Affle 3i Limited (AFFIND)

CMP: ₹ 1,587 | Target: ₹ 1,850 (17%) | Target Period: 12 months | BUY

May 13, 2025

Healthy broad-based growth...

About the stock: Affle 3i Ltd. (erstwhile Affle (India) Ltd.) is a global ad-tech company specializing in consumer intelligence and engagement solutions. It has built a strong presence in programmatic digital advertising for mobile devices with a differentiated Cost Per Converted User (CPCU) model.

Q4FY25 Performance: Affle in Q4FY25 reported revenues of ₹602.3 crore, up 19% YoY. EBITDA margin came at 22.2%, up ~289 bps YoY. PAT at ₹103 crore, was up 18% YoY. In FY25, the company reported revenue of ₹2,266.3 crore, up 23% YoY. EBITDA margin came at 21.3%, up ~180 bps YoY. PAT for FY25 stood at ₹382 crore, up 28.5% YoY.

Investment Rationale

- **Sustained growth momentum across key verticals and markets:** Growth was led by continued outperformance of its differentiated CPCU business model & favourable industry dynamics, with key verticals (E-F-G-H) maintaining strong momentum. Developed markets (71% of mix) grew 27% YoY while India & emerging markets (29% of mix) rose 16% YoY, reflecting broad-based momentum. **Management is confident of sustaining the strong business momentum in FY26 & beyond, targeting 20%+ organic revenue growth in FY26, with a medium-term vision of achieving ~10x growth in 10 years. We expect revenue to grow at a CAGR of 20.4% over FY25-27E, with EBITDA margins of 22.2%/23.2% in FY26E/FY27E.**
- **Focused roadmap for 10x decadal growth vision:** The company has reinforced its long-term strategy centered on Innovation, Impact, and Intelligence—shifting focus toward intelligence as a key growth lever for its 10x decadal growth including a target of 4 bn conversions. **Going ahead, we expect user conversions to grow at a CAGR of ~17.6% over FY25-27E with average CPCU growing at ~2.3% CAGR to ₹60.3 in FY27E.**
- **AI-driven intelligence to scale authentic productivity:** The company has trained 100 AI agents who would work in an interoperable & integrated way with 600+ Affle employees to enhance productivity & contribute to authentic intelligence. Moreover, new offerings like **Optics AI & CTV.ai** are expected to deliver hyper-personalised, localised, & contextual advertising at scale, enabling deeper user engagement and a **1000x expansion in the addressable advertiser base, with a target of onboarding over 1 mn advertisers this decade.**

Rating and Target Price

- Given the sustained revenue and conversions growth we believe going ahead growth in connected devices and online traffic position Affle well for sustained growth.
- **We maintain a positive view with a BUY rating, with target price of ₹1,850 (vs ₹1,780 earlier) at a multiple of 44x P/E (42x earlier) on FY27E EPS.**

affle

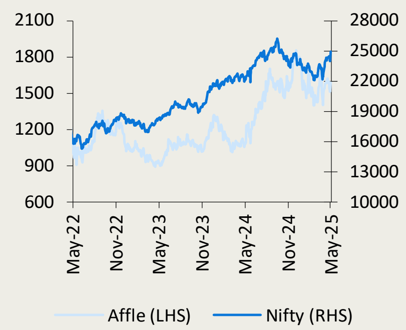
Particulars

₹ crore	Amount
Market Cap	21,147
Total Debt	77
Cash and Equiv.	1,392
EV (₹ Crore)	19,832
52 week H/L (₹)	1884/ 1050
Equity capital	28.1
Face value (₹)	2.0

Shareholding pattern

	Mar-24	Sep-24	Dec-24	Mar-25
Promoters	56.9	55.1	55.0	55.0
FII	14.8	15.6	16.5	16.1
DII	14.7	15.6	14.6	15.3
Others	13.6	13.8	13.9	13.6

