

**Affle reported decent performance in Q4FY23 with EBITDA margin expansion, strong and steady growth in emerging markets.**

- Revenue at INR 3,558 Mn, +12.9% yoy / -5.4% qoq
- EBITDA at INR 803 Mn, +22.1% yoy / -10.8% qoq
- EBITDA margin at 20% vs 18.6% / 21.4% in Q4FY22 / Q3FY23
- EBIT at INR 581 Mn, +17.7% yoy / -13.1% qoq
- EBIT margin at 16.2% vs 15.6% / 17.8% in Q4FY22 / Q3FY23
- Reported PAT at INR 624 Mn, -9.2% yoy / -9.7% qoq
- Reported EPS at INR 4.7 vs 5.16 / 5.2 in Q4FY22 / Q3FY23
- Normalized PAT stood at INR 624 Mn, +18.4% yoy / -9.7% qoq
- Normalized EPS stood at INR 4.7 vs 4.0 / 5.2 in Q4FY22 / Q3FY23.
- Converted Users in CPCU business stood at 62.5 Mn vs 56.6 Mn / 67.8 Mn in Q4FY22 / Q3FY23
- Average CPCU rate stood at INR 51.2 in Q4FY23 vs INR 51.1 / 51.0 in Q4FY22 / Q3FY23

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Net sales</b>	<b>5,168</b>	<b>10,817</b>	<b>14,340</b>	<b>17,261</b>	<b>21,320</b>
EBITDA	1,297	2,131	2,888	3,654	4,446
Adjusted net profit	1,029	1,843	2,452	3,238	4,062
Free cash flow	1,061	1,540	1,843	2,731	3,907
EPS (Rs)	10	17	18	24	30
Growth (%)	95.0	64.0	10.0	32.0	25.0
Adjusted EPS (Rs)	7.7	13.8	18.4	24.3	30.5
Growth (%)	48.0	79.0	33.0	32.0	25.0
P/E (x)	90.2	55.1	50.0	37.9	30.2
P/B (x)	34.1	10.4	8.6	7.0	5.7
EV/EBITDA (x)	94.2	55.4	39.8	30.8	24.5
ROCE (%)	19.7	12.9	13.5	14.7	15.5
RoE (%)	37.8	18.9	17.2	18.5	18.9

Source: Dalal & Broacha Research, Company

Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>1,372</b>	<b>49</b>

#### Market data

<b>Current price</b>	Rs	921
Market Cap (Rs.Bn)	(Rs Bn)	123
Market Cap (US\$ Mn)	(US\$ Mn)	1,494
Face Value	Rs	2
52 Weeks High/Low	Rs	1369.25 / 866.5
Average Daily Volume	('000)	284
BSE Code		542752
Bloomberg		AFFLE.IN

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Mar-23	Dec-22
Promoters	59.89	59.89
Public	40.05	40.05
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

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## Conference Call Key Highlights

- The macro headwinds from Fintech and entertainment impacted the developed markets (US and Europe). The headwinds should continue for a couple of quarters, but with the focus on new strategies for the developed markets should lead to a better H2 of FY24. The addressable market is very large for developed markets and Affle still has small footprint.
- They have recently introduced all their use cases on the connected TV product. This should strengthen their competitive advantage as the only CPCU model connected TV platform for advertising. This should result in greater growth from Q2FY24 onwards.
- Their First mover advantage on Apple IOS scan advertising product has been further fortified with the rollout of Apple app store related multiple touch points thus providing a differentiated product for IOS scans and apple app store. They are also working on app store related touch points with other OEM's on android also. These initiatives should drive growth for their CPCU business across all the markets from Q2FY24.
- The management continue to invest in their organic business while actively looking for inorganic acquisition for acquiring deeper access to customers first party data in high growth vertical like gaming.
- India and emerging markets (which account for 81%+ of business) delivered a solid revenue growth of 20% barring for the developed markets which has a lower contribution. The growth momentum for the global emerging market should continue along with margin expansion.
- The reduction of the inventory and data costs led to an EBITDA margin expansion of 138 bps YoY. The margins contracted by 138 bps qoq, as Q3 is generally the highest quarter due to seasonality while the costs of operations in Q4 remain broadly in par with Q3.
- The management remains confident of the long term tailwinds with the digital spends in china have 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 in FY24.
- The focus on connected TV and IOS market should deliver growth both in topline and margins going ahead.

