

## Strong performance...

**About the stock:** Affle India (Affle) is a technology platform that enables advertisers to do targeted advertising.

- It helps advertisers to measure the effectiveness of advertisement as it charges only when a user downloads an app or completes a transaction
- As on FY22, 99.1% business comes from consumer platforms while the rest comes from enterprise platforms

**Q1FY23 Results:** Affle reported strong Q1FY23 numbers.

- Converted users grew 9.4% driving 10.3% QoQ revenue growth
- EBITDA margin increased ~120 bps QoQ to 19.8%
- International revenue contributed 69.8% of the revenue mix

**What should investors do?** Affle's share price has grown by ~6.3x since listing [from ~₹ 174 (adjusted for split) in August 2019 to ~₹ 1104 levels in August 2022].

- We maintain **BUY** rating on the stock

**Target Price and Valuation:** We value Affle at ₹ 1,295 i.e. 53x P/E on FY24E EPS

**Key triggers for future price performance:**

- Key beneficiary of a shift of advertising budget to digital medium
- Six billion connected consumer devices to be added globally by 2025
- Significant increase in India's digital user base from 525 million (mn) in FY20 to 902 mn by FY25E at 11.4% CAGR while mobile ad spend is expected to rise at 32.4% CAGR in the same period
- We expect 32% revenue growth in FY22-24E (organic & inorganic combined)

**Alternate Stock Idea:** Apart from Affle, in our IT coverage we also like Persistent

- Consistent growth aided by continued strong TCV and inorganic opportunities
- BUY with a target price of ₹ 4200



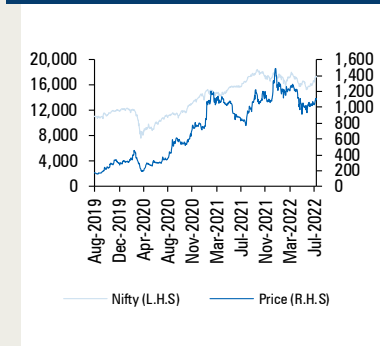
### Particulars

Particular	Amount
Market Cap(₹ Crore)	14,711
Total Debt	148.4
Cash and Invest (₹ Crore)	605
EV (₹ Crore)	14,255
52 week H/L	1511/768
Equity capital	26.7
Face value	2.0

### Shareholding pattern

	Sep-21	Dec-21	Mar-22	Jun-22
Promoters	59.9	59.9	59.9	59.9
FII	16.1	15.7	15.4	14.7
DII	6.4	6.6	6.4	7.5
Others	17.6	17.9	18.3	17.9

### Price Chart



### Recent event & key risks

- Continued strong growth in converted users
- **Key Risk:** (i) Adverse regulations on data/user privacy (ii) Lower-than-expected consolidated margins

### Research Analyst

Sameer Pardikar  
sameer.pardikar@icicisecurities.com

## Key Financial Summary

₹ Crore	FY20	FY21	FY22	4 Year CAGR (FY18-22)	FY23E	FY24E	2 Year CAGR (FY22-24E)
Net Sales	334	517	1,082	59.5%	1,460	1,884	32.0%
EBITDA	88	130	213	47.1%	314	424	41.0%
EBITDA Margins (%)	26.3	25.2	19.7		21.5	22.5	
Adjusted Net Profit	65	103	214	66.5%	244	326	23.4%
Adjusted EPS (₹)	5.1	8.1	16.1		18.3	24.5	
P/E	214.8	104.2	68.5		60.1	45.1	
RoNW (%)	28.2	28.7	18.1		17.1	18.6	
RoCE (%)	26.2	25.8	17.3		16.9	18.2	

