MIRAE ASSET Sharekhan

Affle (India) Ltd

Robust Quarter

Internet & new media	Sharekhan code: AFFLE
Reco/View: Buy ↔	CMP: Rs. 1,645 / Price Target: Rs. 1,880 ↑

↑ Upgrade ↔ Maintain ↓ Downgrade

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		↔	

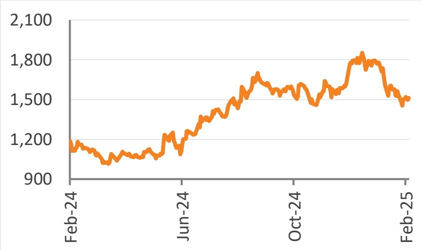
Company details

Market cap:	Rs. 23,104 cr
52-week high/low:	Rs. 1,883 / 998
NSE volume: (No of shares)	3.8 lakh
BSE code:	542752
NSE code:	AFFLE
Free float: (No of shares)	6.3 cr

Shareholding (%)

Promoters	55.0
FII	16.5
DII	14.6
Others	13.9

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	2.8	2.7	3.0	47.7
Relative to Sensex	2.8	5.4	6.0	39.7

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Affle's revenue grew 10.8% q-o-q/20.6% y-o-y to Rs. 602 crore, beating our estimate of Rs. 591 crore.
- EBITDA margin improved 96 bps q-o-q/245 bps y-o-y to 21.8%, beating our estimate of 21%. Converted users grew 9% q-o-q/23.3% y-o-y to 103.3 crore.
- Despite global macroeconomic uncertainty, management is confident of achieving and sustaining over 20% growth in FY25, as industry tailwinds remain intact.
- We maintain BUY on Affle with revised PT of Rs. 1,880 (valued at 27x FY27E EPS). At the CMP, the stock trades at 60.5/49.6/39.2x its FY25/FY26/FY27E EPS.

Affle's Q3FY2025 revenue grew 10.8% q-o-q/20.6% y-o-y to Rs. 602 crore, beating our estimate of Rs. 591 crore, driven by strong momentum in CPCU revenue. For Q3FY2025, CPCU revenue recorded strong growth at Rs. 597 crore, up 10.3% q-o-q/25% y-o-y. Converted users grew 9% q-o-q/23.3% y-o-y to 103.3 crore, while average CPCU rate improved to Rs. 57.8, up 1.2% q-o-q/1.4% y-o-y. EBITDA margin improved 96 bps q-o-q/245 bps y-o-y to 21.8%, beating our estimate of 21%. Adjusted net profit stood at Rs. 100.2 crore, up 8.9% q-o-q/30.5% y-o-y, beating our estimate of Rs. 95.8 crore. The top industry verticals for the company continued the strong momentum, helping it register robust growth anchored on the CPCU business model. Growth was broad-based across India and international markets. Despite global macroeconomic uncertainty, the company is confident of achieving and sustaining over 20% growth in FY25, as industry tailwinds remain intact. The company's unified Affle2.0 consumer platform stack and its conversions-driven CPCU business model positions it at the forefront of delivering scalable and profitable outcomes for its customers globally. We roll forward to FY27E and maintain BUY on Affle with a revised price target (PT) of Rs. 1,880 (valued at 45xFY27E). At the CMP, the stock trades at 60.5/49.6/39.2x its FY25/FY26/FY27E EPS.

Key positives

- Converted users grew 9% q-o-q/23.3% y-o-y to 103.3 crore.
- EBITDA margin improved 96 bps q-o-q/245 bps y-o-y to 21.8%.

Key negatives

- Other expenses stood at Rs. 49.6 crore, up 20% q-o-q/50% y-o-y.

Management Commentary

- Despite global macroeconomic uncertainty, the company is confident of achieving and sustaining over 20% growth in FY25, as industry tailwinds remain intact.
- The company's strategic initiatives to integrate platforms, teams, and operate with a single local entity structure in the U.S. make it well hedged and de-risk it from any currency risks or tariff risks, thus ensuring business stability in the developed markets.
- With global digital spending continuously on the rise, the company sees significant opportunities across its top verticals and key markets.
- The company expects EBITDA margin to stabilise at around 23% in the medium term and PAT margin at 17-18%.
- Management remains committed to its long-term 10x growth goal and is confident of its current trajectory.

Revision in earnings estimates – We have revised our earnings estimates to factor in Q3FY25 performance.

