MIRAE ASSET Sharekhan

Affle 3I Ltd

Decent Q4, On a strong growth trajectory

Internet & new media	Sharekhan code: AFFLE
Reco/View: Buy ↔	CMP: Rs. 1,601	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		↔	

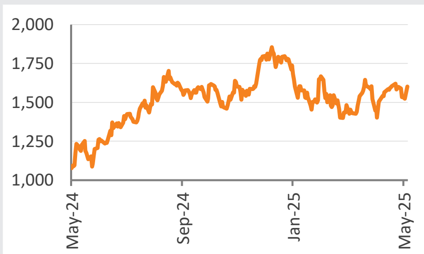
Company details

Market cap:	Rs. 22,499 cr
52-week high/low:	Rs. 1,883 / 1,052
NSE volume: (No of shares)	3.5 lakh
BSE code:	542752
NSE code:	AFFLE
Free float: (No of shares)	6.3 cr

Shareholding (%)

Promoters	55.0
FII	16.1
DII	15.3
Others	13.6

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	6.5	4.9	2.1	48.8
Relative to Sensex	-3.2	-3.4	-2.6	35.5

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Q4FY25 revenues were flat sequentially and up 19% y-o-y at Rs.602.3 crore, nearly in-line with our estimates of Rs.600.7crore
- EBITDA margin improved 41 q-o-q/289 bps y-o-y to 22.2%, beating our estimate of 21.6%. Converted users grew 0.5% q-o-q/17.6% y-o-y to 104 crore.
- The company is aiming for over 20% organic revenue growth in FY26, with a medium-term goal of 10x growth.
- We maintain BUY on Affle with unchanged PT of Rs. 1,880. At CMP, the stock trades at 48.7/38.4x FY26/FY27E EPS.

Q4FY25 revenue was flat sequentially and up 19% y-o-y at Rs.602.3 crore, nearly in line with our estimates of Rs.600.7 crore driven by strong momentum in CPCU revenues. CPCU revenues stood at Rs 600.7 crore, up 0.6% q-o-q/19.2% y-o-y. Converted users grew 0.5% q-o-q/17.6% y-o-y to 104 crore, while Average CPCU rate was stood at Rs 57.8, up 0.1% q-o-q/1.4% y-o-y. EBITDA margins improved 41 bps q-o-q/ 289 bps y-o-y to 22.2%, beating our estimates of 21.6%. Adjusted Net profit stood at Rs.103.1 crore, up 2.8% q-o-q/17.8% y-o-y beating our estimates of Rs 99.6 crore. India and global emerging markets contributed 71.1% of revenues, up 15.9% y-o-y while developed markets contributed 28.9%, up 27.3% y-o-y growth. The company is aiming for an over 20% organic revenue growth in FY26, with a medium-term goal of 10x growth. We believe the company is on a strong growth trajectory for the fiscals ahead given the rise in global digital spending, shift to performance-centric advertising, and rising adoption of CTV and mobile e-Commerce, which are unlocking opportunities across key verticals and markets. We maintain BUY on Affle with an unchanged PT of Rs. 1,880. At CMP, the stock trades at 48.7/38.4x FY26/FY27E EPS.

Key positives

- Converted users grew 17.6% y-o-y to 104 crore.
- EBITDA margin improved 41 bps q-o-q/ 289 bps y-o-y to 22.2%.

Key negatives

- Inventory and data cost stood at Rs. 364.8 crore, up 18% y-o-y.

Management Commentary

- Company is aiming for 20%+ organic revenue growth in FY26, with a medium-term goal of 10x growth.
- Employee costs to remain stable with no steep increases while marketing spends to stay at 2–3.5% of revenue, with margins expected to improve slightly
- Cash reserves to be used for growth-oriented initiatives, including selective acquisitions, with no immediate plans for buybacks.

Revision in earnings estimates – We have fine-tuned our earnings estimates to factor in Q4FY25 performance.

