personnel

Anuj Khanna Sohum	Founder, Chairman and CEO
Anuj Kumar	Co-founder, Chief Revenue and Operating Officer
Kapil Bhutani	Chief Financial and Operations Officer
Mei Theng Leong	Chief Finance and Commercial Officer – International
Vipul Kedia	Chief Data and Platforms Officer

Source: Bloomberg

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Nippon Life India Asset Management	4.26
2	ICICI Prudential Asset Management	4.07
3	ICICI Prudential Life Insurance Co	3.11
4	MALABAR INDIA FUND LTD	2.72
5	Franklin Resources Inc	2.32
6	abrdn plc	1.65
7	Vanguard Group Inc/The	1.56
8	BlackRock Inc	0.88
9	Sundaram Asset Management Co Ltd	0.83
10	Teachers Insurance & Annuity Assoc	0.41

Source: Bloomberg

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Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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