

## Affle completed the acquisition of Jampp (Ireland) Ltd. transforming the company from an Emerging market to a global player in the digital ad industry

### Key Highlights of the deal

- Acquired 100% Equity and IP assets of the company
- Total Amount: USD 41.3 Mn
- Upfront Payment: USD 26.3 Mn | Contingent Payment: USD 15 Mn (over next 3 years)
- Total Cash Consideration
- Deal announced on 9<sup>th</sup> June 2021 | Deal completed on 30<sup>th</sup> June 2021

### Jampp Details

- Programmatic Marketing Company operates under **Cost Per Impression Model**
  - Consolidated Revenue of Jampp
- |                  | CY18 | CY19 | CY20 |
|------------------|------|------|------|
| Revenue (USD Mn) | 25.3 | 35.2 | 29.5 |
| Growth (%)       |      | 39%  | -16% |
- CY20 EBITDA of USD 0.04 Mn | EBITDA margin of 0.14%
  - Largest geographic presence (in pecking order): LATAM, North America and APAC

### Changes to Financials

We expect Jampp's revenue to grow by 10% / 20% in CY21 / CY22 translating into a quarterly run rate of USD 8.1 Mn and 9.7 Mn and Total Revenue of USD 24.3 Mn in FY22e (only 3 quarters of consolidation) and UDS 38.9 Mn in FY23e. Effectively adding INR 1,801 Mn in FY22e and INR 2,881 Mn in FY23e.

Management has indicated that it can scale up Jampp's operating margins from barely positive to high single digits in the first 12 months and scale up to 15-20% in 12-24 months and company level margins in the 3<sup>rd</sup> year, which is highly possible given past scale-ups in Appnext & Mediasmart. We bake in an EBITDA margin of 7% / 15% for FY22e / FY23e for Jampp.

Expect EPS estimates to increase by INR 3 and INR 11 to INR 51 and INR 75 respectively for FY22e / FY23e

Changes in Affle Consol Est. (INR Mn)	FY22e Old Est.	FY23e	FY22e New Est.	FY23e
Revenue	6453	8137	8254	11019
Incremental			1801	2882
EBITDA Margin (%)	25%	26% <span style="color: green;">▲</span>	21% <span style="color: green;">▲</span>	23%
Change			-4%	-3%
PAT	1221	1640 <span style="color: green;">▲</span>	1298 <span style="color: green;">▲</span>	1907
Incremental			77	268
EPS	48	64 <span style="color: green;">▲</span>	51 <span style="color: green;">▲</span>	75
Incremental			3	11

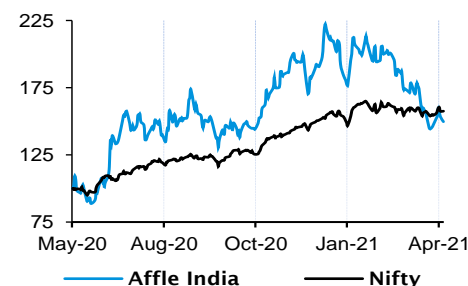
Rating	TP (Rs)	Up/Dn (%)
BUY	5985	35

### Market data

Current price	Rs	4419
Market Cap (Rs.Bn)	(Rs Bn)	118
Market Cap (US\$ Mn)	(US\$ Mn)	1583
Face Value	Rs	10
52 Weeks High/Low	Rs	6287/1449
Average Daily Volume	('000)	114
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
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

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## Conference Call Key Highlights

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- Acquisition of Jampp drives Affle 2.0 which focuses on LATAM, North America and APAC as well as aspiration of reaching 10 Bn devices
- Can expect all businesses - organic and inorganic to grow minimum at industry average of 25%
- Expect to scale up PBT margins to high single digits within 12 months of the acquisition and 15-20% margins in the 2nd year of the acquisition Previously, Affle has achieved similar target with the MediaSmart & AppNext acquisition.
- One can expect EBITDA margins to reach company level of 25% in the 3rd year post acquisition. (Jampp's CY20 EBITDA margin stood at 0.14%)
- Business transformation from CPI to CPCU models (deeper funnel conversion metrics) will start immediately and will be completed over the period of 9 months. CPCU transformed Jampp will contribute high performance going ahead.
- There are massive cross-selling and up-selling opportunities through AppNext & MediaSmart especially in the LATAM and North American region from FY23. Jampp will be \$100 Mn opportunity in a few years.
- Android focussed capabilities acquired through organic and inorganic routes can win against Trade Desks Of the world as well
- Increased privacy by Apple is not a concern as even if 50% of mobile users provide consent, CPCU based algos can capture data effectively. Additionally, in APAC and emerging markets, mobile users still give consent to ads versus paying and not accepting cookies. In India only 20% are online shoppers which indicates massive opportunity that lays ahead

