

In Q3FY24, Affle reported a robust performance, achieving its highest-ever quarterly revenue run rate, highest EBITDA, consumer conversions, and CPCU. This success comes amid the turnaround in the developed markets and signs of improvement in the macro situation.

- Revenue at INR 4,987 Mn, +32.6% yoy / +15.6% qoq
- EBITDA at INR 967 Mn, +20.3% yoy / +10.8% qoq
- EBITDA margin at 19.4% vs 21.4% / 20.2% in Q3FY23 / Q2FY24
- EBIT at INR 782 Mn, +17% yoy / +13.7% qoq
- EBIT margin at 15.7% vs 17.8% / 15.9% in Q3FY23 / Q2FY24
- Reported PAT at INR 768 Mn, +11.1% yoy / +15% qoq
- Reported EPS at INR 5.48 vs 5.19 / 5.01 in Q3FY23 / Q2FY24
- Converted Users in CPCU business stood at 83.8 Mn vs 67.8 Mn / 72 Mn in Q3FY23 / Q2FY24.
- Average CPCU rate stood at INR 57 in Q3FY24 vs INR 51 / 55.6 in Q3FY23 / Q2FY24.

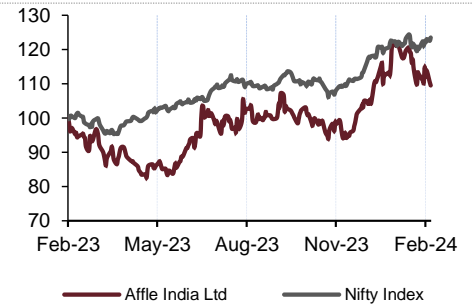
Rating	TP (Rs)	Up/Dn (%)
BUY	1,632	38

Market data

Current price	Rs	1,184
Market Cap (Rs.Bn)	(Rs Bn)	166
Market Cap (US\$ Mn)	(US\$ Mn)	1,998
Face Value	Rs	2
52 Weeks High/Low	Rs	1336.9 / 866.5
Average Daily Volume	('000)	644
BSE Code		542752
Bloomberg		AFFLE.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-23	Sep-23
Promoters	56.93	56.93
Public	43.01	43.01
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net sales	10,817	14,340	18,402	22,563	27,568
EBITDA	2,131	2,888	3,710	4,806	6,084
Adjusted net profit	1,843	2,452	2,771	3,873	5,081
Free cash flow	1,540	1,695	3,325	4,006	5,436
EPS (Rs)	16.3	18.4	21.5	27.6	36.3
growth (%)	59.43	13.23	16.95	28.39	31.17
Adjusted EPS (Rs)	13.8	18.4	21.5	27.6	36.3
growth (%)	79.05	33.12	16.95	28.39	31.17
P/E (x)	72.8	64.3	55.0	42.8	32.6
P/B (x)	13.4	10.8	9.5	7.8	6.3
EV/EBITDA (x)	71.9	52.8	42.3	32.0	24.6
ROCE (%)	12.9	14.9	15.4	18.1	19.4
RoE (%)	18.4	16.7	15.9	18.2	19.2
Dividend yield (%)	-	-	-	-	-