## Quarterly Performance Analysis

### Exhibit 1

Particulars	Q1FY22	Q2FY22	Q3FY22	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23
<b>Converted Users (Mn)</b>	31.5	48.7	58.5	56.6	195.3	61.9	64.7	67.8	62.5	256.9
Q-o-Q Growth (%)	6.42	54.60	20.12	-3.25	0.00	9.36	4.52	4.79	-7.82	0.00
Y-o-Y Growth (%)	85.29	73.31	91.18	91.22	85.47	96.51	32.85	15.90	10.42	31.54
<b>Average CPCU (INR)</b>	42.0	51.3	51.8	51.1	49.1	52.1	51.0	51.0	51.2	51.3
Q-o-Q Growth (%)	2.69	22.14	0.97	-1.35	0.00	1.96	-2.11	0.00	0.39	0.00
Y-o-Y Growth (%)	2.44	27.30	26.34	24.94	20.22	24.05	-0.58	-1.54	0.20	4.64
<b>CPCU Revenue (Mn)</b>	1323	2498	3030	2892	9579	3225	3300	3458	3200	13185
Q-o-Q Growth (%)	9.28	88.84	21.29	-4.56	0.00	11.50	2.32	4.79	-7.46	0.00
Y-o-Y Growth (%)	89.81	120.61	141.54	138.90	122.97	143.76	32.08	14.11	10.64	37.64

Source: Dalal & Broacha Research, Company

### Exhibit 2 – Quarterly Trend of CPCU and non-CPCU business

Consumer Plat form	Q1FY22	Q2FY22	Q3FY22	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23
<b>CPCU</b>	1,323	2,501	3,034	2,882	9,740	3,202	3,271	3,435	3,180	13,089
Q-o-Q (%)	9.31	89.10	21.30	-5.00	0.00	11.10	2.16	5.02	-7.42	
Y-o-Y (%)	16.79	99.39	150.74	138.20	126.75	142.09	30.78	13.23	10.35	34.39
<b>non-CPCU</b>	183.8	229.4	329.6	240.4	983.2	248.4	250.0	302.8	349.4	1,150.7
Q-o-Q (%)	4.41	24.80	43.71	-27.06	0.00	3.33	0.63	21.11	15.41	0.00
Y-o-Y (%)	-6.58	2.01	87.26	36.59	26.07	35.18	9.00	-8.14	45.34	17.03
<b>Total Consumer Plat form</b>	1506	2731	3363	3122	10722.9	3451	3521	3738	3530	14239.4
Q-o-Q (%)	8.69	-46.20	123.27	14.35	0.00	10.51	-67.16	8.33	0.24	0.00
Y-o-Y (%)	13.33	84.59	142.68	125.29	111.28	129.05	28.95	11.14	13.04	32.79

Source: Dalal & Broacha Research, Company

## Quarterly Deviation Sheet

YE March (Rs. mn)	Q4 FY23	Q3 FY23	Q-o-Q change %	Q4 FY22	Y-o-Y change %
<b>Net Sales (INR Mn)</b>	<b>3,558</b>	<b>3,761</b>	<b>(5.4%)</b>	<b>3,151</b>	<b>12.9%</b>
Other operating income	26	0		3	
<b>Less:</b>					
Inventory and Data Costs	2,163	2,281	(5.2%)	1,996	8.4%
Employees Remuneration & Benefits	493	483	2.1%	424	16.3%
Administrative & Other Expenses	212	193	9.4%	147	44.3%
<b>Total Operating Expenditure</b>	<b>2,868</b>	<b>2,957</b>	<b>(3.0%)</b>	<b>2,567</b>	<b>11.7%</b>
<b>EBITDA</b>	<b>716</b>	<b>804</b>	<b>(10.8%)</b>	<b>587</b>	<b>22.1%</b>
Less: Depreciation	136	135	0.2%	93	45.4%
<b>EBIT</b>	<b>581</b>	<b>668</b>	<b>(13.1%)</b>	<b>493</b>	<b>17.7%</b>
Less: Interest	31	32	(3.1%)	16	91.8%
Add: Other income	149	165	(9.6%)	290	(48.7%)
<b>Profit Before Tax</b>	<b>699</b>	<b>801</b>	<b>(12.8%)</b>	<b>767</b>	<b>(8.9%)</b>
<b>Adjusted Profit Before Tax</b>	<b>699</b>	<b>801</b>	<b>(12.8%)</b>	<b>763</b>	<b>(8.4%)</b>
Less: Total Tax	75	110	(31.8%)	75	(0.4%)
Minority Interest	-1	1		2	
<b>Reported PAT</b>	<b>624</b>	<b>691</b>	<b>(9.7%)</b>	<b>688</b>	<b>(9.2%)</b>
<b>Adjusted PAT</b>	<b>624</b>	<b>691</b>	<b>(9.7%)</b>	<b>527</b>	<b>18.4%</b>
Reported Diluted EPS (Rs.)	4.68	5.19	(9.7%)	5.16	(9.2%)
<b>Adjusted Diluted EPS (Rs.)</b>	<b>4.7</b>	<b>5.2</b>	<b>(9.7%)</b>	<b>4.0</b>	<b>18.4%</b>
No of Shares Diluted (mn)	133.3	133.3		133.3	
<b>Margin Analysis %</b>			<b>Change in bps</b>		<b>Change in bps</b>
EBIT Margin	16.2%	17.8%	(156)	15.6%	56
EBIDTA Margin	20.0%	21.4%	(138)	18.6%	138
NPM	17.4%	18.4%	(98)	21.8%	(439)
Adjusted NPM	17.4%	18.4%	(98)	16.7%	70
Effective Tax Rate %	10.7%	13.7%	(299)	9.8%	92
<b>Cost Analysis %</b>			<b>Change in bps</b>		<b>Change in bps</b>
inventory & Data Costs/Net Sales	60.8%	60.7%	14	63.4%	(256)
Employee Cost/Net Sales	13.9%	12.8%	102	13.5%	40
SG&A/Net sales	5.9%	5.1%	81	4.7%	129