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## Valuation & Outlook

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Affle (post consolidating our estimates of Jampp) is trading at 87x / 59x FY22e / FY23e EPS. Jampp can be considered as a major acquisition and catalyst not only because of its size (42.2% of revenue) but also as a catalyst to penetrate LATAM and North America. We strongly believe in the management's competency, in scaling up Jampp's profitability given past experience in turn arounds of Appnext and Mediasmart. With Jampp and other inorganic acquisitions, management stated that it has acquired capabilities and proficiency to win against the likes of Trade Desk (market cap of US\$ 36.45 Bn), Digital Turbine, Lift Off, etc. in developed markets. We consider this acquisition to be a major turning point for Affle and therefore continue to maintain our bullish stance on the company.

**We maintain a BUY rating on the stock with an increased target price of INR 5,985 (earlier INR 5,120) at an unchanged forward multiple of 80x FY23e EPS.**

We believe Affle to be a strong long-term compounder and will therefore review the forward multiple and target as per its progress in upscaling Jampp and penetration in developed markets through upselling and cross-selling.

# Financials

Profit & Loss Statement				
YE March (Rs. mn)	FY20	FY21	FY22E	FY23E
Revenue from Operations	3338	5168	8254	11019
% Growth	34%	55%	60%	33%
<b>Operating Expenses</b>				
Inventory and Data Costs	1921	2977	3737	4713
Employee Benefit Expense	273	540	674	753
Other Expenses	265	354	452	570
<b>Total Operating Expenses</b>	<b>2459</b>	<b>3871</b>	<b>6538</b>	<b>8484</b>
<b>EBITDA</b>	<b>879</b>	<b>1297</b>	<b>1716</b>	<b>2535</b>
Growth (%)	25%	48%	32%	48%
EBITDA Margin (%)	26%	25%	21%	23%
Less: Depreciation	133	197	294	415
<b>EBIT</b>	<b>746</b>	<b>1100</b>	<b>1423</b>	<b>2119</b>
Growth (%)	24%	48%	29%	49%
EBIT Margin (%)	22%	21%	17%	19%
Interest Paid	14	36	12	10
Other Income	61	415	65	58
<b>PBT</b>	<b>792</b>	<b>1479</b>	<b>1475</b>	<b>2167</b>
Tax Expenses	137	120	177	260
<b>Net Profit</b>	<b>655</b>	<b>1359</b>	<b>1298</b>	<b>1907</b>
<b>Adjust PAT</b>	<b>655</b>	<b>1029</b>	<b>1298</b>	<b>1907</b>
Growth (%)	34%	57%	26%	47%
APAT Margin (%)	20%	20%	16%	17%
<b>EPS</b>	<b>26</b>	<b>53</b>	<b>51</b>	<b>75</b>
Growth (%)	30%	104%	-4%	47%
<b>Adj. EPS</b>	<b>26</b>	<b>40</b>	<b>51</b>	<b>75</b>
Growth (%)	30%	55%	26%	47%

Financial Ratio Analysis				
YE March (Rs. mn)	FY20	FY21	FY22E	FY23E
<b>Profitability Ratios</b>				
ROE (%)	29%	38%	12%	15%
ROCE (%)	27%	20%	10%	13%
ROA (%)	12%	12%	6%	7%
<b>Valuation Ratios</b>				
Book Value (Rs.)	90	141	427	502
P/E (x)	169	83	87	59
P/BV (x)	49	31	10	9
EV/EBITDA (x)	127	87	63	41
Market Cap. / Sales (x)	34	22	14	10
Market Cap	112,667	112,667	112,667	112,667
Current Market Price	4419	4419	4419	4419

