

Affle achieved its highest quarterly revenue run rate, EBITDA, consumer conversions, and CPCU rate in Q4FY24, demonstrating a robust performance even in a historically weak quarter. Both Indian and emerging markets, as well as developed markets, are witnessing broad-based growth across verticals.

- Revenue at INR 5,062 Mn, +42.3% yoy / +1.5% qoq
- EBITDA at INR 980 Mn, +36.8% yoy / +1.3% qoq
- EBITDA margin at 19.4% vs 20% / 19.4% in Q4FY23 / Q3FY24
- EBIT at INR 778 Mn, +33.9% yoy / -0.5% qoq
- EBIT margin at 15.4% vs 16.2% / 15.7% in Q4FY23 / Q3FY24
- Reported PAT at INR 875 Mn, +40.2% yoy / +13.9% qoq
- Reported EPS at INR 6.24 vs 4.68 / 5.48 in Q4FY23 / Q3FY24
- Converted Users in CPCU business stood at 88.4 Mn vs 62.5 Mn / 83.8 Mn in Q4FY23 / Q3FY24.
- Average CPCU rate stood at INR 57 in Q4FY24 vs INR 51.2 / 57 in Q4FY23 / Q3FY24.

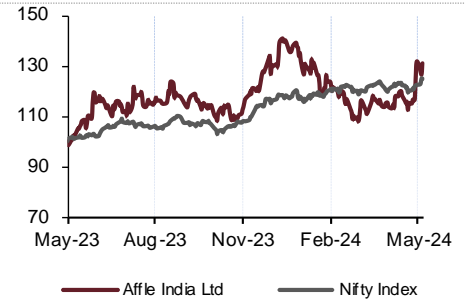
Rating	TP (Rs)	Up/Dn (%)
BUY	1,604	31

Market data

Current price	Rs	1,228
Market Cap (Rs.Bn)	(Rs Bn)	172
Market Cap (US\$ Mn)	(US\$ Mn)	2,067
Face Value	Rs	2
52 Weeks High/Low	Rs	1340/902
Average Daily Volume	('000)	282
BSE Code		542752
Bloomberg		AFFLE.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Apr-24	Dec-23
Promoters	56.93	56.93
Public	43.01	43.01
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Net sales	10,817	14,340	18,428	22,693	27,327
EBITDA	2,131	2,888	3,600	4,603	5,828
Adjusted net profit	2,157	2,472	2,973	3,873	4,993
Free cash flow	1,540	966	1,955	2,418	3,494
EPS (Rs)	16.1	18.4	21.7	27.6	35.6
growth (%)	59.03	14.28	17.90	27.32	28.93
Adjusted EPS (Rs)	16.2	18.4	21.7	27.6	35.6
growth (%)	109.53	13.77	17.90	27.32	28.93
P/E (x)	76.2	66.7	56.6	44.4	34.5
P/B (x)	13.9	11.2	6.9	6.0	5.1
EV/EBITDA (x)	74.6	54.8	44.7	34.3	26.4
ROCE (%)	12.9	14.9	10.9	12.7	14.5
RoE (%)	18.2	16.7	11.9	13.4	14.8
Dividend yield (%)	-	-	-	-	-

Source: Dalal & Broacha Research, Company

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Conference Call Key Highlights

