

CMP: ₹ 1,630

Target: ₹ 2,060 (26%)

Target Period: 12 months

BUY

February 3, 2026

Steady quarter; Healthy Outlook!

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.

Q3FY26 Performance: Affle reported revenues of ₹717.5 crore, up 10.9% QoQ/ 19.2% YoY. EBITDA margins came at 22.7%, up ~10 bps QoQ and ~90 bps YoY. PAT at ₹119.3 crore, was up 8% QoQ/ 19% YoY despite lower other income.

Investment Rationale

- CPCU model scaling with strong unit economics:** Affle delivered +19.2% YoY growth led by the CPCU platform (99.5% of mix). Growth was broad-based across geographies (India +19.8% YoY, International +17.8% YoY), indicating diversified advertiser demand and resilience across markets. Notably, Q3 saw full quarter impact from real money gaming ban which was offset by broad-based demand across focus verticals. **Management expects Q4 revenue to be marginally positive/ flattish vs. Q3 and remains confident of sustained growth momentum into FY27 to achieve their Affle 3i 10x growth vision.** Accordingly, we expect revenue to grow at a CAGR of 20% over FY26-28E.
- Consistent margin expansion backed by productivity & platform leverage:** Margins expanded despite wage hikes due to largely flat employee benefit expenses QoQ owing to productivity gains & efficiencies from AI automation. **Converted users rose to 119.7 million (+9.8% QoQ / +15.9% YoY) while avg. CPCU improved to ₹59.6 (+2.8% QoQ / +3.1% YoY), driven by verticalization & targeting premium users.** ~10% of data & inventory spends are strategic investments toward future verticalization in international markets, indicating growth investments being made without compromising profitability discipline. **We expect user conversions to grow at a CAGR of ~16.7% over FY26-28E to 620 mn users with avg. CPCU growing at ~3% CAGR to ₹62.3 in FY28E.** We have baked in EBITDA margins of 22.5%/23%/23.5% in FY26E/FY27E/FY28E.
- Multi-year growth runway from international scale-up & strategic M&A:** Affle is investing to unlock higher growth in developed and international markets via deeper vertical intelligence, expanded leadership presence, and a calibrated inorganic strategy. Shortlisted acquisition targets (4-5 companies) are aimed at gaining on-ground sales access and accelerating cross-sell of Affle's platform, creating a flywheel of inorganic entry plus organic monetization. Rising digital ad spends, CTV adoption, AI-driven ad inventory growth, and Affle's privacy-compliant positioning together provide a long runway for compounding growth.

Rating and Target Price

- Management's internal KPI structure prioritizing revenue plus faster EBITDA growth reinforces visibility of sustained margin expansion alongside growth. **Given the steady overall performance, we maintain BUY rating, with target price of ₹2,060 (vs ₹2,300 earlier) at a multiple of 40x P/E on FY28E EPS.**

Key Financial Summary

₹ Crore	FY23	FY24	FY25	5 Year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Net Sales	1,434	1,843	2,266	46.7%	2,704	3,248	3,894	19.8%
EBITDA	293	360	483	33.4%	609	748	914	24.4%
EBITDA Margins (%)	20.4	19.5	21.3		22.5	23.0	23.5	
Adjusted Net Profit	245	297	382	95.6%	453	568	722	22.0%
Adjusted EPS (₹)	18.4	21.9	27.2		32.3	40.5	51.4	
P/E	85.6	75.6	59.0		49.7	39.7	31.2	
RoNW (%)	16.7	11.9	13.0		13.3	14.3	18.2	
RoCE (%)	17.9	12.6	15.7		14.4	15.5	19.3	

Source: Company, ICICI Direct Research



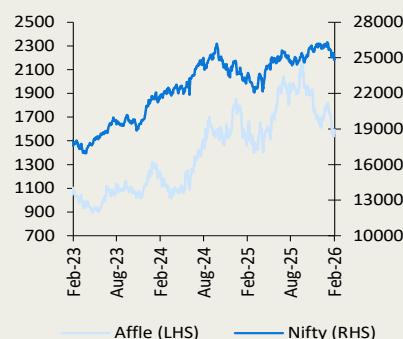
Particulars

₹ crore	Amount
Market Cap	21,720
Total Debt	77
Cash and Equiv.	1,392
EV (₹ Crore)	20,405
52 week H/L (₹)	2185 / 1246
Equity capital	28.1
Face value (₹)	2.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	55.0	55.0	55.0	54.9
FII	16.1	18.4	19.0	17.8
DII	15.3	13.8	14.7	16.4
Others	13.6	12.8	11.3	10.9

