

Affle reported a strong Q2FY22 performance with a big beat on our estimates across the board driven by organic as well as inorganic initiatives

- Revenue at INR 2,747 Mn, +80% qoq / +104% yoy and 22% above our estimate
- EBITDA at INR 520.1 Mn, +48% qoq / +51% yoy and 18% above our estimates
- EBITDA margin at 18.9% vs 23% / 25.5% in Q1FY22 / Q2FY21 and -60 bps vs our estimates
- Reported PAT at INR 478.2 Mn, +33% qoq / +77% yoy
- PAT contains Other Income of INR 72 Mn of Gain on Fair Valuation of Instruments and INR 16 Mn as Tax Outgo on Gain on Financial Instruments in Q2FY22
- Reported EPS (Pre-split) stood at INR 18.08 vs 13.7 / 10.6 in Q1FY22 / Q2FY21
- Reported EPS (Post-split) stood at INR 3.6 vs 2.7 / 2 in Q1FY22 / Q2FY21
- Normalized PAT stood at INR 420 Mn, +42% qoq / +56% yoy and beat our estimates by 17%
- Normalized EPS (Pre-split) stood at INR 15.6 vs 11.1 / 10.6 in Q1FY22 / Q2FY21 and beat our estimate of INR 13.5
- Normalized EPS (Post-split) stood at INR 3.2 vs 2.2 / 2 in Q1FY22 / Q2FY21 and higher than our estimate of INR 2.7
- Converted Users in CPCU business stood at 48.7 Mn vs 31.5 Mn / 28.1 Mn in Q1FY22 / Q2FY21
- Average CPCU rate stood at INR 51.3 in Q2FY22 vs INR 42 / 40.3 in Q1FY22 / Q2FY21

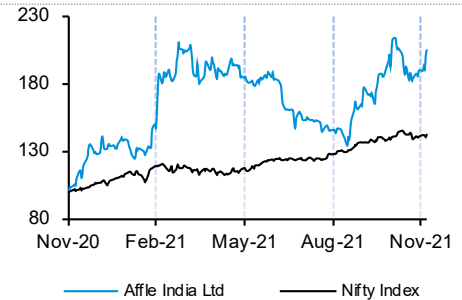
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	1,299	11

Market data

Current price	Rs	1,169
Market Cap (Rs.Bn)	(Rs Bn)	156
Market Cap (US \$ Mn)	(US \$ Mn)	2,090
Face Value	Rs	2
52 Weeks High/Low	Rs	1,260 / 561
Average Daily Volume	('000)	947
BSE Code		542752

Bloomberg AFFLE.IN
Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	May-21	Mar-21
Promoters	59.89	62.60
Public	40.11	37.40
Others	0.00	0.00
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY20	FY21E	FY22E	FY23E
Net sales	3,338	5,168	10,037	12,885
EBITDA	879	1,297	2,007	2,788
Adjusted net profit	655	1,029	1,717	2,163
Free cash flow	1,179	1,061	2,128	2,734
EPS (Rs)	5.2	10.2	12.9	16.2
growth (%)	30%	95%	26%	26%
P/E (x)	223.5	114.5	90.6	72.0
P/B (x)	67.9	43.3	13.8	11.6
EV/EBITDA (x)	176.4	119.7	74.4	52.5
ROCE (%)	27.4	19.7	12.2	14.0
RoE (%)	28.6	37.8	15.2	16.1
Dividend yield (%)	-	-	-	-

Source: Company

Mayank Babla
(022) 67141412
mayank.babla@dalal-broacha.com

Conference Call Key Highlights

- Direct customer contribution increased to 74% in H1FY22 vs 67% in FY21
- Jampm Acquisition Performance: Jampm contributed ~32%-33% to consolidated revenue and ~11-12% to PAT. Jampm did an EBITDA margin of 5-6% EBITDA during the quarter.
- Jampm Profitability Outlook: Management expects to scale EBITDA margins to high single digits over the next 2-3 quarters, double digits over the next 4-6 quarters and 20%+ over the next 1.5-2.5 years. Levers of margin expansion will largely be Inventory & Data costs.
- Organic Performance: Affle's revenue grew 34% YoY on organic basis and PAT grew 37% PAT YoY
- Executed transformation of Jampm to CPCU model but increasing efficiency of pricing and cost rationalization still to follow
- Pending Cash Outflow for Jampm is expected in June 2022 to the tune of \$8 Mn
- Inventory & Data Costs: 4% increase in Inventory & Data costs (from 58% of consolidated revenue to 63% of consolidated revenue) was due to Jampm and this will come down gradually over next 4-6 quarters
- Average CPCU rate in Jampm (i.e. foreign markets) is much higher and therefore there is a sudden spike in Average CPCU rates during Q2. Management indicated that current level of Average CPCU rate is sustainable going ahead
- ~80% of converted users came from organic business and balance was from Jampm
- For the next 1 year, focus will be on improving unit economics of Jampm versus growth. Thereon, 20% growth minimum will be achievable