Source: Dalal & Broacha Research, Company

Neel Nadkarni
(022) 67141412
neel.nadkarni@dalal-broacha.com

Conference Call Key Highlights

- India and global emerging markets, constituting 74% of Affle's current business, achieved strong revenue growth of +24% YoY/ +16% QoQ, driven mainly by organic growth. While global emerging markets performed exceptionally well growing by 41% YoY. Affle faced challenges due to regulatory changes in the Indian online gaming industry, particularly concerning Real Money Gaming (RMG), impacting their operations.
- Affle successfully achieved a turnaround in developed markets within the committed timeline of 2023, showcasing the effectiveness of their strategic initiatives. Affle has significantly strengthened its foundation in developed markets through integrated consumer platform propositions and greater investments in sales and marketing. Despite fintech verticals in the US lagging in growth, together with YouAppi, Affle experienced a growth of 67% YoY and 14% QoQ. The addressable market in developed markets is substantial, and Affle still has room to expand its footprint. Affle is confident of fully integrating YouAppi into its system within less than a year and is observing very positive engagements. For Q3FY24, YouAppi's revenue contribution is close to 14.5%, with an EBITDA contribution of about 10%.
- Inventory and data costs increased by +97 basis points YoY and +108 basis points QoQ as Affle aligns its platform with premium inventory touchpoints and establishes deeper ecosystem-level partnerships. Additionally, other expenses rose by +149 basis points YoY and 71 basis points QoQ, primarily due to increased sales and marketing costs aimed at supporting the growth of developed markets during the festive season.
- While most other industry players are using GEN AI to optimize costs, Affle is investing in GenAI-powered innovations to go much beyond cost efficiencies, enabling long-term revenue growth and competitive advantages. Affle has filed 15 new patents which power futuristic use cases, including interactions training, integration of GenAI agents, and covering advanced AI areas such as personalization, recommendation, predictive analysis, privacy, and enhanced fraud detection.
- In Q3, Affle launched its first Gen AI-powered product, a multilingual keyword recommendation engine, as a premium platform to drive conversions. Additionally, Affle has recently been granted a new US patent related to digital ad fraud, bringing its total patents portfolio to 35 patents filed or granted. Promoting Affle's strategy of targeting of more premium use cases.
- The management remains confident of their MOAT and long term outlook remains positive with the digital spends in china having reached above 80% of total advertising spends while India is still at around 30% levels. India & other emerging markets should continue deliver 20-25% growth. The Management expects 50 to 60% of add spends to go to digital in the next 3 to 4 years in India and other global emerging markets.
- Affle's CPCU model on the connected TV product should strengthen their competitive advantage as the only CPCU model connected TV platform for advertising.
- Affle's CPCU rates continue to improve on account of increasing contribution of developed markets, taking more premium services into the market (IOS users and premium use cases to drive premium conversions). The CPCU range for FY24 should be in the range of INR 55-58 and they aspire to move it upwards to INR 58.
- In Q3, Affle made an investment of INR 37.3 crores, acquiring a 9.03% stake in Explurger Pvr Ltd. This strategic investment complements Affle's verticalization strategy to delve deeper into the travel vertical.

Quarterly Performance Analysis

Exhibit 1: Quarterly Trend of CPCU

Particulars	Q3FY22	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24	Q3FY24
Converted Users (Mn)	58.5	56.6	195.3	61.9	64.7	67.8	62.5	256.9	68.7	72.0	83.8
Q-o-Q Growth (%)	20.12	-3.25	0.00	9.36	4.52	4.79	-7.82	0.00	9.92	4.80	16.39
Y-o-Y Growth (%)	91.18	91.22	85.47	96.51	32.85	15.90	10.42	31.54	10.99	11.28	23.60
Average CPCU (INR)	51.8	51.1	49.1	52.1	51.0	51.0	51.2	51.3	55.0	55.6	57.0
Q-o-Q Growth (%)	0.97	-1.35	0.00	1.96	-2.11	0.00	0.39	0.00	7.42	1.09	2.52
Y-o-Y Growth (%)	26.34	24.94	20.22	24.05	-0.58	-1.54	0.20	4.64	5.57	9.02	11.76
CPCU Revenue (Mn)	3030	2892	9579	3225	3300	3458	3200	13185	3779	4003	4777
Q-o-Q Growth (%)	21.29	-4.56	0.00	11.50	2.32	4.79	-7.46	0.00	18.08	5.95	19.32
Y-o-Y Growth (%)	141.54	138.90	122.97	143.76	32.08	14.11	10.64	37.64	17.16	21.32	38.14