Our Call

Valuation – Maintain Buy with an unchanged PT of Rs. 1,880: Q4 was decent despite seasonality. Company is on a strong growth trajectory as industry tailwinds remain intact. The company is aiming for an over 20% organic revenue growth in FY26, with a medium-term goal of 10x growth. We believe the company is on strong growth trajectory for fiscals ahead given a rise in global digital spends, a shift to performance-centric advertising, and increasing adoption of CTV and mobile e-commerce which are unlocking opportunities across key verticals and markets. We expect sales/PAT CAGR of 23%/24%, respectively, over FY25-FY27E. We maintain a Buy on Affle with an unchanged PT of Rs. 1,880. At CMP, the stock trades at 48.7/38.4x 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	FY25	FY26E	FY27E
Revenue	1,842.8	2,266.3	2,763.4	3,428.8
OPM (%)	19.5	21.3	21.4	22.2
Adjusted Net Profit	297.3	381.9	461.7	585.4
YoY growth (%)	20.7	28.5	20.9	26.8
EPS (Rs.)	21.9	27.2	32.9	41.7
PER (x)	75.6	58.8	48.7	38.4
P/BV (x)	9.0	7.6	6.6	5.6
EV/EBITDA	59.4	43.7	34.6	26.1
ROE (%)	11.9	13.0	13.5	14.7
ROCE (%)	13.2	11.6	12.2	13.6

Source: Company; Mirae Asset Sharekhan estimates

Key result highlights

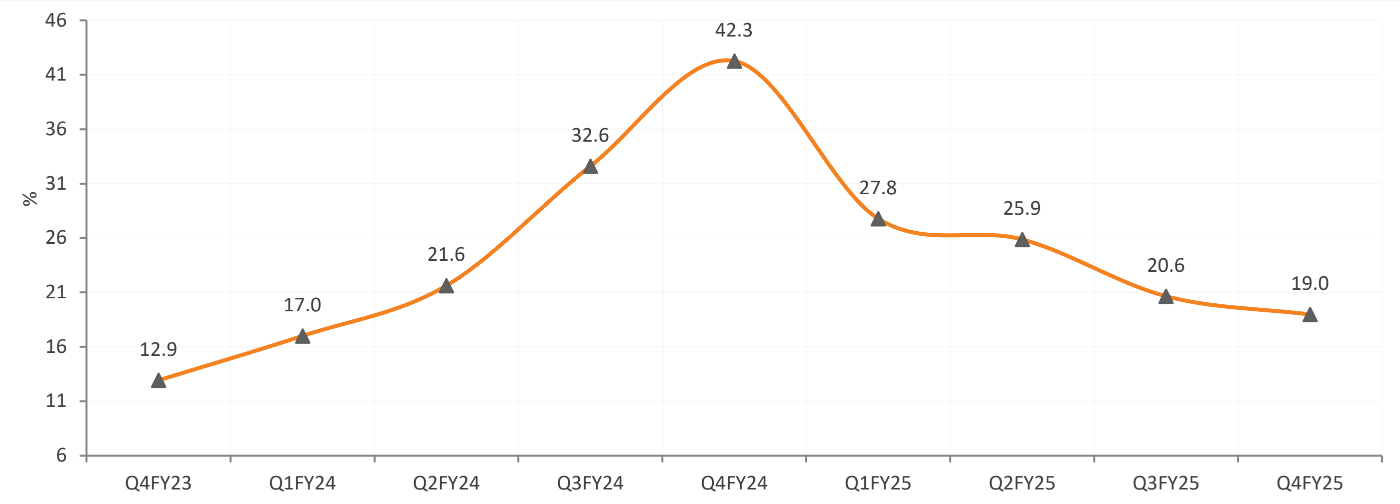
- **Revenue growth:** Revenue was flat sequentially and up 19% y-o-y to Rs.602.3 crore, beating our estimates of Rs. 600.7crore driven by strong momentum in CPCU revenues. CPCU revenues stood at Rs 600.7 crore, up 0.7% q-o-q/19.3% y-o-y. Converted users grew 0.5% q-o-q/17.6% y-o-y to 104 crore, while Average CPCU rate was stood at Rs 57.8, up 0.1% q-o-q/1.4% y-o-y.
- **Margin:** EBITDA margin rose 41 bps q-o-q/ 289 bps y-o-y to 22.2%, beating our estimates of 21.6%
- **Revenue mix:** India and global emerging markets contributed 71.1% of Q4 revenues, rising 15.9% y-o-y while developed markets contributed 28.9%, up 27.3% y-o-y growth
- **Cash flow:** FY25 operating cash flow stood at Rs. 426 crore, up 62.4% y-o-y while cash balance was Rs. 382 crore, up 29% y-o-y.