Quarterly Performance Analysis

Exhibit 1

Particulars	FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	FY21	Q1FY22	Q2FY22
Converted Users (Mn)	72.3	17.0	28.1	30.6	29.6	105.3	31.5	48.7
Q-o-Q Growth (%)		4%	65%	9%	-3%		6%	55%
Y-o-Y Growth (%)		2%	52%	46%	82%	46%	85%	73%
Average CPCU (INR)	41.0	41.0	40.3	41.0	40.9	40.8	42.0	51.3
Q-o-Q Growth (%)		2%	-2%	2%	0%		3%	22%
Y-o-Y Growth (%)		0%	-3%	0%	2%	-1%	2%	27%
CPCU Revenue (Mn)	2965	697	1132	1255	1211	4296	1323	2498
Q-o-Q Growth (%)		7%	62%	11%	-4%		9%	89%
Y-o-Y Growth (%)		2%	47%	46%	85%	45%	90%	121%

Converted users stood at 48.7 Mn in Q2FY22 while Average CPCU rate stood at INR 51.3.

Both these parameters reported a marked jump as Jamp was consolidated during the quarter

Source: Dalal & Broacha Research, Company

Exhibit 2 – Quarterly Trend of Active Deal Pursuits

Business Segments (as % of Total Revenue)	FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	FY21	Q1FY22	Q2FY22
Consumer Platform	97.2%	98.1%	98.5%	98.3%	97.9%	98.2%	98.8%	99.4%
Enterprise Platform	2.8%	1.9%	1.5%	1.7%	2.1%	1.8%	1.2%	0.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Consumer Platform (as % of Consumer Platform)	FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	FY21	Q1FY22	Q2FY22
CPCU	91.4%	79.3%	85.2%	84.8%	87.3%	84.2%	87.8%	91.6%
Non-CPCU	8.6%	20.7%	14.8%	15.2%	12.7%	15.9%	12.2%	8.4%

Consumer Platform	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY21	Q2FY22
CPCU	654.1	698.4	1132.5	1254.4	1210.0	1322.7	2501.2
Q-o-Q (%)		7%	62%	11%	-4%	9%	89%
Y-o-Y (%)					85%	17%	99%
non-CPCU	126.2	182.3	196.7	224.8	176.0	183.8	229.4
Q-o-Q (%)		44%	8%	14%	-22%	4%	25%
Y-o-Y (%)					39%	-7%	2%
Total Consumer Platform	780	881	1329	1479	1386	1506	2731
Q-o-Q (%)		13%	51%	11.3%	-6.3%	9%	-24%
Y-o-Y (%)					78%	13%	85%

CPCU business reported a growth of 89% qoq and 99% yoy

CPCU reported a spike in the quarter as Affle transformed Jamp's business model from CPC/CPM to CPCU

Non-CPCU business grew 25% qoq and 2% YoY

Enterprise business reported a 24% qoq decline and 85% yoy growth

Source: Dalal & Broacha Research, Company

Valuation & Outlook

Affle delivered a strong beat on our estimates across the board driven by robust performance of the organic business and Inorganic (Jammp) business. Although absolute EBITDA was a beat on our estimates, EBITDA margins were marginally weaker at 18.9% versus our expectations of 19.5% because inventory costs as a % of sales increased from 58% to 63% due to consolidation of Jammp.

At the time of acquisition, Jammp was just breaking even at the EBITDA level and Affle has managed to scale up the EBITDA margins to 5-6% in just 1 quarter from the acquisition. Additionally, management has given a positive outlook on the EBITDA margin trajectory as it indicated that they will be able to scale up margins to high single digits in the next 2-3 quarters, double digits over the next 4-6 quarters and 20%+ profitability over the next 1.5 - 2.5 years. We maintain that Jammp will be a major catalyst to penetrate LATAM and North America and strongly believe in the management's competency, in scaling up Jammp's profitability given past experience in turn arounds of Appnext and Mediasmart.

Jammp's performance was extremely volatile before the acquisition but has delivered stellar 65% YoY growth in the current quarter. While these are early stages to call out the normalized growth, management is confident of delivering 20%+ growth in Jammp from FY23 onwards. This, coupled with an already robust growth momentum of the domestic business will ensure industry and market leading growth for Affle.

At current level of INR 1,168, the stock is trading at 91x / 72x FY22e / FY23e EPS. We upgrade our EPS estimates from INR 11.1 / INR 14.9 to INR 12 / INR 16.2 for FY22e / FY23e respectively. We maintain a target multiple of 80x FY23e EPS and assign a BUY on DIPS rating on the stock with an upgraded target price of INR 1,299 (from earlier TP of INR 1,197).