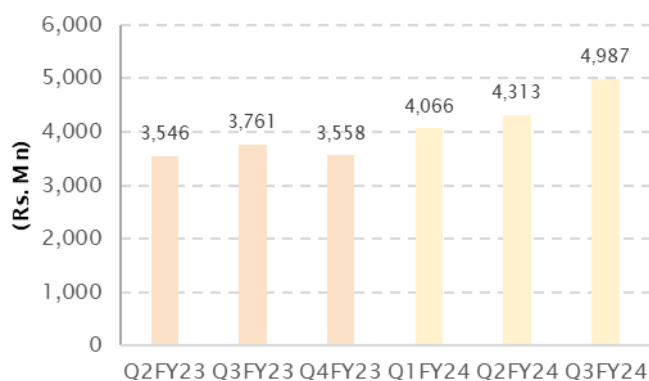
Source: Dalal & Broacha Research, Company

Exhibit 2: Quarterly Trend of CPCU and non-CPCU business

Consumer Platform	Q3FY22	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24	Q3FY24
CPCU	3,034	2,882	9,740	3,202	3,271	3,435	3,180	13,089	3,755	3,983	4,754
Q-o-Q (%)	21.30	-5.00	0.00	11.10	2.16	5.02	-7.42		18.06	6.08	19.36
Y-o-Y (%)	150.74	138.20	126.75	142.09	30.78	13.23	10.35	34.39	17.25	21.76	38.38
non-CPCU	329.6	240.4	983.2	248.4	250.0	302.8	349.4	1,150.7	286.9	304.4	208.4
Q-o-Q (%)	43.71	-27.06	0.00	3.33	0.63	21.11	15.41	0.00	-17.89	6.08	-31.53
Y-o-Y (%)	87.26	36.59	26.07	35.18	9.00	-8.14	45.34	17.03	15.50	21.76	-31.17
Total Consumer Platform	3363	3122	10722.9	3451	3521	3738	3530	14239.4	4041	4287	4962
Q-o-Q (%)	123.27	14.35	0.00	10.51	-67.16	8.33	0.24	0.00	14.50	-69.89	22.78
Y-o-Y (%)	142.68	125.29	111.28	129.05	28.95	11.14	13.04	32.79	17.13	21.76	32.74

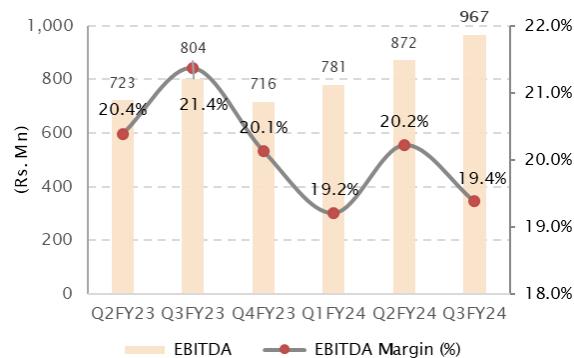
Source: Dalal & Broacha Research, Company

Exhibit 3: Net Sales Trajectory



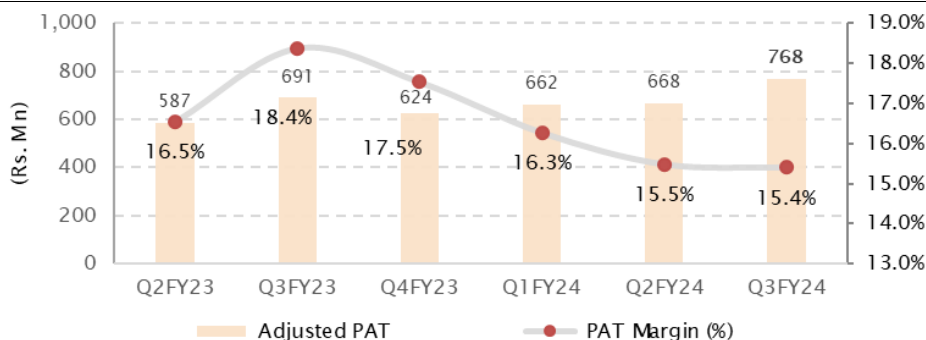
Source: Dalal & Broacha Research, Company