Our Call

Valuation – Maintain BUY with a revised PT of Rs. 1,880: Affle reported a robust Q3 and is on track to deliver 20% plus revenue growth in FY25. The company continues to deliver broad-based business growth across key industry verticals in India and international markets. Management is confident of achieving and sustaining 20% plus growth in FY25, as industry tailwinds remain intact. The company's unified Affle2.0 consumer platform stack and its conversions-driven CPCU business model positions it at the forefront of delivering scalable and profitable outcomes for its customers globally. We expect sales/PAT CAGR of 23%/21%, respectively, over FY24-FY27E. We roll forward to FY27E and maintain BUY on Affle with revised price target (PT) of Rs. 1,880 (valued at 45xFY27E). At the CMP, the stock trades at 60.5/49.6/39.2x its FY25/FY26/FY27E EPS.

Key Risks

(1) Entry of a large technology player in this space; (2) Inability to generate relevant data for targeted advertisers; and (3) Government regulations related to the management of consumer data and respect for privacy.

Valuation (Consolidated) Rs cr

Particulars	FY24	FY25E	FY26E	FY27E
Revenue	1,842.8	2,273.7	2,790.2	3,443.8
OPM (%)	19.5	21.1	21.4	22.2
Adjusted Net Profit	334.2	381.0	465.0	587.2
YoY growth (%)	35.7	14.0	22.0	26.3
EPS (Rs.)	24.6	27.1	33.1	41.8
PER (x)	69.0	60.5	49.6	39.2
P/BV (x)	9.2	8.0	6.9	5.9
EV/EBITDA	61.0	45.1	35.6	27.1
ROE (%)	13.4	13.2	13.9	14.9
ROCE (%)	14.9	11.6	12.6	13.9

Source: Company; Mirae Asset Sharekhan estimates

Key result highlights

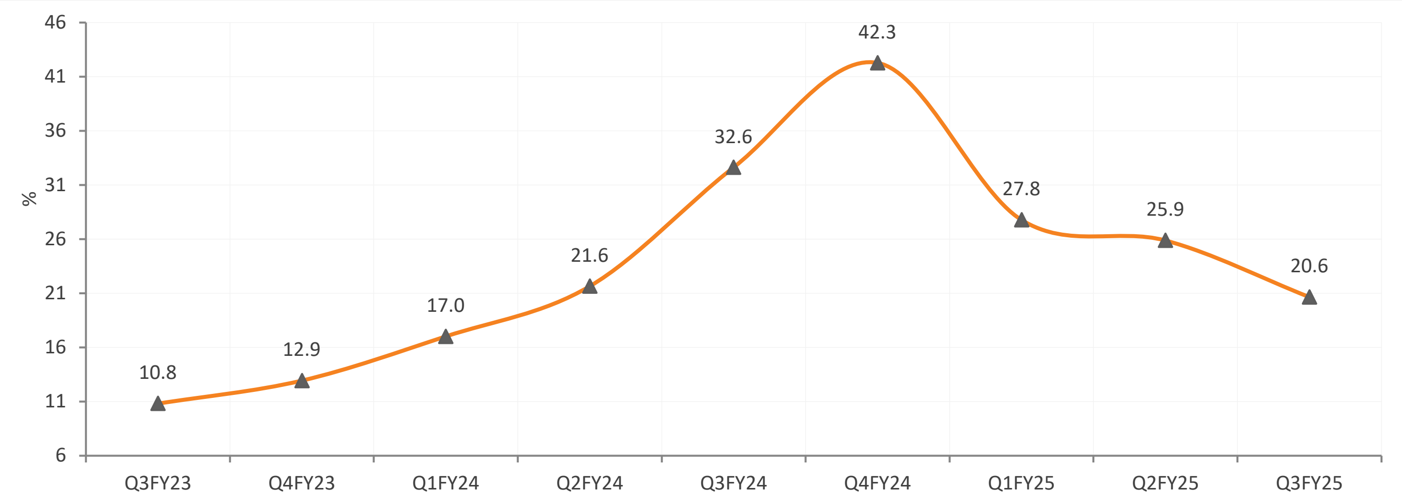
- **Revenue growth:** Revenue grew 10.8% q-o-q/20.6% y-o-y to Rs. 602 crore, beating our estimate of Rs. 591 crore, driven by strong momentum in CPCU revenue. CPCU revenue recorded strong growth at Rs. 597 crore, up 10.3% q-o-q/25% y-o-y. Converted users grew 9% q-o-q/23.3% y-o-y to 103.3 crore, while average CPCU rate improved to Rs. 57.8, up 1.2% q-o-q/1.4% y-o-y.
- **Margin:** EBITDA margin improved 96 bps q-o-q/245 bps y-o-y to 21.8%, beating our estimate of 21%.
- **India and global emerging markets:** India and global emerging markets continue to be resilient with 19.7% y-o-y growth, contributing 73.6% to its quarterly revenue.
- **Developed markets:** Growth in developed markets was ~23.3% y-o-y and it contributed 26.4% to the company's Q2FY2025 revenue.