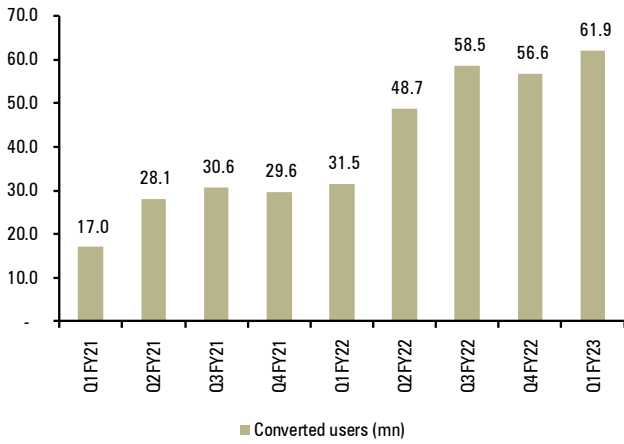
Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

- Converted users increased 9.4% QoQ to 61.9 million (mn) (up 96.5% YoY) while average cost per converted user (CPCU) increased 2% QoQ (up 24% YoY) to ₹ 52.1 resulting in 11.5% QoQ growth in consumer CPCU business revenue at ₹ 322.5 crore (up 144% YoY)
- At the company level (consumer+ enterprise), it reported revenues of ₹ 347.5 crore for the quarter, up 10.3% QoQ and 127.9% YoY. The company indicated that 45% revenue growth on a YoY basis was organic while the rest has come from the inorganic route
- EBITDA margins of the company were up ~130 bps QoQ to 19.8%. Despite strong growth, margin expansion was limited due to 10% QoQ increase in inventory and data costs
- The company had indicated that Jampp EBITDA margins have reached 10% now vs. 0% a year ago and its contribution to EBITDA (absolute) in Q1 was less than 20%. The company mentioned that Jampp margins have been getting scaled up as per expectations. Affle continue to maintain that two years from now, it expects Jampp's margins to be closer to the company's EBITDA margins.
- The company's consumer platform business contributed 99.3% of the quarter's revenue while the enterprise platform business contributed 0.7% of revenue
- Affle's International business contributed 69.8% of revenue mix for the quarter while India business contributed 30.2% of the revenue. The company also indicated that one of the factors behind increasing contribution of the international business is due to some of their clients having closed their India operations and wanting the company (Affle) to bill them from their international entities
- Affle indicated that its investment across platform & product is contributing to the growth of the company. It indicated that Affle 2.0 will focus on Vernacular & Verticalisation with increase of OEM & operation level partnership for deeper verticalisation for increased advertisement revenue across E, F, G & H verticals
- The company indicated that macroeconomic factors are expected to have minimum impact on the business operations of the company as i) its business model is RoI linked where advertisers have comfort on reaching their advertisement to the targeted user base, ii) the company's targeted advertisers are largely from emerging markets and it has zero/marginal exposure to Europe/US market
- Affle indicated that Google's proposed policy on blocking third party cookies on browser has been deferred to 2024. The company says its business will not witness any impact due to the policy as its business model is app linked, not browser related. Affle also indicated that recent Google play store policy to block full screen ads has been targeted to the gaming section only to enhance user experience and Gaming forms <10% of its vertical mix
- The company indicated that the long term growth prospects in emerging markets remain high as there is accelerated push for digitisation and Affle's niche in android, which covers 90-95% of the mobile & connected devices market. The company maintained that the digital advertising market is expected to grow in the range of 25-30% and it expects it to outpace industry growth
- Regarding Bobble divestment where it is currently holding 27% stake, it indicated that divestment is aimed to keep its cash position healthy and also giving opportunity to other investors to invest as Affle would like to be a significant minority shareholder and does not wish to hold more than 20% stake

