Amagi Media Labs Ltd (AMAGI)

2QFY27 Result Update | SAAS & Cloud

Strong quarter; structural operating leverage playing out

DALAL & BROACHA STOCK BROKING PVT. LTD.

Institutional Equity Research Desk

6 November 2026

2QFY27 came in ahead of our estimates. Revenue of Rs. 4,760 mn, up 27% YoY, beat our estimate of Rs. 4,647 mn (up 24% YoY), while adjusted EBITDA margin of 18.7% was well ahead of the ~185 bps YoY improvement we had pencilled in; even excluding ~200 bps of temporary tailwinds, underlying margins of ~16.5% were comfortably ahead. Structural operating leverage, with 47% of incremental revenue flowing through to adjusted EBITDA, was the key positive, though part of the margin beat is temporary and gross margin slipped 160 bps YoY on a one-time revenue-recognition impact. Overall, a strong quarter; we stay positive on the margin trajectory.

Amagi Media Labs delivered a strong 2QFY27, with revenue rising 27% YoY to Rs 4,760 mn (+33% excluding the prior-year revenue-recognition base effect, which is now fully lapped). Constant-currency growth was 15% reported and 21% ex-base, and management retained its medium-term aspiration of 20%+ CC growth. Adjusted EBITDA stood at Rs 890 mn, with margins at 18.7% (+760 bps YoY); the quarter included ~200 bps of temporary tailwinds from a timing mismatch in costs, delayed hiring, reserve releases and favourable FX, putting underlying margins at ~16.5%.

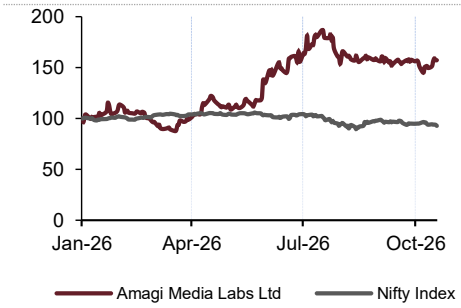
Operating leverage was the standout, with 47% of incremental revenue flowing through to adjusted EBITDA as revenue grew 27% against a 7% rise in indirect costs. Management indicated that 47%, rather than 40%, is a reasonable incremental flow-through to pencil in, with most of the leverage structural rather than currency-driven; a 10% USD swing impacts EBITDA margin by ~150 bps. Gross margin stood at 68.1% (-160 bps YoY, +80 bps QoQ), within the guided 67-69% band.

Cash generation improved sharply: H1FY27 adjusted OCF stood at Rs 940 mn versus Rs (980) mn a year ago, and adjusted FCF was Rs 850 mn after Rs 90 mn of capex, with cash and treasury investments of Rs 17,740 mn and zero debt. Customer count reached 503 (+22 in H1), with TTM NRR at 125%+ and top-10 customer contribution stable at ~41%. Four AI products were launched during the quarter; AI upside is not yet reflected in the growth aspiration.

Rating	TP (Rs)	Up/Dn (%)
BUY	**842**	**48**
Market data		
Current price	**Rs**	**568**
Market Cap (Rs.Bn)	(Rs Bn)	125
Market Cap (US$ Mn)	(US$ Mn)	1,324
Face Value	Rs	5
52 Weeks High/Low	Rs	727.4 / 310.2
Average Daily Volume	('000)	2,802
BSE Code		544679
Bloomberg		AMAGI

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-26	Jun-26
Promoters	14.66	14.92
Public	37.32	42.43
Others	48.02	42.65
Total	**100**	**100**

Source: Bloomberg

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Financial Summary:

Particular (Rs Mn)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Sales	6,806	8,792	11,626	15,056	19,419	23,887	28,649
Adj EBITDA	-1,403	-1,555	235	1,557	3,029	5,002	7,106
Margin (%)	**-21**	**-18**	**2**	**10**	**16**	**21**	**25**
PAT	-3,213	-2,450	-687	717	2,319	3,724	5,244
EPS (Rs)	-17	-13	-3	3	10	16	22
Growth (%)		-27	-72	-199	197	53	39
P/E (x)	-33	-45	-162	164	55	36	26
EV/Adj EBITDA (x)	-68	-65	435	65	36	22	15
ROCE (%)	-	-	-	19	10	17	20