## Valuation & Outlook

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**At the current level of INR 920, the stock is trading at 38x / 30x FY24e / FY25e EPS.** The global headwinds in the developed market should quickly turnaround from Q2FY24 onwards, Affle's focus on connected TV, IOS market and internal optimization should help improving their margins and deliver growth going forward.

Management indicated that the emerging markets should continue to grow at 20-25% in FY24, along with the normalization of macroeconomic concerns in the developed markets should bode well for Affle as companies will continue to spend for user conversions.

The continued focus on the organic business and on inorganic acquisitions from high growth emerging verticals going forward should help Affle to continue growing at a steady and strong pace.

Given the headwinds in the developed markets for the next couple of quarters, we reduce our applied target multiple from 50x FY25e to 45x FY25e. However, we remain optimistic about the future growth prospects of the company and given the high industry growth rate coupled with **Affle's strong fundamentals we maintain a BUY rating on the stock with a target price of INR 1,372 valuing the company at 45x PE multiple on FY25E earnings.**

## Financials

Profit & Loss Statement					
YE March (Rs. mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Revenue from Operatior</b>	5,168	10,817	14,340	17,261	21,320
% Growth	54.8	109.3	32.6	20.4	23.5
<b>Operating Expenses</b>					
Inventory and Data Costs	2,977	6,789	8,843	10,437	13,070
Employee Benefit Expense	540	1,296	1,872	2,260	2,668
Other Expenses	354	600	736	911	1,136
<b>Total Operating Expense</b>	<b>3,871</b>	<b>8,685</b>	<b>11,452</b>	<b>13,608</b>	<b>16,874</b>
<b>EBITDA</b>	<b>1,297</b>	<b>2,131</b>	<b>2,888</b>	<b>3,654</b>	<b>4,446</b>
<i>Growth (%)</i>	47.5	64.4	35.5	26.5	21.7
<i>EBITDA Margin (%)</i>	25.1	19.7	20.1	21.2	20.9
Less: Depreciation	197	324	494	583	583
<b>EBIT</b>	<b>1,100</b>	<b>1,807</b>	<b>2,393</b>	<b>3,071</b>	<b>3,863</b>
<i>Growth (%)</i>	47.5	64.3	32.5	28.3	25.8
<i>EBIT Margin (%)</i>	21.3	16.7	16.7	17.8	18.1
Interest Paid	36	12	114	9	7
Other Income	415	716	544	690	853
<b>PBT</b>	<b>1,479</b>	<b>2,511</b>	<b>2,823</b>	<b>3,753</b>	<b>4,709</b>
Tax Expenses	120	285	371	515	647
<b>Net Profit</b>	<b>1,359</b>	<b>2,226</b>	<b>2,452</b>	<b>3,238</b>	<b>4,062</b>
<b>Adjust PAT</b>	<b>1,029</b>	<b>1,843</b>	<b>2,452</b>	<b>3,238</b>	<b>4,062</b>
<i>Growth (%)</i>	57.4	79.1	33.1	32.1	25.4
<i>APAT Margin (%)</i>	19.9	20.6	17.1	18.8	19.1
<b>EPS</b>	<b>10</b>	<b>17</b>	<b>18</b>	<b>24</b>	<b>30</b>
<i>Growth (%)</i>	95.2	63.8	10.2	32.1	25.4
<b>Adj. EPS</b>	<b>8</b>	<b>14</b>	<b>18</b>	<b>24</b>	<b>30</b>
<i>Growth (%)</i>	47.8	79.1	33.0	32.1	25.4