- **India and Global Emerging Markets:** Constituting 72.9% of Affle's Q4FY24 topline, these markets achieved strong revenue growth of +28% YoY, with the Indian market observing a 15% YoY growth. Management is seeing broad-based growth across diversified verticals. Challenges faced in previous quarters due to regulatory changes in the Indian online gaming industry, particularly concerning Real Money Gaming (RMG), have now normalized. On a consolidated level in Q4, Affle delivered 18.5% organic growth YoY.
- **Developed Markets Turnaround:** Affle successfully achieved a turnaround in developed markets within the committed timeline of 2023, showcasing the effectiveness of their strategic initiatives. The company has significantly strengthened its foundation in these markets through increased investments in sales, marketing, and business promotions, and has fully integrated all tech platforms from recent acquisitions. The fintech vertical in the US is recovering, with budgets opening up. Developed markets saw a 105% YoY growth in Q4, contributing 27.1% to Q4 FY24 topline. The addressable market in developed markets is substantial, and Affle still has room to expand its footprint.
- **Other Expenses:** Other expenses rose by +188 basis points YoY and +119 basis points QoQ, primarily due to increased sales and marketing costs aimed at supporting the growth of developed markets.
- **GenAI Investments:** While most other industry players are using GenAI to optimize costs, Affle is investing in GenAI-powered innovations to achieve much more than cost efficiencies, enabling long-term revenue growth and competitive advantages. Affle has filed 15 new patents for futuristic use cases, including interaction training, integration of GenAI agents, and advanced AI areas such as personalization, recommendation, predictive analysis, privacy, and enhanced fraud detection. Affle has received 1 patent grant in the US and 1 in India, bringing its total IP portfolio to 36 patents, with 9 patents granted. This supports Affle's strategy of targeting more premium use cases.
- **Management Confidence and Outlook:** The management remains confident in their MOAT, and the long-term outlook remains positive, with digital spends in China having reached above 80% of total advertising spends while India is still at around 30% levels. India and other emerging markets should continue to deliver +20% growth. Management expects 50-60% of ad spends to go digital in the next 3 to 4 years in India and other global emerging markets.
- **CPCU Model on CTV:** Affle's CPCU model on the connected TV product should strengthen their competitive advantage as the only CPCU model connected TV platform for advertising.
- **Improving CPCU Rates:** Affle's CPCU rates continue to improve due to the increasing contribution of developed markets and the introduction of more premium services (iOS users and premium use cases driving premium conversions).
- **Growth in Advertising Budgets:** Management is seeing growth in advertising budgets in emerging areas like CTV and is focused on leveraging innovations to drive better consumer conversions.
- **Focus on Profitable Growth:** The management is focused on cash flow-positive, bottom-line sensible, high-margin, premium, and profitable growth.
- **Future Strategy:** Affle's strategy for the future includes vernacularization, verticalization, and the adoption of GenAI capabilities for greater innovation and efficiencies. The company aims to integrate all platforms and use cases, offering a full suite of services to advertisers, from mobile to CTV to wearables, within a business model featuring CPCU pricing.

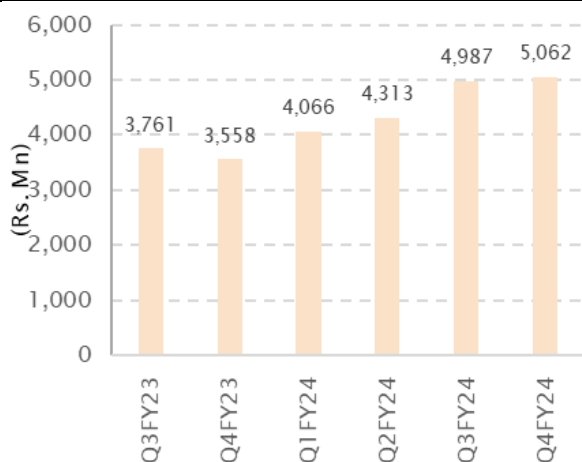
Quarterly Performance Analysis

Exhibit 1: Quarterly Trend of CPCU

Particulars	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Converted Users (Mn)	56.6	195.3	61.9	64.7	67.8	62.5	256.9	68.7	72.0	83.8	88.4
Q-o-Q Growth (%)	-3.25	0.00	9.36	4.52	4.79	-7.82	0.00	9.92	4.80	16.39	5.49
Y-o-Y Growth (%)	91.22	85.47	96.51	32.85	15.90	10.42	31.54	10.99	11.28	23.60	41.44
Average CPCU (INR)	51.1	49.1	52.1	51.0	51.0	51.2	51.3	55.0	55.6	57.0	57.0
Q-o-Q Growth (%)	-1.35	0.00	1.96	-2.11	0.00	0.39	0.00	7.42	1.09	2.52	0.00
Y-o-Y Growth (%)	24.94	20.22	24.05	-0.58	-1.54	0.20	4.64	5.57	9.02	11.76	11.33
CPCU Revenue (Mn)	2892	9579	3225	3300	3458	3200	13185	3779	4003	4777	5039
Q-o-Q Growth (%)	-4.56	0.00	11.50	2.32	4.79	-7.46	0.00	18.08	5.95	19.32	5.49
Y-o-Y Growth (%)	138.90	122.97	143.76	32.08	14.11	10.64	37.64	17.16	21.32	38.14	57.46