Revenue up 27% YoY; recognition base effect now lapped

Revenue rose 27% YoY to Rs 4,760 mn, and 33% excluding the prior-year revenue-recognition base effect, which is now fully lapped; H2 comparisons are clean, without a reversal tailwind. CC growth was 15% reported and 21% ex-base. Streaming unification contributed ~55% of revenue, growing 35%, monetisation ~25%, growing 28%, and cloud modernisation ~20%, growing 9% reported and 36% ex-base. The medium-term aspiration of 20%+ CC growth is unchanged.

EBITDA margin at 18.7%; ~200 bps of tailwinds temporary

Adjusted EBITDA stood at Rs 890 mn, with margins at 18.7% (+760 bps YoY). Roughly 200 bps of the expansion came from temporary tailwinds, including a timing mismatch in costs, delayed hiring, reserve releases and favourable FX, and should not be extrapolated as structural. Underlying margins were ~16.5%, with FY27 margins expected around that level as savings are reinvested in people, products and AI. Q3 margins should remain elevated on US advertising seasonality, midterm elections and recurring cloud savings.

Structural operating leverage: 47% incremental flow-through

47% of incremental revenue flowed through to adjusted EBITDA in 2QFY27, with revenue growing 27% versus indirect costs rising 7%. In Q&A, management said 47%, rather than 40%, was a reasonable incremental flow-through to pencil in, with most of the leverage structural, not currency-driven. The 47% is incremental flow-through, not a margin target. A 10% USD swing impacts EBITDA margin by ~150 bps. R&D steady-state spending is ~20% of revenue, fully expensed.

Strong H1 cash generation; zero debt

H1FY27 adjusted OCF, excluding one-timers, was Rs 940 mn versus Rs (980) mn last year; reported OCF was Rs 690 mn. Adjusted cash conversion was 67% versus the 50-60% aspiration, helped by collections and lower DSO. Adjusted FCF stood at Rs 850 mn after Rs 90 mn of capex. Cash and treasury investments were Rs 17,740 mn, with zero debt.

AI products broaden the platform; ad market stabilising

Amagi launched four AI products: Amagi Studio, Fan Pulse, integrated localisation and agentic NOC. NewsPulse is in production at a major US network, and an agentic platform is being developed with a top-10 customer. Meaningful revenue scaling will take more than a quarter, and AI upside is not yet reflected in the growth aspiration. New-product pricing combines minimum guarantees with consumption/output-based charges. CPMs have stabilised, if not improved, after the supply-driven correction, changes to monetisation delivery have reduced margin leakage, and short-form/social video is a new growth focus.

Customer metrics healthy; M&A exploratory

Customer count reached 503, up 22 in H1, with TTM NRR at 125%+. Top-10 customers contributed ~41% of revenue, broadly stable, with growth in line with the rest of the base. Management sees AI as a tailwind, with no gross-margin deflation or loss of prospective customers observed so far. M&A discussions span the video supply chain, distribution and live sports production, and remain at exploratory/preliminary diligence stages, with nothing binding.

Financial Outlook.

Underlying FY27 margins are expected around ~16% as savings are reinvested into people, products and AI, with Q3 margins expected to remain elevated on US advertising seasonality, midterm elections and recurring cloud savings. Gross margin guidance remains 67-69%. The medium-term aspiration of 20%+ CC growth is unchanged, with AI upside not yet reflected. Investment would increase if adoption scales faster; margins will not constrain growth.

Valuation & Outlook

Amagi's long-term outlook remains positive, supported by a clean H2 base after the revenue-recognition effect lapped, an unchanged medium-term aspiration of 20%+ CC growth, stabilising CPMs and a broadening AI product suite. The 2QFY27 print demonstrated the operating leverage inherent in the model, with 47% of incremental revenue flowing through to adjusted EBITDA, most of it structural. A debt-free balance sheet with Rs 17,740 mn of cash and treasury investments provides further optionality, with M&A discussions under way across the video supply chain, distribution and live sports production.

