



#### Affle continues to deliver 50%+ Y-o-Y growth for a 2<sup>nd</sup> straight quarter and marginally beats our estimates across the board.

- Revenue at INR 1349 Mn, +12% qoq / +59% yoy and 3% above our estimate
- EBITDA at INR 384 Mn, +12% qoq / +41% yoy and 4% above our estimates
- EBITDA margin at 25.5% vs 25.5% / 28.9% in Q2FY21 / Q3FY20 and +40 bps vs our estimates
- EBIT at INR 333 Mn, +14% qoq / +38% yoy and +5% vs our estimates
- EBIT margin at 22.1% vs 21.7% / 25.5% and +50 bps vs our expectations
- PAT at INR 306 Mn, +13% qoq / +43% yoy and 8% above our estimates
- EPS at INR 12 vs 10.6 / 8.6 Q2FY21 / Q3FY20
- Converted Users in CPCU business stood at 30.6 Mn vs 28.1 Mn / 20.9 Mn in Q2FY21 / Q3FY20
- Average CPCU rate stood at INR 41 in Q3FY21 vs INR 40.3 / 41.1 in Q2FY21 / Q3FY20

#### Segmental Highlights

- Consumer Platform (98.3% of Revenue) grew at 11.3% qoq
  - CPCU Business (84.8% of Consumer Platform) grew 11% qoq
  - Non-CPCU (15.2% of Consumer Platform) grew 14% qoq
- Enterprise Platform (1.7% of Revenue) grew 26% sequentially
- India business (48.1% of revenue) grew 4% sequentially while International business (51.9% of revenue) grew 20% qoq

#### Financial Summary

Y/E Mar (Rs mn)	FY 20	FY 21E	FY 22E	FY 23E
Net sales	3,338	5,058	6,298	7,937
EBITDA	879	1,279	1,608	2,050
Adjusted net profit	655	1,018	1,235	1,592
Free cash flow	398	738	1,212	1,761
EPS (Rs)	26.1	39.9	48.4	62.5
growth (%)	30%	53%	21%	29%
P/E (x)	164.2	107.5	88.6	68.7
P/B (x)	47.7	33.1	24.1	17.8
EV/EBITDA (x)	123.7	84.7	66.8	51.8
ROCE (%)	27.4	28.4	27.0	26.9
RoE (%)	28.6	30.7	27.2	25.9
Dividend yield (%)	-	-	-	-

Source: Company

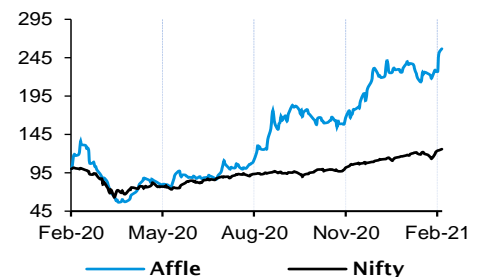
Rating	TP (Rs)	Up/Dn (%)
BUY	4372	2

#### Market data

Current price	Rs	4,283
Market Cap (Rs.Bn)	(Rs Bn)	109
Market Cap (US\$ Mn)	(US\$ Mn)	1497
Face Value	Rs	10
52 Weeks High/Low	Rs	4583/909
Average Daily Volume	('000)	438
BSE Code		542752
Bloomberg		AFFLE:IN

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Dec-20	Sep-20
Promoters	63.80	68.38
Public	36.20	31.62
Others	0.00	0.00
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

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## Conference Call Key Takeaways