Results (Consolidated) Rs cr

Particulars	Q4FY25	Q4FY24	Y-o-Y (%)	Q3FY25	Q-o-Q (%)
Net sales	**602.3**	**506.2**	**19.0**	**601.7**	**0.1**
Inventory and data costs	364.8	308.6	18.2	363.1	0.5
Employee expenses	58.3	60.0	-2.9	57.6	1.3
Other expenses	45.2	39.6	14.1	49.6	-9.0
EBITDA	**134.0**	**98.0**	**36.7**	**131.4**	**2.0**
Depreciation	26.6	20.2	31.6	25.8	3.2
EBIT	**107.4**	**77.8**	**38.1**	**105.6**	**1.7**
Other income	18.9	27.3	-30.7	20.9	-9.6
Finance cost	2.4	4.9	-50.1	2.8	-12.5
PBT	**123.9**	**100.2**	**23.7**	**123.7**	**0.1**
Total tax	20.8	12.7	64.2	23.5	-11.6
Minority interest	1.7	1.3	32.8	1.9	-11.7
Net profit	**103.1**	**87.5**	**17.8**	**100.2**	**2.8**
Adjusted net profit	**103.1**	**87.5**	**17.8**	**100.2**	**2.8**
EPS (Rs)	7.3	6.5	13.8	7.1	2.9
Margin (%)				**BPS**	**BPS**
EBITDA	22.2	19.4	289	21.8	41
EBIT	17.8	15.4	247	17.6	28
NPM	17.1	17.3	-17	16.7	46
Tax rate	16.8	12.6	414	19.0	-222

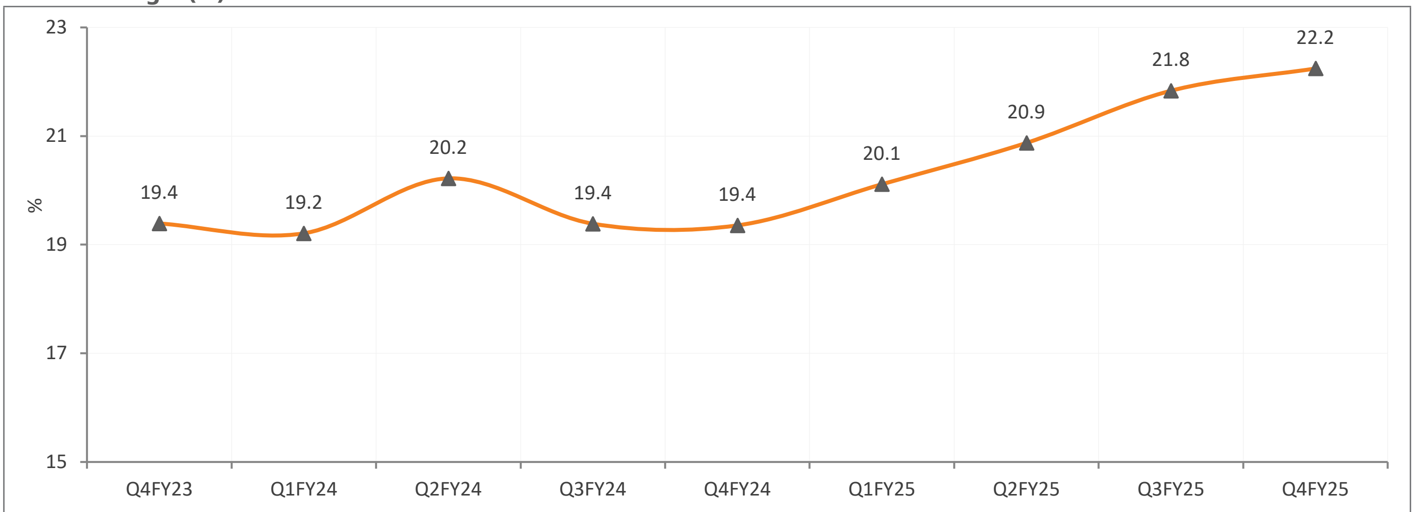
Source: Company; Mirae Asset Sharekhan Research