Financial Ratio Analysis					
YE March (Rs. mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Profitability Ratios</b>					
ROE (%)	37.84	18.87	17.21	18.52	18.85
ROCE (%)	19.68	12.92	13.50	14.68	15.50
ROA (%)	11.78	8.67	8.02	9.29	10.05
<b>Financial Leverage Ratios</b>					
Debt / Equity (x)	0.3x	0.1x	0.1x	0.1x	0.0x
Interest Coverage (x)	36x	180x	25x	428x	598x
Interest / Debt (%)	3	1	11	1	1
<b>Asset Turnover Ratios</b>					
Debtors (Days)	118	106	105	105	105
Creditors (Days)	76	79	79	79	79
<b>Valuation Ratios</b>					
Book Value (Rs.)	27	89	107	131	162
P/E (x)	90	55	50	38	30
P/BV (x)	34	10	9	7	6
EV/EBITDA (x)	94	55	40	31	25
Market Cap. / Sales (x)	24	11	9	7	6
Net Cash / Mkt Cap (%)	0	4	6	8	11
Dividend Yield (%)	0	0	0	0	0
Dividend Per Share	0	0	0	0	0
EV					
Market Cap	1,22,590	1,22,590	1,22,590	1,22,590	1,22,590
Net Cash	460	4562	7735	10102	13567
Net Debt	-460	-4562	-7735	-10102	-13567
Dividend Payout Ratio (%)	-	-	-	-	-
Current Market Price	920	920	920	920	920

Balance Sheet					
Particulars	FY21	FY22	FY23E	FY24E	FY25E
<b>EQUITY</b>					
Equity Share Capital	255	267	267	267	267
Other Equity	3,337	11,527	13,979	17,217	21,279
<b>Total Equity</b>	<b>3,592</b>	<b>11,794</b>	<b>14,246</b>	<b>17,484</b>	<b>21,546</b>
<b>LIABILITIES</b>					
<b>Non-Current Liabilities</b>					
<i>Financial Liabilities</i>					
Borrowings	893	891	543	493	443
Other Non-Current Financial Liabilities	1,067	1,218	2,917	2,917	2,917
Long-Term Provisions	16	18	16	16	16
Deferred Tax Liabilities (net)	15	61	2	2	2
Lease Liabilities	7	-	7	7	7
<b>Total Non-Current Liabilities</b>	<b>1,998</b>	<b>2,188</b>	<b>3,485</b>	<b>3,435</b>	<b>3,385</b>
<b>Current Liabilities</b>					
Contract Liabilities	59	41	8	8	8
<i>Financial Liabilities</i>					
Borrowings	275	593	543	493	443
<i>Trade Payables</i>					
Dues of small enterprises	4	42			
Others	1,256	2,517	3,294	3,915	4,854
Lease Liabilities	11	2	11	11	11
Other Financial Liabilities	242	788	749	904	1,067
Short-Term Provisions	12	31	12	12	12
Liabilities for Current Tax	26	69	45	62	78
Other Current Liabilities	52	204	51	51	51
<b>Total Current Liabilities</b>	<b>1,936</b>	<b>4,288</b>	<b>4,713</b>	<b>5,455</b>	<b>6,524</b>
<b>Total Equity and Liabilities</b>	<b>7,526</b>	<b>18,269</b>	<b>22,444</b>	<b>26,375</b>	<b>31,455</b>
<b>Non-Current Assets</b>					
<b>Property Plant &amp; Equipment</b>					
Gross Block	223	559	1,308	1,908	2,508
Less: Depreciation	210	535	1,029	1,612	2,194
<b>Net Block</b>	<b>13</b>	<b>24</b>	<b>279</b>	<b>296</b>	<b>314</b>
<b>Investment in Associates</b>		<b>1,345</b>	<b>1,345</b>	<b>1,345</b>	<b>1,345</b>
Right of Use Assets	19	2	19	19	19
Goodwill	3,149	6,163	6,163	6,163	6,163
Other Intangible Assets	425	804	965	1,158	1,389
Intangible Assets Under Development	403	422	717	863	1,066
<b>Financial Assets</b>					
Investments	996	0	500	750	1,000
Loans	13	50	13	13	13
<b>Total Non-Current Assets</b>	<b>5,018</b>	<b>8,811</b>	<b>10,001</b>	<b>10,608</b>	<b>11,310</b>
<b>Current Assets</b>					
Contract Asset	527	758	860	1036	1279
<b>Financial Assets</b>					
Trade Receivables	1,079	2,347	3,104	3,736	4,614
<b>Cash and Cash Equivalents</b>	<b>491</b>	<b>3,163</b>	<b>8,321</b>	<b>10,338</b>	<b>13,453</b>
Other Bank Balances	141	2,883			
Loans	21	12	29	173	213
Other Financial Assets	179	47	60	416	517
Current Tax Assets (Net)	-	29	-	-	-
Other Current Assets	69	220	69	69	69
<b>Total Current Assets</b>	<b>2,507</b>	<b>9,458</b>	<b>12,443</b>	<b>15,767</b>	<b>20,145</b>
<b>Total Assets</b>	<b>7,525</b>	<b>18,269</b>	<b>22,444</b>	<b>26,375</b>	<b>31,455</b>