- **Affle's connected TV proposition offering video ads for brands was launched in October 2020** and company is now bringing it to India and S.E. Asia.
- **Launched Appnext Out Of Box Experience (OOBE) powered by acquisition of Discover Tech** which enhances Affle's vernacular strategy and client engagement journey from device setup to several other touch points.
- **Planning to enhance on Human Resource capabilities in India** and expanding presence in regions such as South East Asia, South Korea, Japan, Russia through local on-ground presence.
- **Employee benefit expenses as a % of sales increased on account of acquired businesses, new hirings, human resource addition annual increment rolled out in October 2020**
- OCF stood at INR 787 Mn for 9MFY21 at 103% of PAT
- **Trend in Converted Users is here to stay on the back of multi-year technology transformation unfolding.**
- Current tech stack – both organic and inorganic – is strong enough to penetrate newer markets mentioned above
- **M&A activity would be in the direction of achieving new market access or tech over the next 5 years.**
- IndusOS stake divested and invested in DiscoverTech
- **Expect Indian Mobile Advertising market to grow at 30% CAGR over the next 5 years and Global Mobile Advertising market to grow at 25% CAGR.**
- **Appnext and MediaSmart contributed INR 34-35 Cr to the revenue and 11-12% of PAT during Q3FY21.**
- INR 3 Cr of PAT has come from Appnext and MediaSmart
- **Expect ETR to be at 10% in the medium term and 12% over the longer term.**

**Expansion of EBITDA margins to 26% in Q3 FY 21 vs 1% in Q3 FY20 and 24% in Q2 FY 21. Management indicated it is on track to achieve EBITDA margin target of 30% over the next 2 quarters**

**15% of sequential increase in Employee Benefit Expenses on account of increments.**

**Mobile & Digital Advertising is 20% of total advertising in Developing Markets which is expected to expand to 40-50% over the next 3-5 years**

**Therefore, massive opportunity to expand on a micro and macro level**

## Quarterly Performance Analysis

### Exhibit 1

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	FY20	Q1FY21	Q2FY21	Q3FY21
Converted Users (Mn)	16.6	18.5	20.9	16.3	72.3	17.0	28.1	30.6
	24%	11%	13%	-22%		4%	65%	9%
Average CPCU (INR)	41.2	41.6	41.1	40.1	41.0	41.0	40.3	41.0
	3%	1%	-1%	-2%		2%	-2%	2%
CPCU Revenue (Mn)	684	770	859	654	2965	697	1132	1255
	28%	13%	12%	-24%		7%	62%	11%
			28%	22%		2%	47%	46%

Converted users stood at 306 Mn in Q3FY21 (not comparable qoq or yoy as Q3FY21 had 1<sup>st</sup> full quarter of consolidation of Appnext). Expect volume momentum to continue

Source: Dalal & Broacha Research, Company

### Exhibit 2 – Quarterly Trend of Active Deal Pursuits

Business Segment s (% of Total Revenue)	Q1FY21	Q2FY21	Q3FY21
Consumer Platform	98.1%	98.5%	98.3%
Enterprise Platform	1.9%	1.5%	1.7%
Total	100.0%	100.0%	100.0%

Consumer Plat form (% of Consumer Plat form)	Q1FY21	Q2FY21	Q3FY21
CPCU	79.3%	85.2%	84.8%
Non-CPCU	20.7%	14.8%	15.2%

Consumer Plat form (Quarterly)	Q1FY21	Q2FY21	Q3FY21
CPCU	698.4	1132.5	1254.4
Q-o-Q (%)	7%	62%	11%
non-CPCU	182.3	196.7	224.8
Q-o-Q (%)	44%	8%	14%
Total Consumer Plat form	881	1329	1479
Q-o-Q (%)	13%	51%	11.3%

Enterprise Business (Quarterly)	Q1FY21	Q2FY21	Q3FY21
Enterprise Business	17.1	20.2	25.6
Q-o-Q (%)	-14%	19%	26%
Total Revenue (Quarterly)	897.7	1349.5	1504.9

Management indicated that it is positive on delivering 25-30% top-line CAGR over the next 3 years on the back of strong growth in Digital Mobile Advertising market

Affle has a strong and complete tech stack to expand to new geographic regions namely South Korea, Russia and Japan

Source: Dalal & Broacha Research, Company

## Valuation & Outlook

Affle is trading at 88.6x / 68.7 FY22e / FY23e EPS. We believe that the company delivered a solid set of results. We expect Affle to report healthy double-digit growth through FY21e to FY23e which is backed by a strong management outlook and commentary on the digital mobile advertising market. Affle now owns a complete tech stack through organic investments as well as inorganic acquisitions. Therefore, management's focus has now shifted to geographic expansion globally, tier II and tier III cities within India and increasing wallet share of clients. Although we are extremely positive on the company's future and management's execution capabilities and business acumen, stock has rallied by almost 61% in the last 3 months and therefore recommend investors to BUY on dips for the long term.