From a valuation perspective, the key rerating drivers will be the sustenance of 20%+ CC growth on a clean base, AI product monetisation over the coming quarters, and deployment of the cash pile into accretive M&A. Cash generation has already turned positive, with H1FY27 adjusted FCF of Rs 850 mn and adjusted cash conversion of 67% versus the 50-60% aspiration.

We revise our estimates on Amagi Media Labs post the 2QFY27 results and concall. We now project Revenue/Adj EBITDA/PAT of Rs 19,419 mn/3,029 mn/2,319 mn for FY27E and Rs 28,649 mn/7,106 mn/5,244 mn for FY29E, with EPS of Rs 10/16/22 over FY27E-29E. Against our initiation estimates, revenue is revised up 2%/2%/3% and adjusted EBITDA by +2%/+2%/+7% over FY27E-29E, reflecting stronger H1 delivery alongside the reinvestment of cost savings into people, products and AI.

We value Amagi on an EV/FCF basis given the large cash balance in our estimates, which we expect to be deployed gradually into acquisitions and other investments. We expect a Rev/Adj EBITDA/EPS CAGR (FY26A-FY29E) of 24%/66%/85%. The stock trades at an EV/FCF of 21x, P/E of 26x and EV/EBITDA of 15x on FY29E earnings. **We arrive at a Fair Value of Rs 842**.

Valuation	
Particular (Rs.Mn)	**FY29E**
Current EV (NSE snapshot)	1,05,556
Free Cash Flow	4,963
Assigned Multiple (x)	35
Fair Value	842
CMP (NSE, 6 Nov 1:04 pm)	559
Potential Upside	**51%**

Quarterly Financials

Particular (Rs.Mn)	2QFY27	2QFY26	YoY Growth (%)	1QFY27	QoQ Growth (%)
Revenue from Operations	**4,758**	**3,748**	**27%**	**4,369**	**9%**
Communication Cost & Others	1,518	1,127	35%	1,429	6%
Gross Profit	**3,240**	**2,621**	**24%**	**2,940**	**10%**
Employee Cost (ex ESOP)	1,853	1,631	14%	1,861	0%
Other Expenses (ex Communication)	483	575	-16%	578	-16%
Adjusted EBITDA	**891**	**415**	**115%**	**501**	**78%**
Depreciation & Amortization	61	48	28%	59	4%
Adj EBIT	**830**	**368**	**126%**	**443**	**87%**
Other Income	261	148	76%	176	48%
ESOP Cost	254	449	-43%	203	25%
Finance Cost	11	16	-32%	11	-3%
Profit Before Tax	**826**	**51**	**1,533%**	**404**	**104%**
Tax	77	25	206%	65	19%
Profit After Tax	**748**	**25**	**2,859%**	**339**	**121%**
Margins	**2QFY27**	**2QFY26**	**Changes in BPS**	**1QFY27**	**Changes in BPS**
Gross Margins	68.1%	69.7%	-160	67.3%	80
Adjusted EBITDA Margins	**18.7%**	**11.1%**	**760**	**11.5%**	**720**
PBT Margins	17.4%	1.3%	1,601	9.3%	811
PAT Margins	15.7%	0.7%	1,506	7.8%	797
Other Key Metrics	**2QFY27**	**2QFY26**	**YoY Change**	**1QFY27**	**QoQ Change**
CC Revenue Growth (%)	15%	30%	-1,500	21%	-630
ESOP Cost (Rs. Mn)	254	449	-43%	203	25%
Total Monetized Ad Impressions (bn)	16.0	9.7	65%	13.6	18%
FCF (Rs. Mn)	1,270	-1,430	-	-670	-
Top 10 Customer Concentration (%)	41%	41%	-40	41%	20