Price Chart



Key risks

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

Research Analyst

Blupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

CA Anjini Sharma
anjini.sharma@icicisecurities.com

Performance highlights and outlook

- **Revenue Performance:** Affle in Q3FY26 reported revenues of ₹717.5 crore, up 10.9% QoQ/ 19.2% YoY. Notably, Q3 saw full quarter impact from real money gaming ban which was offset by broad-based demand across focus verticals.
- **CPCU revenue, no. of conversion and CPCU:** Converted users rose to **119.7 million** (+9.8% QoQ / +15.9% YoY) while average CPCU improved to **₹59.6** (+2.8% QoQ / +3.1% YoY), driven by verticalization and targeting of premium users
- **Geography performance:** Geography wise, both India (73.9% of mix) & International markets (26.1% of mix) grew by 19.8% YoY and 17.8% YoY respectively.
- **Margin performance:** EBITDA margins came at 22.7%, up ~10 bps QoQ and ~90 bps YoY. PAT at ₹119.3 crore, was up 8% QoQ/ 19% YoY despite lower other income.
- **Patent portfolio:** Affle holds total 39 Patents with 16 granted and 23 filed & pending.
- **Guidance/Aspiration:** Management aims to sustain its 20%+ organic revenue growth target and expects Q4 revenue to be marginally positive/ flattish vs. Q3 and remains confident of sustained growth momentum into FY27 to achieve their Affle 3i 10x growth vision. Management reiterated its target of sustaining 20%+ organic annual revenue growth in medium term. On the margins front, management's medium-term goal is of maintaining 23-25% EBITDA margin.
- **M&A:** The M&A strategy is focused on "verticalization" across three dimensions: ad industry verticals (EFGH categories), ad tech stack (demand to device), and consumer data/personas. The management mentioned that they have narrowed the pool of companies being evaluated for inorganic expansion and are currently carrying out the due diligence for 4-5 companies. Management noted that it shall undertake meaningfully sized transactions in 2026, 2028, and 2030, with the playbook remaining similar to past acquisitions, focusing on valuation multiples and unlocking synergies.

Exhibit 1: Quarter Performance

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Revenue	717.5	601.7	19.2	646.7	10.9	In Q3, Consumer Platform CPCU business (99.5% of revenue mix) recorded revenue of ₹713.9 crore, up 19.6% YoY driven by an increase in converted users by 9.8% QoQ/ 15.9% YoY to 119.7 mn users, while average CPCU was up 2.8% QoQ /up 3.1% YoY at ₹59.6.
Employee expenses	63.7	57.6	11.7	63.2	1.0	
Inventory & data costs	447.4	363.1	25.6	396.1	14.2	
SG&A expenses	43.3	49.6	-12.7	41.4	4.7	
EBITDA	163.0	131.4	24.1	146.1	11.6	
EBITDA Margin (%)	22.7	21.8	89 bps	22.6	13 bps	
Depreciation & amortisation	33.2	25.8	28.9	31.9	4.1	
EBIT	129.9	105.6	22.9	114.2	13.7	
Finance cost	1.3	2.8	-54.9	1.2	7.9	
EBIT Margin (%)	18.1	17.6	54 bps	17.7	44 bps	
Other income	17.5	20.9	-16.2	22.3	-21.3	
PBT	146.1	123.7	18.1	135.3	8.0	
Tax paid	26.8	23.5	14.0	24.8	8.0	
PAT	119.3	100.2	19.1	110.5	8.0	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY26E			FY27E			FY28E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	2,725	2,704	-0.8	3,288	3,248	-1.2	3,978	3,894	-2.1
EBITDA	614	609	-0.8	767	748	-2.5	954	914	-4.2
EBITDA Margin (%)	22.5	22.5	0 bps	23.3	23.0	-30 bps	24.0	23.5	-50 bps
PAT	463	453	-2.2	595	568	-4.5	752	722	-4.0
Diluted EPS (₹)	33.0	32.3	-2.2	42.4	40.5	-4.5	53.6	51.4	-4.0