Results (Consolidated) Rs cr

Particulars	Q3FY25	Q3FY24	Y-o-Y (%)	Q2FY25	Q-o-Q (%)
Net sales	**601.7**	**498.7**	**20.6**	**542.9**	**10.8**
Inventory and data costs	363.1	307.3	18.1	331.5	9.5
Employee expenses	57.6	61.6	-6.5	56.7	1.5
Other expenses	49.6	33.1	50.0	41.4	20.0
EBITDA	**131.4**	**96.7**	**35.9**	**113.3**	**15.9**
Depreciation	25.8	18.5	39.5	25.1	2.7
EBIT	**105.6**	**78.2**	**35.0**	**88.2**	**19.7**
Other income	20.9	10.2	105.7	28.8	-27.4
Finance cost	2.8	5.0	-44.2	3.6	-21.7
PBT	**123.7**	**83.4**	**48.4**	**113.5**	**9.0**
Total tax	23.5	6.6	258.2	21.5	9.3
Minority interest	1.9	0.8	141.4	1.9	0.3
Net profit	**100.2**	**76.8**	**30.5**	**92.0**	**8.9**
Adjusted net profit	**100.2**	**76.8**	**30.5**	**92.0**	**8.9**
EPS (Rs.)	7.1	5.7	24.8	6.6	8.9
Margin (%)				**BPS**	**BPS**
EBITDA	21.8	19.4	245	20.9	96
EBIT	17.6	15.7	187	16.3	130
NPM	16.7	15.4	125	16.9	-29
Tax rate	19.0	7.9	1,113	18.9	5

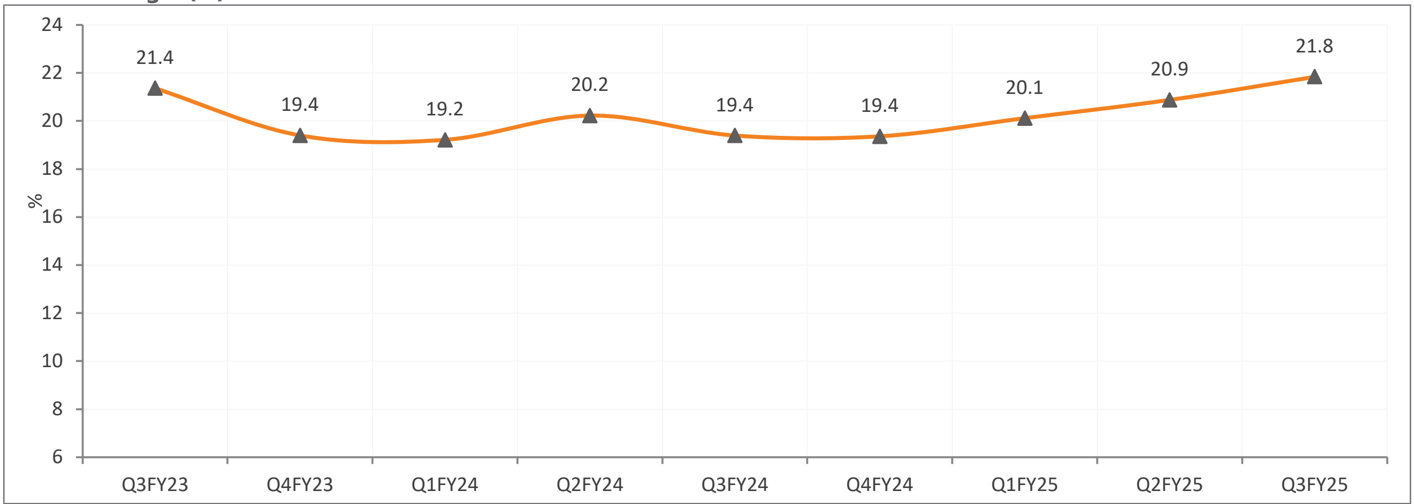
Source: Company; Mirae Asset Sharekhan Research

Revenue growth trend (y-o-y)