Source: Dalal & Broacha Research

Particulars	2QFY27	2QFY26	YoY Change	1QFY27	QoQ Change
CC Revenue Growth (%)	15.0%	30.0%	-1500 bps	21.3%	-630 bps
Gross Margins (%)	68.1%	69.7%	-160 bps	67.3%	80 bps
Adjusted EBITDA Margins (%)	18.7%	11.1%	760 bps	11.5%	720 bps
ESOP Cost (Rs. Mn)	**254**	**449**	**-43%**	**203**	**25%**
Total Monetized Ad Impressions (bn)	**16.0**	**9.7**	**65%**	**13.6**	**18%**
FCF (Rs. Mn)	**1,270**	**-1,430**	-	**-670**	-
Top 10 Customer Concentration (%)	41.0%	41.4%	-40 bps	40.8%	20 bps

Vertical Revenue (Rs. Mn)	2QFY27	2QFY26	YoY Growth (%)	1QFY27	QoQ Growth (%)
Streaming Unification	**2,611**	**1,934**	**35%**	**2,493**	**5%**
Monetization & Marketplace	**1,198**	**936**	**28%**	**1,095**	**9%**
Cloud Modernization	**949**	**871**	**9%**	**781**	**22%**

Source: Dalal & Broacha Research

Financials

P&L (Rs Mn)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue from Operations	6,806	8,792	11,626	15,056	19,419	23,887	28,649
Traded goods cost	15	8	13	1	1	1	1
Revenue less goods cost	**6,791**	**8,784**	**11,613**	**15,055**	**19,418**	**23,886**	**28,648**
Employee Expenses	4,002	5,624	5,888	6,719	7,910	8,971	10,079
Other Expenses (incl. communication)	4,272	4,795	5,570	6,779	8,479	9,913	11,463
Adj EBITDA (ex ESOP Cost)	**-1,403**	**-1,555**	**235**	**1,557**	**3,029**	**5,002**	**7,106**
Depreciation	89	164	169	216	209	259	286
Adj EBIT	**-3,557**	**-2,948**	**-1,074**	**1,341**	**1,915**	**3,838**	**5,823**
ESOP Cost	1,985	1,010	1,060	1,053	906	906	996
Other Income	442	631	607	645	950	1,100	1,300
Finance Cost	33	52	48	60	37	37	37
Profit Before Tax	**-3,149**	**-2,369**	**-515**	**873**	**2,828**	**4,901**	**7,086**
Exceptional Item	-	-	-	-	-	-	-
Tax	64	81	172	156	509	1,176	1,842
Profit After Tax	**-3,213**	**-2,450**	**-687**	**717**	**2,319**	**3,724**	**5,244**

Balance Sheet (Rs Mn)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Total Equity Share Capital	5	5	171	1,082	1,187	1,199	1,212
Reserves	14,129	14,129	13,963	29,604	29,604	29,604	29,604
Net Worth	**-2,303**	**-3,780**	**-3,654**	**17,568**	**20,897**	**25,540**	**31,792**
Preference Share Capital	8,748	8,748	8,748	-	-	-	-
Non Current Liabilities	**898**	**4,494**	**604**	**511**	**477**	**432**	**388**
Other Liabilities	548	196	25	32	32	32	32
Other financial liabilities	95	3,921	155	82	82	82	82
Provisions	53	110	129	190	190	190	190
Lease Liability	203	267	295	208	173	129	84
Current Liabilities	**6,717**	**3,619**	**8,551**	**5,453**	**5,999**	**6,730**	**7,462**
Lease Liability	39	48	67	102	74	55	36
Current Tax Liabilities (net)	127	53	81	271	271	271	271
Trade Payables	1,360	1,843	1,982	2,326	2,900	3,650	4,400
Other financial liabilities	4,355	723	4,993	1,144	1,144	1,144	1,144
Provisions	85	142	190	249	249	249	249
Other Current Liabilities	750	810	1,238	1,361	1,361	1,361	1,361
Total Liabilities	**7,615**	**8,113**	**9,155**	**5,964**	**6,476**	**7,163**	**7,850**
Total Liabilities and Equity	**14,060**	**13,081**	**14,250**	**23,533**	**27,373**	**32,703**	**39,642**
Non Current Assets	**1,357**	**1,569**	**1,525**	**1,821**	**1,913**	**1,954**	**1,968**
Total Net Block	411	525	567	595	686	727	741
CWIP	49	-	-	-	-	-	-
Goodwill	-	-	348	348	348	348	348
Financial Assets	31	60	61	69	69	69	69
Deferred Tax Asset	277	493	546	808	808	808	808
Other Non Current Assets	588	492	3	2	2	2	2
Current Assets	**12,703**	**11,512**	**12,725**	**21,711**	**25,461**	**30,749**	**37,674**
Investments	2,638	631	2,656	2,294	2,294	2,294	2,294
Inventories	-	1	1	0	0	0	0
Trade Receivables	1,941	2,415	2,809	4,046	5,500	6,750	7,500
Cash and Bank Balances	7,409	5,806	4,920	12,183	14,478	18,516	24,692
Short Term Loans and Advances	5	1	4	3	3	3	3
Other Financial Assets	81	2,115	1,509	2,192	2,192	2,192	2,192
Other Current Assets	630	543	826	994	994	994	994
Total Assets	**14,060**	**13,081**	**14,250**	**23,533**	**27,373**	**32,703**	**39,642**