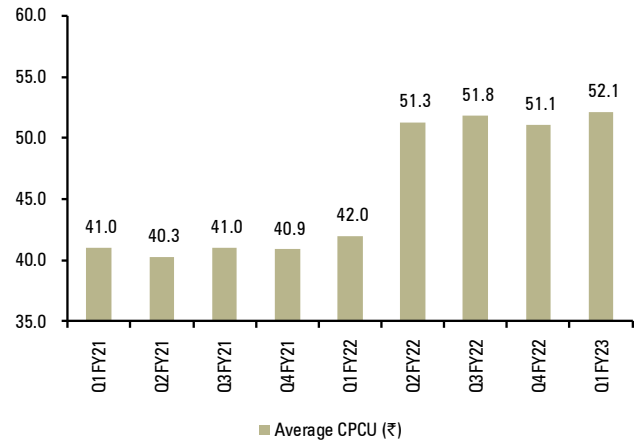
### Key Metrics

Exhibit 1: Converted users trend



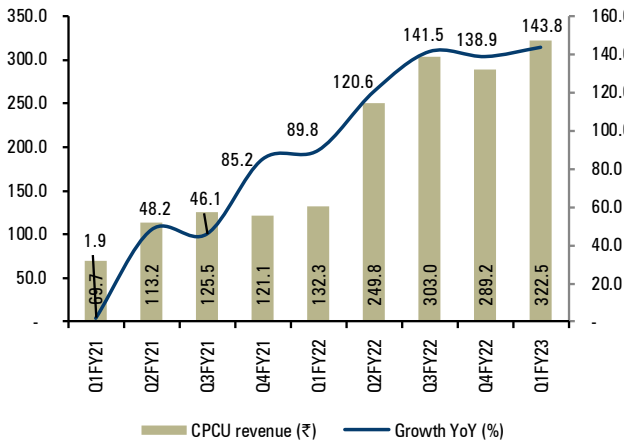
Source: Company, ICICI Direct Research

Exhibit 2: Average CPCU



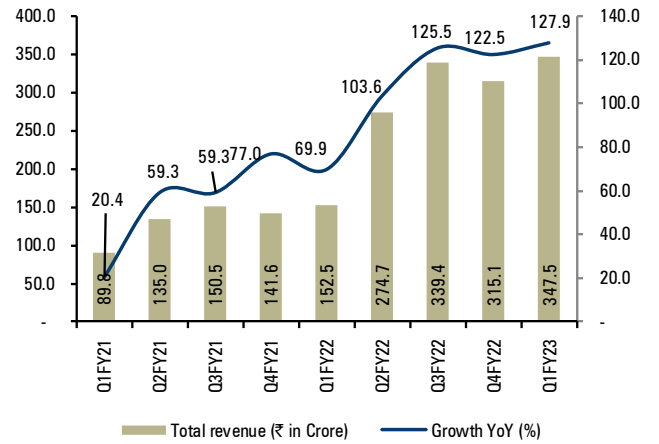
Source: Company, ICICI Direct Research

Exhibit 3: CPCU revenue with YoY growth



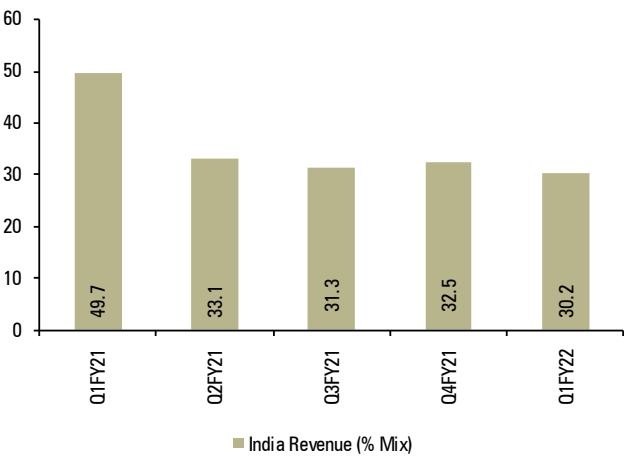
Source: Company, ICICI Direct Research

Exhibit 4: Total revenue with YoY growth



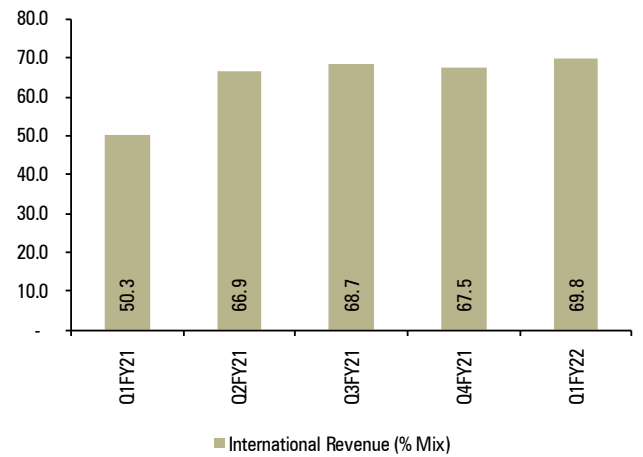
Source: Company, ICICI Direct Research

Exhibit 5: India revenue mix (%)



Source: Company, ICICI Direct Research

Exhibit 6: International revenue mix (%)



Source: Company, ICICI Direct Research

**Exhibit 1: P&L**

	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Revenue	347.5	152.5	127.9	315.1	10.3	Highest quarterly revenue led by highest conversion of 61.9 mn users
Employee expenses	43.1	18.8	142.3	42.4	1.8	
Gross Margin	304.4	133.7	127.6	272.7	11.6	
Gross margin (%)	87.6	87.7	-8 bps	86.5	106 bps	
SG&A expenses	235.7	98.6	139.1	214.3	10.0	
EBITDA	68.7	35.1	95.6	58.4	17.6	
EBITDA Margin (%)	19.8	23.0	-326 bps	18.5	123 bps	Margin increased due to lower employee cost & lower inventory & data cost
Depreciation & amortisation	9.3	5.2	78.7	9.3	-0.4	
EBIT	59.4	29.9	98.6	49.0	21.0	
Finance cost	2.2	1.4	55.8	1.6	34.4	
EBIT Margin (%)	17.1	19.6	-252 bps	15.6	152 bps	