Exhibit 4: EBITDA & EBITDA Margin Trajectory



Source Dalal & Broacha Research, Company

Exhibit 5: Adj. PAT (Exc. Exceptional) Trajectory



Source: Company, D&B Research

Quarterly Deviation

YE March (Rs. mn)	Q3 FY24	Q2 FY24	Q-o-Q change %	Q3 FY23	Y-o-Y change %	Q3 FY24 Estimates	Deviation %
Net Sales (INR Mn)	4,987	4,313	15.6%	3,761	32.6%	4,976	0.2%
Other operating income	0	0		0		0	
Less:							
Inventory and Data Costs	3,073	2,611	17.7%	2,281	34.7%	2,941	4.5%
Employees Remuneration & Benefits	616	574	7.4%	483	27.5%	721	(14.6%)
Administrative & Other Expenses	331	256	29.4%	193	71.2%	330	0.3%
Total Operating Expenditure	4,020	3,441	16.8%	2,957	35.9%	3,992	0.7%
EBITDA	967	872	10.8%	804	20.3%	984	(1.7%)
Less: Depreciation	185	184	0.2%	135	36.5%	183	0.7%
EBIT	782	688	13.7%	668	17.0%	800	(2.3%)
Less: Interest	50	55	(9.3%)	32	55.8%	73	(31.6%)
Add: Other income	102	99	2.4%	165	(38.3%)	146	(30.4%)
Profit Before Tax	834	732	13.9%	801	4.1%	873	(4.5%)
Adjusted Profit Before Tax	834	732	13.9%	794	5.0%	873	(4.5%)
Less: Total Tax	66	64		110		118	
Minority Interest	0	0		1		0	
Reported PAT	768	668	15.0%	691	11.1%	755	
Adjusted PAT	768	668	15%	691	11.1%	755	1.7%
Reported Diluted EPS (Rs.)	5.48	5.01		5.19		5.4	
Adjusted Diluted EPS (Rs.)	5.5	5.0	9.3%	5.2	5.6%	5.4	1.7%
No of Shares Diluted (mn)	140.1	133.2		133.2		140.2	
Margin Analysis %			Change in bps		Change in bps		Change in bps
EBIT Margin	15.7%	15.9%	(26)	17.8%	(209)	16.1%	(40)
EBIDTA Margin	19.4%	20.2%	(84)	21.4%	(198)	19.8%	(38)
NPM	15.4%	15.5%	(8)	18.4%	(298)	15.2%	22
Adjusted NPM	15.4%	15.5%	(8)	18.4%	(298)	15.2%	22
Effective Tax Rate %	7.9%	8.8%	(89)	13.7%	(580)	13.5%	(563)
Cost Analysis %			Change in bps		Change in bps		Change in bps
Inventory & Data Costs/Net Sales	61.6%	60.5%	108	60.7%	97	59.1%	252
Employee Cost/Net Sales	12.4%	13.3%	(95)	12.8%	(49)	14.5%	(214)
SG&A/Net sales	6.6%	5.9%	71	5.1%	149	6.6%	0

Source: Dalal & Broacha Research, Company

Valuation & Outlook

At the current level of INR 1184, the stock is trading at 55x / 42.8x / 32.6 FY24e / FY25e / FY26e EPS. With the turnaround in the developed markets achieved by management within the committed timeline and the easing of global macro headwinds, Affle's strong foundation in developed markets should gain growth momentum going forward. The company's focus on connected TV, the iOS market, recent OEM partnerships, and Gen AI-powered products on iOS should help Affle target more premium segments. Additionally, synergies from acquisitions and consolidation are expected to improve margins and drive growth in the future.