Globally, peers (albeit 2-3x larger vis-à-vis Affle) are trading at 100x+ FY23e earnings. If a similar multiple is considered, a blue-sky target price would be INR 6,246. We conservatively give a target price of INR 4,372, based on 70x FY23e EPS.

# Financial

Profit & Loss Statement				
YE March (Rs. mn)	FY20	FY21E	FY22E	FY23E
<b>Revenue from Operations</b>	3338	5058	6298	7937
% Growth	34%	52%	25%	26%
<b>Operating Expenses</b>				
Inventory and Data Costs	1921	2921	3648	4597
Employee Benefit Expense	273	521	602	735
Other Expenses	265	337	441	556
<b>Total Operating Expenses</b>	<b>2459</b>	<b>3779</b>	<b>4691</b>	<b>5887</b>
<b>EBITDA</b>	<b>879</b>	<b>1279</b>	<b>1608</b>	<b>2050</b>
Growth (%)	25%	46%	26%	27%
<b>EBITDA Margin (%)</b>	<b>26%</b>	<b>25%</b>	<b>26%</b>	<b>26%</b>
Less: Depreciation	133	194	255	287
<b>EBIT</b>	<b>746</b>	<b>1085</b>	<b>1352</b>	<b>1762</b>
Growth (%)	24%	46%	25%	30%
<b>EBIT Margin (%)</b>	<b>22%</b>	<b>21%</b>	<b>21%</b>	<b>22%</b>
Interest Paid	14	33	12	10
Other Income	61	68	63	57
<b>PBT</b>	<b>792</b>	<b>1121</b>	<b>1404</b>	<b>1810</b>
Tax Expenses	137	103	168	217
<b>Net Profit</b>	<b>655</b>	<b>1018</b>	<b>1235</b>	<b>1592</b>
<b>Adjust PAT</b>	<b>655</b>	<b>1018</b>	<b>1235</b>	<b>1592</b>
Growth (%)	34%	55%	21%	29%
<b>APAT Margin (%)</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>EPS</b>	<b>26</b>	<b>40</b>	<b>48</b>	<b>62</b>
Growth (%)	30%	53%	21%	29%

Financial Ratio Analysis				
YE March (Rs. mn)	FY20	FY21E	FY22E	FY23E
<b>Profitability Ratios</b>				
ROE (%)	29%	31%	27%	26%
ROCE (%)	27%	28%	27%	27%
ROA (%)	12%	13%	13%	14%

Financial Leverage Ratios				
Debt / Equity (x)	0.3x	0.3x	0.2x	0.1x
Interest Coverage (x)	62x	39x	136x	213x
Interest / Debt (%)	2%	4%	2%	2%

Asset Turnover Ratios				
Debtors (Days)	110	118	110	105
Creditors (Days)	81	75	80	80

Valuation Ratios				
Book Value (Rs.)	90	130	178	241
P/E (x)	164	107	89	69
P/BV (x)	48	33	24	18
EV/EBITDA (x)	124	85	67	52
Market Cap. / Sales (x)	33	22	17	14
Net Cash / Mkt Cap (%)	1%	1%	2%	3%
Dividend Yield (%)	0	0	0	0

Free Cash Flow Statement				
INR Mn	FY20	FY21E	FY22E	FY23E
<b>EBITDA</b>	<b>879</b>	<b>1279</b>	<b>1608</b>	<b>2050</b>
FC Investment	790	773	350	350
WC Changes	134	96	-270	-220
Depreciation Tax Shield	23	18	31	34
Tax Expenses	152	118	193	246
<b>FCFF</b>	<b>398</b>	<b>738</b>	<b>1212</b>	<b>1761</b>

