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Consistent execution keeps the growth engine buzzing!

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.

Q2FY26 Performance: Affle in Q2FY26 reported revenues of ₹646.7 crore, up 4.2% QoQ/ 19.1% YoY. EBITDA margins came at 22.6%, up ~10 bps QoQ and ~170 bps YoY. PAT at ₹110.5 crore, was up 4.8% QoQ/ 20% YoY.

Investment Rationale

- Sustained broad-based growth across geographies:** Affle reported 19% YoY revenue growth with robust traction across India (74% of mix; +20% YoY supported by early festive spending) and international markets (26% of mix; +16.8% YoY). **The ban on real money gaming did impact the company this quarter (expected to extend into Q3) but was offset by better demand and early festive spending. Converted users rose 1.5% QoQ/ 15% YoY to 109 million while CPCU remained stable at ₹58, underscoring strong advertiser demand despite temporary real money gaming impact. Moreover, management highlighted active evaluation of potential acquisitions and maintained its target of sustaining 20%+ annual organic revenue growth in medium term. We believe, festive spending in India & resilient developed-market pipelines position Affle for sustained double-digit growth momentum. Accordingly, we expect revenue to grow at a CAGR of 20.6% over FY25-28E.**
- Expanding margins and strong operating leverage:** EBITDA rose 29% YoY with margins improving to 22.6%, marking the sixth consecutive quarter of QoQ expansion. Efficiency gains, disciplined cost management, and higher operating leverage from scale contributed to profitability. With opex growth contained and sustainable margin levels guided, Affle remains well-placed to maintain profitable growth ahead. **We expect user conversions to grow at a CAGR of ~17.7% over FY25-28E to 641 mn users with average CPCU growing at ~2.3% CAGR to ₹61.6 in FY28E. We have baked in EBITDA margins of 22.5%/23.3%/24% in FY26E/FY27E/FY28E.**
- Strengthening competitive moat through AI-led innovation:** Affle continues to deepen its technology differentiation via continued investments in **Affle AI and hyper-contextual tools such as Niko - its new specialized AI agentic capability designed to automate and drive greater app growth for marketers across the iOS ecosystem.** The company also received two new US patents (total 16), reinforcing its IP-led edge.

Rating and Target Price

- AI led initiatives, combined with M&A to expand its Consumer Platform, bolster long-term scalability and competitive positioning. **We rollover to FY28E and maintain a positive view with a BUY rating, with target price of ₹2,300 (vs ₹2,130 earlier) at a multiple of 48x P/E on average of FY27E and FY28E EPS.**

Key Financial Summary

₹ Crore	FY23	FY24	FY25	5 Year CAGR (FY20-25)	FY26E	FY27E	FY28E	2 Year CAGR (FY25-27E)
Net Sales	1,434	1,843	2,266	46.7%	2,725	3,288	3,978	20.5%
EBITDA	293	360	483	33.4%	614	767	954	26.0%
EBITDA Margins (%)	20.4	19.5	21.3		22.5	23.3	24.0	
Adjusted Net Profit	245	297	382	95.6%	463	595	752	24.8%
Adjusted EPS (₹)	18.4	21.9	27.2		33.0	42.4	53.6	
P/E	102.4	90.5	70.6		58.2	45.3	35.8	
RoNW (%)	16.7	11.9	13.0		13.6	14.9	18.8	
RoCE (%)	17.9	12.6	15.7		14.7	16.1	19.9	

Source: Company, ICICI Direct Research



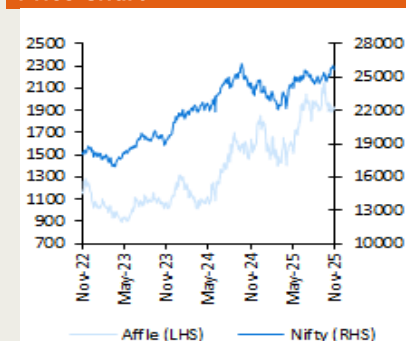
Particulars

₹ crore	Amount
Market Cap	25,578
Total Debt	77
Cash and Equiv.	1,392
EV (₹ Crore)	24,263
52 week H/L (₹)	2185 / 1246
Equity capital	28.1
Face value (₹)	2.0