Financials

Profit & Loss Statement				
YE March (Rs. mn)	FY20	FY21	FY22E	FY23E
Revenue from Operation	3338	5168	10037	12885
% Growth	34%	55%	94%	28%
Operating Expenses				
Inventory and Data Costs	1921	2977	6284	7947
Employee Benefit Expense	273	540	1153	1407
Other Expenses	265	354	593	743
Total Operating Expense	2459	3871	8030	10097
EBITDA	879	1297	2007	2788
Growth (%)	25%	48%	55%	39%
EBITDA Margin (%)	26%	25%	20%	22%
Less: Depreciation	133	197	284	415
EBIT	746	1100	1723	2373
Growth (%)	24%	48%	57%	38%
EBIT Margin (%)	22%	21%	17%	18%
Interest Paid	14	36	12	10
Other Income	61	415	337	95
PBT	792	1479	2048	2458
Tax Expenses	137	120	331	295
Net Profit	655	1359	1717	2163
Adjust PAT	655	1029	1717	2163
Growth (%)	34%	57%	67%	26%
APAT Margin (%)	20%	20%	17%	17%
EPS	5	10	13	16
Growth (%)	30%	95%	26%	26%
Adj. EPS	5	8	12	16
Growth (%)	30%	48%	51%	39%

Financial Ratio Analysis				
YE March (Rs. mn)	FY20	FY21	FY22E	FY23E
Profitability Ratios				
ROE (%)	29%	38%	15%	16%
ROCE (%)	27%	20%	12%	14%
ROA (%)	12%	12%	7%	8%
Valuation Ratios				
Book Value (Rs.)	17	27	85	101
P/E (x)	223	115	91	72
P/BV (x)	68	43	14	12
EV/EBITDA (x)	176	120	74	53
Market Cap. / Sales (x)	47	30	16	12
Market Cap	1,55,636	1,55,636	1,55,636	1,55,636
Current Market Price	1168	1168	1168	1168

Balance Sheet				
Particulars	FY20	FY21	FY22E	FY23E
EQUITY				
Equity Share Capital	255	255	266	266
Other Equity	2037	3337	11042	13205
Total Equity	2292	3592	11309	13471
LIABILITIES				
Non-Current Liabilities				
Financial Liabilities				
Borrowings	281	893	593	543
Other Non-Current Financial Liabilities	118	1067	2177	2917
Total Non-Current Liabilities	433	1998	2795	3485
Current Liabilities				
Financial Liabilities				
Trade Payables				
Others	743	1256	2420	2905
Total Current Liabilities	1276	1936	3238	3760
Total Equity and Liabilities	4000	7526	17341	20717
Non-Current Assets				
Property Plant & Equipment				
Gross Block	24	223	523	873
Less: Depreciation	14	210	495	910
Net Block	10	13	28	-37
Goodwill	1107	3149	5900	6000
Other Intangible Assets	474	425	425	425
Total Non-Current Assets	1689	5018	8334	8560
Current Assets				
Financial Assets				
Trade Receivables	744	1079	2090	2471
Cash and Cash Equivalents	696	491	5883	8421
Other Financial Assets	10	179	63	294
Total Current Assets	2321	2507	9008	12157
Total Assets	4010	7525	17341	20717

Cash Flow Statement				
Particulars	FY20	FY21	FY22E	FY23E
PAT	655	1359	1717	2163
Less: Non Operating Income	-61	-415	-337	-95
Add: Depreciation	133	197	284	415
Add: Interest Paid	14	36	12	10
Operating Profit before WC Changes	742	1177	1676	2493
(Inc)/Dec in Current Assets	-370	-818	-1251	-611
(Inc)/Dec in Current Liabilities	504	660	1302	523
Net Cash Generated From Operations	876	1019	1727	2405
Cash Flow from Investing Activities				
(Inc)/Dec in Fixed Assets	-1182	-2547	-3350	-392
(Inc)/Dec in Investment (Strategic)	-37	-978	-250	-250
Add: Non Operating Income	61	415	337	95
Net Cash Flow from Investing Activities	-1169	-3110	-3263	-547
Cash Flow from Financing Activities				
(Inc)/Dec in Total Loans	329	1562	810	690
Less: Interest Paid	-14	-36	-12	-10
Net Cash Flow from Financing Activities	1244	1470	6785	680
Net Inc/Dec in cash equivalents	950	-622	5250	2538
Opening Balance	305	1265	632	5883
Closing Cash and Cash Equivalents	1255	643	5882	8421

Free Cash Flow Statement				
INR Mn	FY20	FY21	FY22E	FY23E
EBITDA	879	1297	2007	2788
FC Investment	9	199	300	350
WC Changes	134	-158	51	-88
Depreciation Tax Shield	23	16	46	50
Tax Expenses	152	105	324	335
FCFF	1179	1061	2128	2734

Source: Dalal & Broacha Research, Company

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, 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 or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any

copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Name	Designation	Email	Phone	Sector
Mr.Kunal Bhatia	Head of Research	kunal.bhatia@dalal-broacha.com	022 67141442	Retail FMCG Logistics
Mrs.Charulata Gaidhani	Sr.Analyst	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma Healthcare
Mr.Mayank Babla	Sr.Analyst	mayank.babla@dalal-broacha.com	022 67141412	IT Telecom Media
Mr.Avinash Tanawade	Sr.Analyst	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr.Akshay Ashok	Sr.Analyst	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr.Bhavya Gandhi	Associate	bhavya.gandhi@dalal-broacha.com	022 67141444	Midcaps
Mr.Miraj Shah	Associate	miraj.shah@dalal-broacha.com	022 67141489	FMCG Retail

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

Tel: 91-22- 2282 2992 ,| E-mail: equity.research@dalal-broacha.com