Balance Sheet				
Particulars	FY20	FY21E	FY22E	FY23E
<b>EQUITY</b>				
Equity Share Capital	255	255	255	255
Other Equity	2037	3054	4289	5882
<b>Total Equity</b>	<b>2292</b>	<b>3309</b>	<b>4544</b>	<b>6137</b>
<b>LIABILITIES</b>				
<b>Non-Current Liabilities</b>				
<b>Financial Liabilities</b>				
Borrowings	281	481	431	381
<b>Total Non-Current Liabilities</b>	<b>433</b>	<b>515</b>	<b>465</b>	<b>415</b>
<b>Current Liabilities</b>				
<b>Financial Liabilities</b>				
Borrowings	357	357	307	257
Trade Payables				
Others	743	1222	1414	1694
Other Financial Liabilities	70	104	120	147
<b>Total Current Liabilities</b>	<b>1276</b>	<b>1774</b>	<b>1939</b>	<b>2200</b>
<b>Total Equity and Liabilities</b>	<b>4000</b>	<b>5599</b>	<b>6948</b>	<b>8752</b>
<b>Non-Current Assets</b>				
<b>Property Plant &amp; Equipment</b>				
Gross Block	24	333	583	833
Less: Depreciation	14	207	463	750
<b>Net Block</b>	<b>10</b>	<b>126</b>	<b>120</b>	<b>83</b>
Goodwill	1107	1570	1670	1770
Other Intangible Assets	474	474	474	474
<b>Financial Assets</b>				
Investments	0	990	1490	1740
<b>Total Non-Current Assets</b>	<b>1679</b>	<b>3251</b>	<b>3858</b>	<b>4187</b>
<b>Current Assets</b>				
Contract Asset	199	278	346	437
<b>Financial Assets</b>				
Trade Receivables	744	1039	1380	1740
<b>Cash and Cash Equivalents</b>	<b>696</b>	<b>889</b>	<b>1198</b>	<b>2191</b>
<b>Total Current Assets</b>	<b>2321</b>	<b>2348</b>	<b>3091</b>	<b>4565</b>
<b>Total Assets</b>	<b>4000</b>	<b>5599</b>	<b>6948</b>	<b>8752</b>

Cash Flow Statement				
Particulars	FY20	FY21E	FY22E	FY23E
<b>PAT</b>	<b>655</b>	<b>1018</b>	<b>1235</b>	<b>1592</b>
Less: Non Operating Income	-61	-68	-63	-57
Add: Depreciation	133	194	255	287
Add: Interest Paid	14	33	12	10
<b>Operating Profit before WC Changes</b>	<b>742</b>	<b>1176</b>	<b>1439</b>	<b>1833</b>
(Inc)/Dec in Current Assets	-370	-402	-435	-481
Inc/(Dec) in Current Liabilities	504	498	165	261
<b>Net Cash Generated From Operations</b>	<b>876</b>	<b>1272</b>	<b>1169</b>	<b>1613</b>
<b>Cash Flow from Investing Activities</b>				
(Inc)/Dec in Fixed Assets	-1182	-775	-362	-366
(Inc)/Dec in Investment (Strategic)	-37	-990	-500	-250
Add: Non Operating Income	61	68	63	57
<b>Net Cash Flow from Investing Activities</b>	<b>-1160</b>	<b>-1697</b>	<b>-799</b>	<b>-560</b>
<b>Cash Flow from Financing Activities</b>				
Inc/(Dec) in Total Loans	329	82	-50	-50
Less: Interest Paid	-14	-33	-12	-10
<b>Net Cash Flow from Financing Activities</b>	<b>1244</b>	<b>49</b>	<b>-62</b>	<b>-60</b>
<b>Net Inc/Dec in cash equivalents</b>	<b>960</b>	<b>-375</b>	<b>308</b>	<b>994</b>
Opening Balance	305	1265	889	1198
<b>Closing Cash and Cash Equivalents</b>	<b>1265</b>	<b>889</b>	<b>1198</b>	<b>2191</b>

Source: Dalal & Broacha Research, Company

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