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	55.0	55.0	55.0	55.0
FII	16.5	16.1	18.4	19.0
DII	14.6	15.3	13.8	14.7
Others	13.9	13.6	12.8	11.3

Price Chart



Key risks

- Lower than expected growth in converted users;
- Increase in competition

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Performance highlights and outlook

- **Revenue Performance:** Affle in Q2FY26 reported revenues of ₹646.7 crore, up 4.2% QoQ/ 19.1% YoY. **The ban on real money gaming did impact the company this quarter but was offset by better demand and early festive spending. The company indicated that issue continues during Q3 as well and is expected to have some impact in Q3 as well.**
- **CPCU revenue, no. of conversion and CPCU:** Consumer Platform CPCU business (97.7% of revenue mix) recorded revenue of ₹631.8 crore, up 16.4% YoY driven by an increase in converted users by 1.9% QoQ/ 15% YoY to **109 mn users**, while average CPCU was flat QoQ /up 1.6% YoY at **₹58**.
- **Geography performance:** Geography wise, both India (73.9% of mix) & International markets (26.1% of mix) grew by 20% YoY and 16.8% YoY respectively driven by deeper customer engagements and steady expansion in new account additions
- **Margin performance:** EBITDA margins came at 22.6%, up ~10 bps QoQ and ~170 bps YoY. PAT at ₹110.5 crore, was up 4.8% QoQ/ 20% YoY.
- **Client budgets rollover:** The management highlighted that they saw a risk-managed rollover of budgets from Q2 to festive Q3 from a few customers in the US.
- **Patent portfolio:** Affle has secured two new patents in US marking their 15th and 16th patent overall. **Affle holds total 36 Patents with 16 granted and 20 filed & pending.**
- **Guidance/Aspiration:** Management reiterated its target of sustaining 20%+ organic annual revenue growth in medium term, coupled with selective acquisitions, with a vision of achieving ~10x growth in 10 years. On the margins front, management's medium-term goal is of maintaining 23% EBITDA margin.
- **M&A:** The management mentioned that they are actively evaluation ~10 companies for inorganic expansion.

Quarter Performance

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
Revenue	646.7	542.9	19.1	620.7	4.2	In Q2, Consumer Platform CPCU business (97.7% of revenue mix) recorded revenue of ₹631.8 crore, up 16.4% YoY driven by an increase in converted users by 1.9% QoQ/ 15% YoY to 109 mn users, while average CPCU was flat QoQ /up 1.6% YoY at ₹58.
Employee expenses	63.2	56.7	12.5	60.9	4.1	
Inventory & data costs	396.1	331.5	21.4	378.0	5.3	
SG&A expenses	41.4	41.4	0.0	42.1	-1.7	
EBITDA	146.1	113.3	28.9	139.7	4.6	
EBITDA Margin (%)	22.6	20.9	172 bps	22.5	8 bps	
Depreciation & amortisation	31.9	25.1	27.1	25.9	23.3	
EBIT	114.2	88.2	29.5	113.9	0.3	
Finance cost	1.2	3.6	-67.3	1.8	-36.2	
EBIT Margin (%)	17.7	16.3	141 bps	18.3	-68 bps	
Other income	22.3	28.8	-22.7	17.2	29.7	
PBT	135.3	113.5	19.2	129.2	4.8	
Tax paid	24.8	21.5	15.4	23.7	4.8	
PAT	110.5	92.0	20.1	105.5	4.8	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Total operating Income	1,843	2,266	2,725	3,288	3,978
Growth (%)	28.5	23.0	20.3	20.7	21.0
COGS (employee and Inventory)	1,361	1,611	1,926	2,301	2,769
Other expenses	122	173	185	220	255
Total Operating Expenditure	1,483	1,783	2,111	2,521	3,024
EBITDA	360	483	614	767	954
Growth (%)	22.9	34.2	27.1	25.0	24.3
Depreciation	72	97	121	128	132
Other Income (net)	38	81	76	95	106
PBT	327	468	569	734	928
Total Tax	30	86	106	140	176
Reported PAT	297	382	463	595	752
Adjusted PAT	297	382	463	595	752
Growth (%)	21.5	28.5	21.2	28.5	26.4
Reported EPS	21.9	27.2	33.0	42.4	53.6
Adjusted EPS (₹)	21.9	27.2	33.0	42.4	53.6
Growth (%)	18.9	24.2	21.2	28.5	26.4