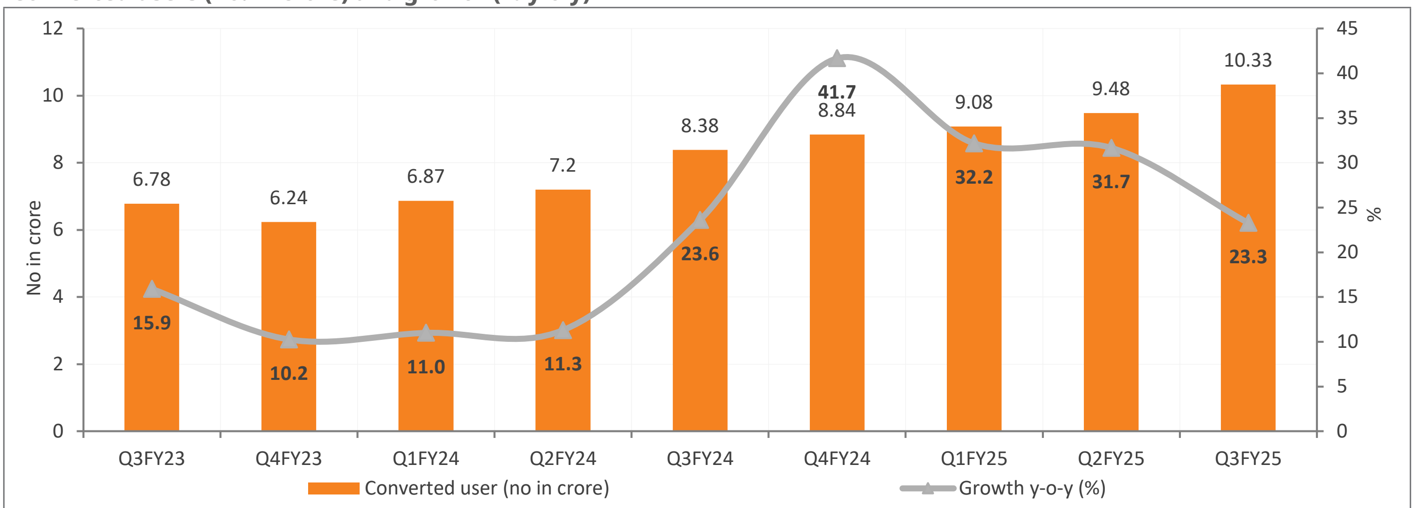
Source: Company; Mirae Asset Sharekhan Research

EBITDA margin (%) trend



Source: Company; Mirae Asset Sharekhan Research

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



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector View – 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 the ad-tech value chain and the CPCU model, we believe Affle would continue to derive high RoI for advertisers. Management is confident of achieving and sustaining 20% plus growth in FY25, as industry tailwinds remain intact. The company expects EBITDA margin to stabilise at around 23% in the medium term and PAT margin at 17-18%.

■ Valuation – Maintain BUY with a revised PT of Rs. 1,880

Affle reported a robust Q3 and is on track to deliver 20% plus revenue growth in FY25. The company continues to deliver broad-based business growth across key industry verticals in India and international markets. Management is confident of achieving and sustaining 20% plus growth in FY25, as industry tailwinds remain intact. The company's unified Affle2.0 consumer platform stack and its conversions-driven CPCU business model positions it at the forefront of delivering scalable and profitable outcomes for its customers globally. We expect sales/PAT CAGR of 23%/21%, respectively, over FY24-FY27E. We roll forward to FY27E and maintain BUY on Affle with revised price target (PT) of Rs. 1,880 (valued at 45xFY27E). At the CMP, the stock trades at 60.5/49.6/39.2x its FY25/FY26/FY27E EPS.

One-year forward P/E (x) band

Source: Company; Mirae Asset 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 a large tech player in this space; and (3) inability to generate actionable outcomes for targeted advertisers.

Additional Data

Key management personnel

Name	Designation
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: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Nippon Life India Asset Management	3.35
2	MALABAR INDIA FUND LTD	2.47
3	ICICI Prudential Asset Management	2.43
4	Franklin Resources Inc	2.28
5	Vanguard Group Inc	1.59
6	ICICI Prudential Life Insurance Co	1.57
7	Sundaram Asset Management Co Ltd	1.49
8	Monetary Authority Of Singapore	1.15
9	Axis Asset Management Co Ltd/India	0.94
10	Blackrock Inc	0.88

Source: Bloomberg

Understanding the Mirae Asset 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 detoriating 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: Mirae Asset Sharekhan Research

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