Affle's ongoing emphasis on the organic business and consolidation of acquisitions in high-growth emerging verticals will support steady and robust growth. **We maintain a BUY rating on the stock with a target price of INR 1,632, valuing the company at 45x PE multiple on FY26E earnings.**

Financials

Profit & Loss Statement					
YE March (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue from Operations	10,817	14,340	18,402	22,563	27,568
% Growth	109.3	32.6	28.3	22.6	22.2
Operating Expenses					
Inventory and Data Costs	6,789	8,843	11,167	13,763	16,681
Employee Benefit Expense	1,296	1,872	2,413	2,865	3,354
Other Expenses	600	736	1,112	1,128	1,450
Total Operating Expenses	8,685	11,452	14,692	17,757	21,484
EBITDA	2,131	2,888	3,710	4,806	6,084
Growth (%)	64.4	35.5	28.5	29.5	26.6
EBITDA Margin (%)	19.7	20.1	20.2	21.3	22.1
Less: Depreciation	324	494	666	565	581
EBIT	1,807	2,393	3,044	4,241	5,503
Growth (%)	64.3	32.5	27.2	39.3	29.8
EBIT Margin (%)	16.7	16.7	16.5	18.8	20.0
Interest Paid	71	114	247	214	181
Other Income	716	544	395	451	551
PBT	2,452	2,823	3,192	4,478	5,874
Tax Expenses	285	371	421	605	793
Net Profit	2,167	2,452	2,771	3,873	5,081
Adjust PAT	1,843	2,452	2,771	3,873	5,081
Growth (%)	79.1	33.1	13.0	39.8	31.2
APAT Margin (%)	20.0	17.1	15.1	17.2	18.4
EPS	16.3	18.4	21.5	27.6	36.3
Growth (%)	59.4	13.2	17.0	28.4	31.2
Adj. EPS	13.8	18.4	21.5	27.6	36.3
Growth (%)	79.1	33.1	17.0	28.4	31.2

Financial Ratio Analysis					
YE March (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
Profitability Ratios					
ROE (%)	18.37	16.71	15.88	18.17	19.25
ROCE (%)	12.92	14.89	15.41	18.10	19.44
ROA (%)	8.44	8.62	7.91	9.64	10.84
Financial Leverage Ratios					
Debt / Equity (x)	0.1x	0.1x	0.1x	0.1x	0.1x
Interest Coverage (x)	30x	25x	15x	22x	34x
Interest / Debt (%)	5	11	11	11	11
Asset Turnover Ratios					
Debtors (Days)	106	79	105	105	105
Creditors (Days)	79	62	79	79	79
Valuation Ratios					
Book Value (Rs.)	89	110	125	152	188
P/E (x)	72.8	64.3	55.0	42.8	32.6
P/BV (x)	13.4	10.8	9.5	7.8	6.3
EV/EBITDA (x)	72	53	42	32	25
Market Cap. / Sales (x)	15	11	9	7	6
Net Cash / Mkt Cap (%)	3	3	5	7	10
Dividend Yield (%)	0	0	0	0	0
Dividend Per Share	0	0	0	0	0
EV					
Market Cap	1,57,768	1,57,768	1,65,872	1,65,872	1,65,872
Net Cash	4562	5426	8931	11945	16158
Net Debt	-4562	-5426	-8931	-11945	-16158
Current Market Price	1184	1184	1184	1184	1184