Cash Flow Statement					
Particulars	FY21	FY22	FY23E	FY24E	FY25E
<b>PAT</b>	<b>1,359</b>	<b>2,226</b>	<b>2,452</b>	<b>3,238</b>	<b>4,062</b>
Less: Non Operating Income	-415	-716	-544	-690	-853
Add: Depreciation	197	324	494	583	583
Add: Interest Paid	36	12	114	9	7
<b>Operating Profit before WC Changes</b>	<b>1,177</b>	<b>1,846</b>	<b>2,517</b>	<b>3,139</b>	<b>3,799</b>
(Inc)/Dec in Current Assets	-818	-1,537	-710	-1,307	-1,263
Inc/(Dec) in Current Liabilities	660	2,352	425	742	1,069
<b>Net Cash Generated From Operations</b>	<b>1,019</b>	<b>2,660</b>	<b>2,232</b>	<b>2,574</b>	<b>3,604</b>
<b>Cash Flow from Investing Activities</b>					
(Inc)/Dec in Fixed Assets	-2,547	-3,748	-1,205	-939	-1,034
(Inc)/Dec in Investment (Strategic)	-978	1,013	-517	-250	-250
(Inc)/Dec in Investment (Others)	-	-37	37	-	-
Add: Non Operating Income	415	716	544	690	853
<b>Net Cash Flow from Investing Activities</b>	<b>-3,110</b>	<b>-2,056</b>	<b>-1,141</b>	<b>-499</b>	<b>-432</b>
<b>Cash Flow from Financing Activities</b>					
Inc/(Dec) in Total Loans	1,562	149	1,351	-50	-50
Inc/(Dec) in Other Liabilities	3	41	-54	-	-
Inc/(Dec) in Equity	-59	5,976	-0	0	0
Dividend Paid	-	-	-	-	-
Tax Paid on Dividend	-	-	-	-	-
Other Financing Activities					
Less: Interest Paid	-36	-12	-114	-9	-7
<b>Net Cash Flow from Financing Activities</b>	<b>1,470</b>	<b>6,154</b>	<b>1,183</b>	<b>-59</b>	<b>-57</b>
<b>Net Inc/Dec in cash equivalents</b>	<b>-622</b>	<b>6,758</b>	<b>2,275</b>	<b>2,017</b>	<b>3,115</b>
<b>Opening Balance</b>	<b>1,265</b>	<b>632</b>	<b>6,046</b>	<b>8,321</b>	<b>10,338</b>
<b>Closing Cash and Cash Equivalent s</b>	<b>643</b>	<b>6,046</b>	<b>8,321</b>	<b>10,338</b>	<b>13,453</b>

Free Cash Flow Statement					
INR Mn	FY21	FY22	FY23E	FY24E	FY25E
EBITDA	1,297	2,131	2,888	3,654	4,446
FC Investment	199	734	1,205	939	1,034
WC Changes	-158	814	-285	-565	-195
Depreciation Tax Shield	16	37	65	80	80
Tax Expenses	105	285	380	501	611
<b>FCFF</b>	<b>1,061</b>	<b>1,540</b>	<b>1,843</b>	<b>2,731</b>	<b>3,907</b>

Source: Dalal &amp; Broacha Research, Company

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