Source: Dalal & Broacha Research

Cash Flow (Rs Mn)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Cash Flow from Operating Activities							
Profit Before Tax	-3,149	-2,369	-515	873	2,828	4,901	7,086
Non Cash/ Non Operating Charges	990	676	500	808	201	101	20
OCF Before WC Changes	**-2,159**	**-1,693**	**-15**	**1,680**	**3,029**	**5,002**	**7,106**
WC Capital Changes	-142	229	542	-1,612	-880	-500	0
OCF After WC Changes	**-2,301**	**-1,465**	**527**	**69**	**2,149**	**4,502**	**7,106**
Tax	-151	-365	-191	-161	-509	-1,176	-1,842
OCF	**-2,452**	**-1,830**	**336**	**-92**	**1,640**	**3,326**	**5,263**
Cash Flow from Investing Activities							
CAPEX	-236	-262	-277	-232	-300	-300	-300
Changes in Bank balance	-2,462	-4,533	-365	-5,896	-	-	-
Interest Income	127	413	400	529	950	1,100	1,300
CFI	**-2,572**	**-4,383**	**-242**	**-5,599**	**650**	**800**	**1,000**
Cash Flow from Financing Activities							
Money Received From Equity Shares	6,551	-	-	8,160	105	13	13
Buy back of shares	-1,132	-	-	-696	-	-	-
Interest Paid	-40	-79	-87	-100	-100	-100	-100
CFF	**5,379**	**-79**	**-87**	**7,364**	**5**	**-88**	**-88**
Cash at the Beginning	7,043	7,409	1,119	1,137	2,830	5,125	9,163
Cash during the Year	355	-6,292	6	1,673	2,295	4,038	6,176
Closing Cash Balance	7,409	1,119	1,137	2,830	5,125	9,163	15,339

Particular	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Adj EBTIDAM (%)	-21	-18	2	10	16	21	25
NPM (%)	-47	-28	-6	5	12	16	18
Tax Rate (%)	-2	-3	-33	18	18	24	26
Growth Ratios							
Net Sales	58	29	32	29	29	23	20
Adj EBITDA	-	-	-	563	95	65	42
EBIT	-	-	-	-	43	100	52
PAT	-	-	-	-	224	61	41
Per Share (Rs.)							
Net Earnings (EPS)	-17	-13	-3	3	10	16	22
Cash Earnings (CPS)	54	44	46	80	84	96	121
Book Value	-12	-19	-19	84	92	107	132
Valuation Ratios							
P/E (x)	-32.7	-45.0	-162.0	163.9	55.2	36.1	25.9
P/B (x)	-45.7	-29.2	-30.5	6.7	6.1	5.3	4.3
EV/Adj EBITDA (x)	-67.7	-65.4	435.3	64.8	36.0	22.3	15.0
EV/FCF (x)	-35.4	-48.6	1,754.9	-310.6	81.3	36.9	21.5
Return Ratios							
ROE (%)	-	-	-	10	12	16	18
ROCE (%)	-	-	-	19	10	17	20

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