Other income (less interest)	6.8	12.7	-46.7	28.8	-76.5	
PBT	64.0	41.2	55.2	76.3	-16.1	
Tax paid	9.0	5.3	69.3	7.6	18.7	
PAT	55.0	35.9	53.2	68.7	-20.0	PAT was impacted by lower other income

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
(₹ Crore)							
Revenue	1,460	1,460	0.0	1,884	1,884	0.0	
EBITDA	314	314	0.0	424	424	0.0	
EBITDA Margin	21.5	21.5	0 bps	22.5	22.5	0 bps	
PAT	270	244	-9.7	352	326	-7.4	Other income aligned to current run rate
EPS (₹)	20.3	18.3	-9.7	22.3	24.5	-7.4	

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 3: Profit & loss statement (₹ crore)				
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Total operating Income</b>	<b>517</b>	<b>1,082</b>	<b>1,460</b>	<b>1,884</b>
Growth (%)	54.8	135.0	35.0	29.0
COGS (employee and Inventory)	352	809	1,073	1,366
Other expenses	35	60	73	94
<b>Total Operating Expenditure</b>	<b>387</b>	<b>869</b>	<b>1,146</b>	<b>1,460</b>
<b>EBITDA</b>	<b>130</b>	<b>213</b>	<b>314</b>	<b>424</b>
Growth (%)	48.3	63.6	47.3	35.0
Depreciation	20	32	55	72
Other Income (net)	37	64	23	23
PBT	148	245	281	375
Total Tax	13	30	37	49
Reported PAT	135	214	244	326
<b>Adjusted PAT</b>	<b>103</b>	<b>214</b>	<b>244</b>	<b>326</b>
Growth (%)	59.5	107.5	14.2	33.4
<b>Reported EPS</b>	<b>10.6</b>	<b>16.2</b>	<b>18.3</b>	<b>24.5</b>
<b>Adjusted EPS (₹)</b>	<b>8.1</b>	<b>16.1</b>	<b>18.3</b>	<b>24.5</b>
Growth (%)	59.5	98.6	14.2	33.4