Balance Sheet				
Particulars	FY20	FY21	FY22E	FY23E
<b>EQUITY</b>				
Equity Share Capital	255	255	266	266
Other Equity	2037	3337	10623	12531
<b>Total Equity</b>	<b>2292</b>	<b>3592</b>	<b>10890</b>	<b>12797</b>
<b>LIABILITIES</b>				
<b>Non-Current Liabilities</b>				
<i>Financial Liabilities</i>				
Borrowings	281	893	593	543
Other Non-Current Financial Liab	118	1067	2177	2917
<b>Total Non-Current Liabilities</b>	<b>433</b>	<b>1998</b>	<b>2795</b>	<b>3485</b>
<b>Current Liabilities</b>				
<i>Financial Liabilities</i>				
<i>Trade Payables</i>				
Others	743	1256	1466	1736
<b>Total Current Liabilities</b>	<b>1276</b>	<b>1936</b>	<b>2069</b>	<b>2326</b>
<b>Total Equity and Liabilities</b>	<b>4000</b>	<b>7526</b>	<b>15753</b>	<b>18608</b>
<b>Non-Current Assets</b>				
<b>Property Plant &amp; Equipment</b>				
Gross Block	24	223	523	873
Less: Depreciation	14	210	504	919
<b>Net Block</b>	<b>10</b>	<b>13</b>	<b>19</b>	<b>-46</b>
Goodwill	1107	3149	5900	6000
Other Intangible Assets	474	425	425	425
<b>Total Non-Current Assets</b>	<b>1689</b>	<b>5018</b>	<b>8199</b>	<b>8457</b>
<b>Current Assets</b>				
<b>Financial Assets</b>				
Trade Receivables	744	1079	1719	2113
<b>Cash and Cash Equivalents</b>	<b>696</b>	<b>491</b>	<b>4961</b>	<b>6950</b>
<b>Total Current Assets</b>	<b>2321</b>	<b>2507</b>	<b>7554</b>	<b>10151</b>
<b>Total Assets</b>	<b>4010</b>	<b>7525</b>	<b>15753</b>	<b>18608</b>

Cash Flow Statement				
Particulars	FY20	FY21	FY22E	FY23E
<b>PAT</b>	<b>655</b>	<b>1359</b>	<b>1298</b>	<b>1907</b>
Less: Non Operating Income	-61	-415	-65	-58
Add: Depreciation	133	197	294	415
Add: Interest Paid	14	36	12	10
<b>Operating Profit before WC Changes</b>	<b>742</b>	<b>1177</b>	<b>1539</b>	<b>2274</b>
(Inc)/Dec in Current Assets	-370	-818	-719	-608
Inc/(Dec) in Current Liabilities	504	660	133	257
<b>Net Cash Generated From Operations</b>	<b>876</b>	<b>1019</b>	<b>953</b>	<b>1924</b>
<b>Cash Flow from Investing Activities</b>				
(Inc)/Dec in Fixed Assets	-1182	-2547	-3225	-423
(Inc)/Dec in Investment (Strategic)	-37	-978	-250	-250
Add: Non Operating Income	61	415	65	58
<b>Net Cash Flow from Investing Activities</b>	<b>-1169</b>	<b>-3110</b>	<b>-3410</b>	<b>-615</b>
<b>Cash Flow from Financing Activities</b>				
Inc/(Dec) in Total Loans	329	1562	810	690
Less: Interest Paid	-14	-36	-12	-10
<b>Net Cash Flow from Financing Activities</b>	<b>1244</b>	<b>1470</b>	<b>6785</b>	<b>680</b>
<b>Net Inc/Dec in cash equivalents</b>	<b>950</b>	<b>-622</b>	<b>4328</b>	<b>1989</b>
<b>Opening Balance</b>	<b>305</b>	<b>1265</b>	<b>632</b>	<b>4961</b>
<b>Closing Cash and Cash Equivalents</b>	<b>1255</b>	<b>643</b>	<b>4960</b>	<b>6950</b>

Free Cash Flow Statement				
INR Mn	FY20	FY21	FY22E	FY23E
EBITDA	879	1297	1716	2535
FC Investment	9	199	300	350
WC Changes	134	-158	-586	-350
Depreciation Tax Shield	23	16	35	50
Tax Expenses	152	105	206	304
<b>FCFF</b>	<b>1179</b>	<b>1061</b>	<b>1071</b>	<b>2188</b>

Source: Dalal & Broacha Research, Company

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