Price Chart



Key risks

- Regulatory and data privacy risk
- Increase in competition

Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

CA Anjini Sharma
anjini.sharma@icicisecurities.com

Deep Thosani
deep.thosani@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ Crore	FY23	FY24	FY25	5 Year CAGR (FY20-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Net Sales	1,434	1,843	2,266	46.7%	2,726	3,283	20.4%
EBITDA	293	360	483	33.4%	604	763	25.7%
EBITDA Margins (%)	20.4	19.5	21.3		22.2	23.2	
Adjusted Net Profit	245	297	382	95.6%	458	587	24.0%
Adjusted EPS (₹)	18.4	21.9	27.2		32.6	41.8	
P/E	84.6	74.8	58.3		48.7	38.0	
RoNW (%)	16.7	11.9	13.0		13.4	14.7	
RoCE (%)	17.9	12.6	15.7		14.7	16.0	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Revenue Performance:** Affle in Q4FY25 reported revenues of ₹602.3 crore, up 0.1% QoQ/19% YoY. In FY25, the company reported revenue of ₹2,266.3 crore, up 23% YoY.
- **CPCU revenue, no. of conversion and CPCU:** Consumer Platform CPCU business (99.7% of revenue mix) recorded revenue of ₹600.7 crore, up 0.6% QoQ/ 19% YoY driven by increase in converted users by 0.7% QoQ/ 17.6% YoY to 104 mn users, while average CPCU came in flat QoQ & grew by 1.4% YoY to ₹57.8. For FY25, the CPCU business was up 28% YoY driven by growth in both converted users (+25.6% YoY at 393 million users) and average CPCU (up 2.3% YoY to ₹57.5).
- **Geography performance**: Geography wise, developed markets (29% of mix) outperformed and grew 9.7% QoQ and 27.3% YoY in Q4 while India & emerging markets (71% of mix) rose 16% YoY, reflecting broad-based momentum.
- **Margin performance**: EBITDA margin came at 22.2%, up ~40 bps QoQ. For FY25, EBITDA margin came at 21.3%, up ~180 bps YoY. Margins improved steadily, both YoY and QoQ aided by operational efficiencies through intelligent automation & AI-supported workflows.
- **AI/GenAI:** The company has **trained 100 AI agents** who would work in an interoperable & integrated way with 600+ Affle employees to enhance productivity & contribute to authentic intelligence. Moreover, **new offerings like Optics AI & CTV.ai are expected to deliver hyper-personalised, localised, & contextual advertising at scale, enabling deeper user engagement and a 1000x expansion in the addressable advertiser base, with a target of onboarding over 1 mn advertisers this decade.**
- **Potential partnerships:** Affle is optimistic about the potential for increased inventory and consumer engagement opportunities through partnerships with platforms like **Netflix** (in the capacity of a publisher/inventory source) who are planning on opening their platform for performance advertising.
- **Anti-trust (Google) ruling impact:** While the company acknowledges the impact of anti-trust rulings on the ad industry (Google), it believes these rulings will benefit non-walled garden platforms like Affle in the long run. Affle's diversified business model, focused on global emerging markets and various verticals, positions it well to navigate potential economic challenges, including a recession in the US.
- **Patent portfolio:** Affle has secured two new patents in India which previously granted to the company in the US, further strengthening its IP portfolio. **One of patent covers a method enabling app installations and interactions during podcasts through voice and gesture inputs, expanding engagement beyond screens**. **The second patent enhances fraud detection in app installs using machine learning to filter manipulated signals and identify behavioral anomalies.** Together, these innovations bolster the company's AI-powered marketing platform and deepen its focus on conversion-driven solutions for advertisers. **Affle holds total 36 Patents with 13 granted and 23 filed & pending.**
- **Marketing and promotion strategy:** Affle continues with active and aggressive selling measures across all regions to add new customers and logos, opening and unlocking new avenues of expansion through new use cases and innovations. **Management has guided that Affle's marketing and promotion expenses are projected to be 3%-3.5% of revenue in FY'25, with a target of 2% on the lower end.**
- **Guidance/Aspiration:** The management highlighted that as global digital spend continues to rise, the shift towards performance-centric advertising is becoming even more pronounced, unlocking robust growth opportunity across all of Affle's key verticals (E-F-G-H) and markets (Developed and Indian & Emerging). Management is confident of sustaining the strong

business momentum in FY26 & beyond, **targeting 20%+ organic revenue growth in FY26, with a medium-term vision of achieving 10x growth.**

- **M&A:** The management mentioned that they may consider, selective and carefully picked acquisition targets through this year.

Quarter Performance

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments	FY25	FY24	YoY (%)
Revenue	602.3	506.2	19.0	601.7	0.1	In Q4, converted users grew by 0.7% QoQ/ 17.6% YoY to 104 mn users, while average CPCU came in flat QoQ & grew by 1.4% YoY to ₹57.8. For FY25, converted users grew by 25.6% YoY to 393 million users and average CPCU was up 2.3% YoY to ₹57.5.	2,266.3	1,842.8	23.0
Employee expenses	58.3	60.0	-3.1	57.6	1.4		231.3	235.2	-1.7
Inventory & data costs	364.8	308.6	20.0	363.1	0.5		1,379.3	1,125.4	22.6
SG&A expenses	45.2	39.6	14.1	49.6	-9.0	Management has guided that Affle's marketing and promotion expenses are projected to be 3%-3.5% of revenue in FY'25, with a target of 2% on the lower end.	172.6	122.3	41.1
EBITDA	134.0	98.0	36.7	131.4	2.0		483.2	360.0	34.2
EBITDA Margin (%)	22.2	19.4	289 bps	21.8	41 bps		21.3	19.5	178 bps
Depreciation & amortisation	26.6	20.2	31.6	25.8	3.2		96.7	71.5	35.2
EBIT	107.4	77.8	38.1	105.6	1.7		386.5	288.5	34.0
Finance cost	2.4	4.9	-50.1	2.8	-12.5		12.6	18.9	-628 bps
EBIT Margin (%)	17.8	15.4	247 bps	17.6	28 bps		17.1	15.7	140 bps
Other income	18.9	27.3	-30.7	20.9	-9.6		93.8	57.2	63.9
PBT	123.9	100.2	23.7	123.7	0.1		467.6	326.8	43.1
Tax paid	20.8	12.7	64.2	23.5	-11.6		85.8	29.5	190.4
PAT	103.1	87.5	17.8	100.2	2.8		381.9	297.3	28.5