Revenue growth trend (y-o-y)



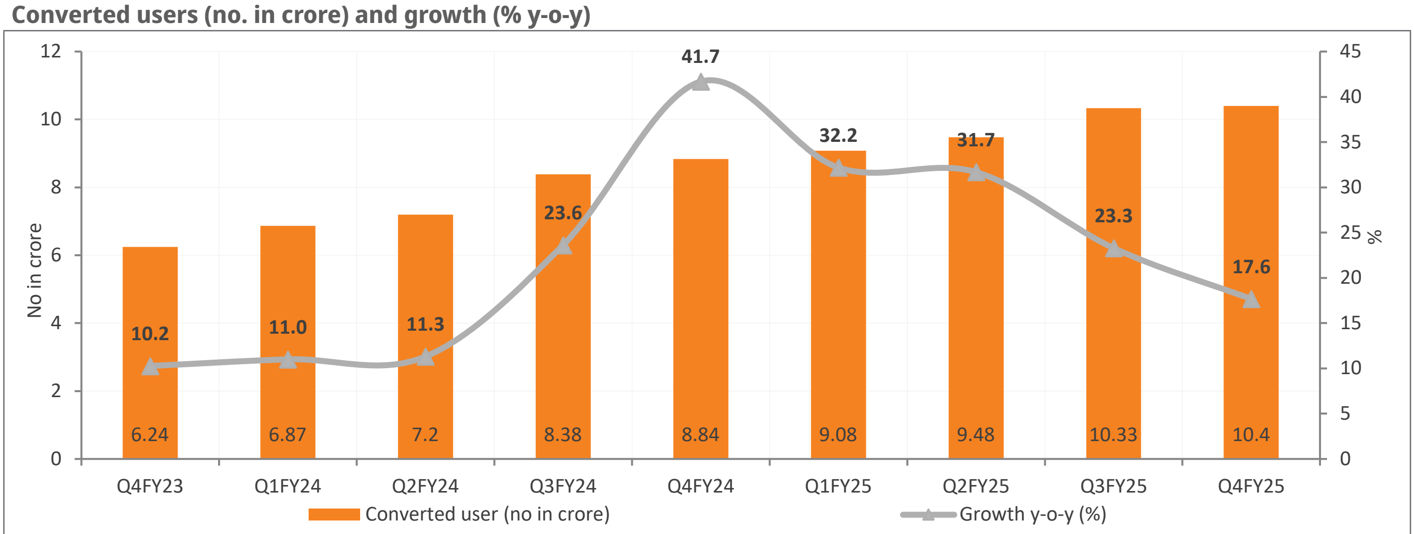
Source: Company; Mirae Asset Sharekhan Research

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 an 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 to 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 expects to deliver at least a 20% 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. 1,880

Q4 was decent despite seasonality. Company is on a strong growth trajectory as industry tailwinds remain intact. The company is aiming for an over 20% organic revenue growth in FY26, with a medium-term goal of 10x growth. We believe the company is on strong growth trajectory for fiscals ahead given a rise in global digital spends, a shift to performance-centric advertising, and increasing adoption of CTV and mobile e-commerce which are unlocking opportunities across key verticals and markets. We expect sales/PAT CAGR of 23%/24%, respectively, over FY25-FY27E. We maintain a Buy on Affle with an unchanged PT of Rs. 1,880. At CMP, the stock trades at 48.7/38.4x 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
Vipul Kedia	Chief Data and Platforms Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Gamnat Pte Ltd	4.91
2	ICICI Prudential Asset Management	3.24
3	Nippon Life India Asset Management	2.92
4	MALABAR INDIA FUND LTD	2.47
5	Franklin Resources Inc	2.37
6	ICICI Prudential Life Insurance Co	1.71
7	Sundaram Asset Management Co Ltd	1.61
8	Vanguard Group Inc/The	1.59
9	Aberdeen Group PLC	1.19
10	Monetary Authority Of Singapore	1.15

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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Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

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SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

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