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement (₹ crore)				
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	148	245	281	375
Add: Depreciation	20	32	55	72
(Inc)/dec in Current Assets	(62)	(171)	(191)	(154)
Inc/(dec) in CL and Provisions	45	161	123	181
Taxes paid	(12)	(28)	(37)	(49)
<b>CF from operating activitie</b>	<b>102</b>	<b>206</b>	<b>210</b>	<b>402</b>
(Inc)/dec in Investments	30	(243)	30	30
(Inc)/dec in Fixed Assets	(162)	(366)	(89)	(115)
<b>CF from investing activitie</b>	<b>(175)</b>	<b>(556)</b>	<b>(59)</b>	<b>(85)</b>
Interst expenses	(2)	(3)	(7)	(7)
Others	57	619	(20)	29
<b>CF from financing activitie</b>	<b>53</b>	<b>615</b>	<b>(27)</b>	<b>22</b>
Net Cash flow	(20)	267	123	339
Exchange difference	-	-	-	1
Opening Cash	70	49	316	439
<b>Closing Cash</b>	<b>49</b>	<b>316</b>	<b>439</b>	<b>779</b>

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet (₹ crore)				
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	25	27	27	27
Reserve and Surplus	334	1,153	1,398	1,724
Total Shareholders funds	359	1,179	1,424	1,751
Total Debt	117	148	128	158
Long term provisions	109	124	146	188
Deferred Tax Liability	1	6	7	9
Total non current liability	110	130	153	198
<b>Total Liabilities</b>	<b>586</b>	<b>1,457</b>	<b>1,706</b>	<b>2,106</b>
<b>Assets</b>				
Property, plant and equipment	3	3	4	6
Goodwill	315	616	616	616
Intangibles	42	80	112	153
Intangible assets under developm	40	42	42	42
Other assets	101	142	142	142
Cash	49	316	439	779
Bank	14	288	288	288
Trade receivables	108	235	305	393
Unbilled revenue	53	76	149	192
Prepayment & O.fin.assets	20	6	57	73
Other current assets	7	22	19	25
Total Current Assets	251	943	1,257	1,750
Trade payables	126	256	356	459
Unearned revenue	6	4	17	21
OCL & provisions	34	109	97	125
Total Current Liabilities	166	369	469	605
Net Current Assets	85	573	788	1,145
<b>Application of Funds</b>	<b>586</b>	<b>1,457</b>	<b>1,706</b>	<b>2,106</b>

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Per share data (₹)</b>				
Adjusted EPS	8.1	16.1	18.3	24.5
Cash EPS	12.1	18.5	22.5	29.9
BV	28.2	88.5	106.9	131.4
DPS	-	-	-	-
Cash Per Share	5.0	45.4	54.6	80.1
<b>Operating Ratios (%)</b>				
EBITDA margin	25.2	19.7	21.5	22.5
EBIT margin	21.4	16.7	17.7	18.7
PAT Margin	19.9	19.8	16.7	17.3
Debtor days	76	79	76	76
Unbilled revenue	37	26	37	37
Creditor days	93	88	93	93
<b>Return Ratios (%)</b>				
RoE	28.7	18.1	17.1	18.6
RoCE	25.8	17.3	16.9	18.2
RoIC	22.9	22.3	27.6	35.4
<b>Valuation Ratios (x)</b>				
P/E	104.2	68.5	60.1	45.1
EV / EBITDA	113.3	66.9	44.9	32.6
EV / Net Sales	28.6	13.2	9.7	7.3
Market Cap / Sales	28.5	13.6	10.1	7.8
Price to Book Value	39.2	12.5	10.3	8.4
<b>Solvency Ratios</b>				
Debt/EBITDA	0.9	0.7	0.4	0.4
Debt / Equity	0.3	0.1	0.1	0.1
Current Ratio	1.1	0.9	1.1	1.1
Quick Ratio	0.8	0.7	0.8	0.8

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavors 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](mailto:pankaj.pandey@icicisecurities.com)**

**ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)**

## ANALYST CERTIFICATION

I/We, Sameer Pardikar, MBA, 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. 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](http://www.icicibank.com).

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](http://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.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.