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement				₹ crore
(Year-end March)	FY25	FY26E	FY27E	FY28E
Total operating Income	2,266	2,704	3,248	3,894
Growth (%)	23.0	19.3	20.1	19.9
COGS (employee and Inventory)	1,611	1,925	2,286	2,727
Other expenses	173	170	214	253
 Total Operating Expenditure	1,783	2,095	2,500	2,980
EBITDA	483	609	748	914
Growth (%)	34.2	26.1	22.8	22.2
Depreciation	97	123	132	136
Other Income (net)	81	69	85	113
PBT	468	556	701	891
Total Tax	86	103	133	169
Reported PAT	382	453	568	722
Adjusted PAT	382	453	568	722
Growth (%)	28.5	18.6	25.4	27.1
Reported EPS	27.2	32.3	40.5	51.4
Adjusted EPS (₹)	27.2	32.3	40.5	51.4
Growth (%)	24.2	18.6	25.4	27.1

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement					₹ crore
(Year-end March)	FY25	FY26E	FY27E	FY28E	
Profit after Tax	468	556	701	891	
Add: Depreciation	97	123	132	136	
(Inc)/dec in Current Assets	(50)	(152)	(188)	(224)	
Inc/(dec) in CL and Provisions	61	477	216	257	
Taxes paid	(74)	(103)	(133)	(169)	
CF from operating activities	426	831	643	778	
(Inc)/dec in Investments	128	75	91	119	
(Inc)/dec in Fixed Assets	(241)	(165)	(198)	(238)	
CF from investing activities	(114)	(90)	(107)	(119)	
Interest expenses	(10)	(6)	(6)	(6)	
Others	(81)	12	15	(722)	
CF from financing activities	(92)	6	9	(728)	
Net Cash flow	220	748	545	(68)	
Exchange difference	-	-	-	-	
Opening Cash	805	1,047	1,795	2,340	
Closing Cash	1,047	1,795	2,340	2,271	

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				₹ crore
(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity Capital	28	28	28	28
Reserve and Surplus	2,918	3,371	3,939	3,939
Total Shareholders funds	2,946	3,399	3,967	3,967
Total Debt	77	89	104	104
Long term provisions	26	81	97	117
Deferred Tax Liability	10	323	388	465
Total non current liability	36	404	485	582
Total Liabilities	3,060	3,892	4,557	4,653
Assets				
Property, plant and equipment	8	10	14	4
Goodwill	1,008	1,008	1,008	1,008
Intangibles	204	244	307	128
Intangible assets under development	111	111	111	111
Other assets	113	113	113	113
Cash	1,047	1,795	2,340	2,562
Bank	344	344	344	344
Trade receivables	299	356	428	513
Unbilled revenue	253	302	363	435
Prepayment & O.fin.assets	20	23	28	34
Other current assets	213	254	305	366
Total Current Assets	2,176	3,075	3,808	4,254
Trade payables	408	486	584	700
Unearned revenue	16	19	23	27
OCL & provisions	139	166	199	238
Total Current Liabilities	562	671	806	966
Net Current Assets	1,614	2,405	3,003	3,288
Application of Funds	3,060	3,892	4,557	4,653

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Adjusted EPS	27.2	32.3	40.5	51.4
Cash EPS	34.1	41.0	49.9	61.1
BV	209.9	242.2	282.7	282.7
DPS	-	-	-	-
Cash Per Share	99.2	152.4	191.2	207.1
Operating Ratios (%)				
EBITDA margin	21.3	22.5	23.0	23.5
EBIT margin	17.1	18.0	19.0	20.0
PAT Margin	16.8	16.7	17.5	18.5
Debtor days	48	48	48	48
Unbilled revenue	41	41	41	41
Creditor days	68	68	68	68
Return Ratios (%)				
RoE	13.0	13.3	14.3	18.2
RoCE	15.7	14.4	15.5	19.3
RoIC	24.8	29.6	35.0	47.6
Valuation Ratios (x)				
P/E	59.0	49.7	39.7	31.2
EV / EBITDA	41.5	31.7	25.1	20.3
EV / Net Sales	8.9	7.2	5.8	4.8
Market Cap / Sales	9.4	7.9	6.6	5.5
Price to Book Value	7.6	6.6	5.7	5.7
Solvency Ratios				
Debt/EBITDA	0.2	0.1	0.1	0.1
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.4	1.4	1.4	1.4
Quick Ratio	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%



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

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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. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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