Balance Sheet					
Particulars	FY22	FY23	FY24E	FY25E	FY26E
EQUITY					
Equity Share Capital	267	266	266	266	266
Other Equity	11,527	14,405	17,176	21,049	26,130
Total Equity	11,794	14,672	17,442	21,316	26,396
LIABILITIES					
Non-Current Liabilities					
Financial Liabilities					
Borrowings	891	521	1429	1229	1029
Other Non-Current Financial L	1,218	789	789	789	789
Long-Term Provisions	18	19	19	19	19
Deferred Tax Liabilities (net)	61	55	55	55	55
Lease Liabilities	-	18	18	18	18
Total Non-Current Liabilities	2,188	1,402	2,310	2,110	1,910
Current Liabilities					
Financial Liabilities					
Borrowings	593	510	817	717	617
Trade Payables					
Dues of small enterprises	42	30			
Others	2,517	2,491	4,226	5,108	6,180
Lease Liabilities	2	7	7	7	7
Other Financial Liabilities	788	698	965	1,146	1,342
Short-Term Provisions	31	32	32	32	32
Liabilities for Current Tax	69	67	51	73	95
Other Current Liabilities	204	174	189	181	185
Total Current Liabilities	4,288	4,033	6,310	7,287	8,481
Total Equity and Liabilities	18,269	20,107	26,063	30,713	36,788
Non-Current Assets					
Property Plant & Equipment					
Gross Block	559	1,060	1,660	2,260	2,860
Less: Depreciation	535	1,029	1,695	2,260	2,841
Net Block	24	31	-35	-0	19
Investment in Associates	1,345	-	-	-	-
Right of Use Assets	2	25	25	25	25
Goodwill	6,163	6,640	6,640	6,640	6,640
Other Intangible Assets	804	1,163	1,396	1,675	2,010
Intangible Assets Under Develo	422	485	920	1,128	1,378
Financial Assets					
Investments	0	0	250	500	750
Loans	50	97	97	97	97
Total Non-Current Assets	8,811	8,441	9,293	10,064	10,919
Current Assets					
Contract Asset	758	1036	1104	1354	1654
Investment held for sale		1338			
Financial Assets					
Trade Receivables	2,347	2,452	3,983	4,883	5,967
Cash and Cash Equivalent	3,163	3,320	10,927	13,390	17,053
Other Bank Balances	2,883	3,137			
Loans	12	12	184	226	276
Other Financial Assets	47	94	323	546	670
Current Tax Assets (Net)	29	28	-	-	-
Other Current Assets	220	249	249	249	249
Total Current Assets	9,458	11,666	16,770	20,649	25,869
Total Assets	18,269	20,107	26,063	30,713	36,788

Cash Flow Statement					
Particulars	FY22	FY23	FY24E	FY25E	FY26E
PAT	2167	2452	2,771	3,873	5,081
Less: Non Operating Income	-716	-544	-395	-451	-551
Add: Depreciation	324	494	666	565	581
Add: Interest Paid	71	114	247	214	181
Operating Profit before WC Changes	1846	2517	3,289	4,201	5,291
(Inc)/Dec in Current Assets	-1537	-459	-1,972	-1,415	-1,557
Inc/(Dec) in Current Liabilities	2352	-255	2,277	977	1,194
Net Cash Generated From Operations	2660	1803	3,594	3,763	4,928
Cash Flow from Investing Activities					
(Inc)/Dec in Fixed Assets	-3748	-1400	-1,268	-1,087	-1,185
(Inc)/Dec in Investment (Strategic)	1013	-23	-250	-250	-250
(Inc)/Dec in Investment (Others)	-37	-47	-	-	-
Add: Non Operating Income	716	544	395	451	551
Net Cash Flow from Investing Activities	-2056	-926	-1,123	-886	-884
Cash Flow from Financing Activities					
Inc/(Dec) in Total Loans	149	-799	908	-200	-200
Inc/(Dec) in Other Liabilities	41	13	-	-	-
Inc/(Dec) in Equity	6035	426	-0	0	0
Dividend Paid	0	0	-	-	-
Tax Paid on Dividend	0	0	-	-	-
Other Financing Activities					
Less: Interest Paid	-71	-114	-247	-214	-181
Net Cash Flow from Financing Activities	6154	-474	661	-414	-381
Net Inc/Dec in cash equivalents	6758	403	3,132	2,463	3,663
Opening Balance	633	6046	6,457	10,927	13,390
Closing Cash and Cash Equivalent s	6046	6450	9,589	13,390	17,053

Free Cash Flow Statement					
INR Mn	FY22	FY23	FY24E	FY25E	FY26E
EBITDA	2131	2888	3,710	4,806	6,084
FC Investment	734	923	1,268	1,087	1,185
WC Changes	814	-714	305	-438	-363
Depreciation Tax Shield	38	65	88	76	78
Tax Expenses	285	380	490	649	821
FCFF	1540	1695	3,325	4,006	5,436

Source: Dalal & Broacha Research, Company

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: equity.research@dalal-broacha.com