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	**1,843**	**2,266**	**2,726**	**3,283**
Growth (%)	28.5	23.0	20.3	20.4
COGS (employee and Inventory)	1,361	1,611	1,923	2,297
Other expenses	122	173	199	223
Total Operating Expenditure	1,483	1,783	2,122	2,520
EBITDA	**360**	**483**	**604**	**763**
Growth (%)	22.9	34.2	25.0	26.3
Depreciation	72	97	113	125
Other Income (net)	38	81	74	87
PBT	327	468	565	724
Total Tax	30	86	107	138
Reported PAT	**297**	**382**	**458**	**587**
Adjusted PAT	297	382	458	587
Growth (%)	21.5	28.5	19.9	28.2
Reported EPS	21.9	27.2	32.6	41.8
Adjusted EPS (₹)	21.9	27.2	32.6	41.8
Growth (%)	18.9	24.2	19.9	28.2

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	**327**	**468**	**565**	**724**
Add: Depreciation	72	97	113	125
(Inc)/dec in Current Assets	(173)	(50)	(159)	(193)
Inc/(dec) in CL and Provisions	101	61	485	222
Taxes paid	(34)	(74)	(107)	(138)
CF from operating activities	**262**	**426**	**823**	**654**
(Inc)/dec in Investments	(108)	128	84	95
(Inc)/dec in Fixed Assets	(469)	(241)	(166)	(200)
CF from investing activities	**(577)**	**(114)**	**(82)**	**(106)**
Interst expenses	(13)	(10)	(10)	(8)
Others	800	(81)	12	15
CF from financing activities	**783**	**(92)**	**2**	**7**
Net Cash flow	468	220	743	555
Exchange difference	-	-	-	-
Opening Cash	332	805	1,047	1,790
Closing Cash	805	1,047	1,790	2,346

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	28	28	28	28
Reserve and Surplus	2,470	2,918	3,376	3,963
Total Shareholders funds	2,498	2,946	3,404	3,991
Total Debt	178	77	89	105
Long term provisions	59	26	82	98
Deferred Tax Liability	10	10	325	392
Total non current liablity	70	36	407	491
Total Liabilities	**2,745**	**3,060**	**3,901**	**4,586**
Assets				
Property,plant and equipment	10	8	11	15
Goodwill	983	1,008	1,008	1,008
Intangibles	152	204	255	327
Intangible assets under development	98	111	111	111
Other assets	66	113	113	113
Cash	805	1,047	1,790	2,346
Bank	431	344	344	344
Trade receivables	317	299	359	433
Unbilled revenue	205	253	304	367
Prepayment & O.fin.assets	19	20	24	28
Other current assets	196	213	256	309
Total Current Assets	1,974	2,176	3,078	3,826
Trade payables	383	408	490	590
Unearned revenue	10	16	19	23
OCL & provisions	145	139	167	201
Total Current Liabilities	538	562	676	814
Net Current Assets	1,437	1,614	2,402	3,012
Application of Funds	**2,745**	**3,060**	**3,901**	**4,586**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Adjusted EPS	21.9	27.2	32.6	41.8
Cash EPS	26.3	34.1	40.7	50.7
BV	178.3	209.9	242.5	284.3
DPS	-	-	-	-
Cash Per Share	88.3	99.2	152.1	191.6
Operating Ratios (%)				
EBITDA margin	19.5	21.3	22.2	23.2
EBIT margin	15.7	17.1	18.0	19.4
PAT Margin	16.1	16.8	16.8	17.9
Debtor days	63	48	48	48
Unbilled revenue	41	41	41	41
Creditor days	78	68	68	68
Return Ratios (%)				
RoE	11.9	13.0	13.4	14.7
RoCE	12.6	15.7	14.7	16.0
RoIC	20.4	24.8	29.7	35.7
Valuation Ratios (x)				
P/E	74.8	58.3	48.7	38.0
EV / EBITDA	55.8	41.0	31.6	24.3
EV / Net Sales	10.9	8.8	7.0	5.7
Market Cap / Sales	11.5	9.3	7.8	6.4
Price to Book Value	8.9	7.6	6.5	5.6
Solvency Ratios				
Debt/EBITDA	0.5	0.2	0.1	0.1
Debt / Equity	0.1	0.0	0.0	0.0
Current Ratio	1.4	1.4	1.4	1.4
Quick Ratio	1.0	0.9	0.9	0.9

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, CFA, MBA (Finance), Anjini Sharma, CA, Deep Thosani, MBA (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report.