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Profit after Tax	327	468	569	734	928
Add: Depreciation	72	97	121	128	132
(Inc)/dec in Current Assets	(173)	(50)	(159)	(195)	(239)
Inc/(dec) in CL and Provisions	101	61	485	224	274
Taxes paid	(34)	(74)	(106)	(140)	(176)
CF from operating activities	262	426	834	657	813
(Inc)/dec in Investments	(108)	128	81	101	112
(Inc)/dec in Fixed Assets	(469)	(241)	(166)	(201)	(243)
CF from investing activities	(577)	(114)	(85)	(100)	(131)
Interst expenses	(13)	(10)	(5)	(6)	(6)
Others	800	(81)	12	16	(752)
CF from financing activities	783	(92)	7	10	(758)
Net Cash flow	468	220	756	567	(75)
Exchange difference	-	-	-	-	-
Opening Cash	332	805	1,047	1,803	2,370
Closing Cash	805	1,047	1,803	2,370	2,295

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Equity Capital	28	28	28	28	28
Reserve and Surplus	2,470	2,918	3,381	3,976	3,976
Total Shareholders funds	2,498	2,946	3,409	4,004	4,004
Total Debt	178	77	89	105	105
Long term provisions	59	26	82	99	119
Deferred Tax Liability	10	10	325	393	475
Total non current liability	70	36	407	491	594
Total Liabilities	2,745	3,060	3,906	4,600	4,703
Assets					
Property, plant and equipment	10	8	11	14	5
Goodwill	983	1,008	1,008	1,008	1,008
Intangibles	152	204	248	317	137
Intangible assets under development	98	111	111	111	111
Other assets	66	113	113	113	113
Cash	805	1,047	1,803	2,370	2,594
Bank	431	344	344	344	344
Trade receivables	317	299	359	433	524
Unbilled revenue	205	253	304	367	444
Prepayment & O.fin.assets	19	20	24	29	34
Other current assets	196	213	256	309	374
Total Current Assets	1,974	2,176	3,091	3,852	4,315
Trade payables	383	408	490	591	715
Unearned revenue	10	16	19	23	28
OCL & provisions	145	139	167	201	243
Total Current Liabilities	538	562	676	816	987
Net Current Assets	1,437	1,614	2,415	3,037	3,329
Application of Funds	2,745	3,060	3,906	4,600	4,703

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Per share data (₹)					
Adjusted EPS	21.9	27.2	33.0	42.4	53.6
Cash EPS	26.3	34.1	41.6	51.5	63.0
BV	178.3	209.9	242.9	285.3	285.3
DPS	-	-	-	-	-
Cash Per Share	88.3	99.2	153.0	193.4	209.4
Operating Ratios (%)					
EBITDA margin	19.5	21.3	22.5	23.3	24.0
EBIT margin	15.7	17.1	18.1	19.4	20.7
PAT Margin	16.1	16.8	17.0	18.1	18.9
Debtor days	63	48	48	48	48
Unbilled revenue	41	41	41	41	41
Creditor days	78	68	68	68	68
Return Ratios (%)					
RoE	11.9	13.0	13.6	14.9	18.8
RoCE	12.6	15.7	14.7	16.1	19.9
RoIC	20.4	24.8	29.9	36.0	49.7
Valuation Ratios (x)					
P/E	90.0	70.2	57.9	45.1	35.7
EV / EBITDA	67.8	50.0	38.1	29.8	23.7
EV / Net Sales	13.2	10.7	8.6	6.9	5.7
Market Cap / Sales	13.8	11.2	9.3	7.7	6.4
Price to Book Value	10.7	9.1	7.9	6.7	6.7
Solvency Ratios					
Debt/EBITDA	0.5	0.2	0.1	0.1	0.1
Debt / Equity	0.1	0.0	0.0	0.0	0.0
Current Ratio	1.4	1.4	1.4	1.4	1.4
Quick Ratio	1.0	0.9	0.9	0.9	0.9

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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