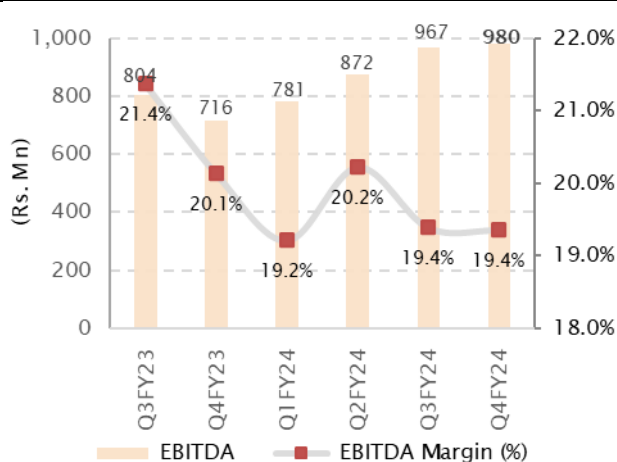
Source: Dalal & Broacha Research, Company

Exhibit 2: Net Sales Trajectory



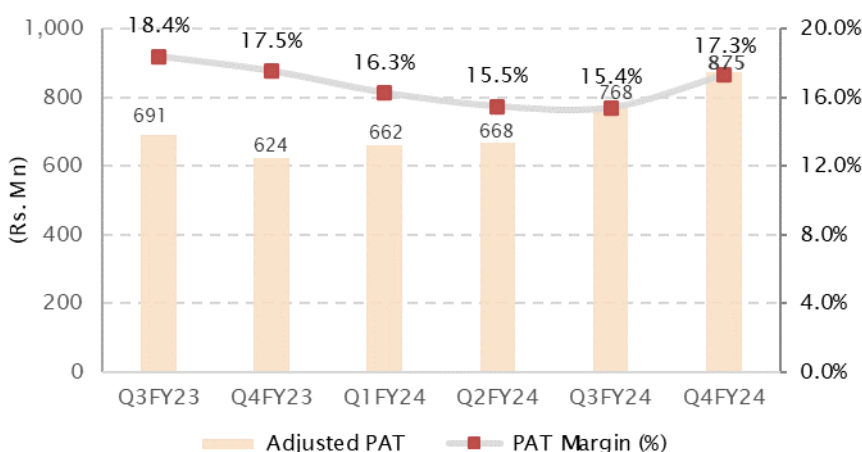
Source: Dalal & Broacha Research, Company

Exhibit 3: EBITDA & EBITDA Margin Trajectory



Source Dalal & Broacha Research, Company

Exhibit 4: Adj. PAT (Exc. Exceptional) Trajectory



Source: Company, D&B Research

Quarterly Deviation

YE March (Rs. mn)	Q4 FY24	Q3 FY24	Q-o-Q change %	Q4 FY23	Y-o-Y change %	Q4 FY24 Estimates	Deviation %
Net Sales (INR Mn)	5,062	4,987	1.5%	3,558	42.3%	5,015	0.9%
Other operating income	0	0		26		0	
Less:							
Inventory and Data Costs	3,086	3,073	0.4%	2,163	42.7%	2,994	3.1%
Employees Remuneration & Benefits	600	616	(2.5%)	493	21.7%	668	(10.1%)
Administrative & Other Expenses	396	331	19.7%	212	87.1%	333	19.0%
Total Operating Expenditure	4,082	4,020	1.5%	2,868	42.3%	3,994	2.2%
EBITDA	980	967	1.3%	716	36.8%	1,021	(4.0%)
Less: Depreciation	202	185	9.4%	136	49.0%	153	32.2%
EBIT	778	782	(0.5%)	581	33.9%	868	(10.4%)
Less: Interest	49	50	(2.0%)	31	57.5%	50	(2.0%)
Add: Other income	273	102	168.2%	149	83.0%	95	187.0%
Profit Before Tax	1,002	834	20.1%	699	43.3%	913	9.7%
Adjusted Profit Before Tax	1,002	834	20.1%	699	43.3%	913	9.7%
Less: Total Tax	127	66		75		123	
Minority Interest	0	0		(1)		0	
Reported PAT	875	768	13.9%	624	40.2%	790	
Adjusted PAT	875	768	14%	624	40.2%	790	10.8%
Reported Diluted EPS (Rs.)	6.24	5.48		4.68		5.6	
Adjusted Diluted EPS (Rs.)	6.2	5.5	13.9%	4.7	33.3%	5.6	10.8%
No of Shares Diluted (mn)	140.1	140.1		133.3		140.1	
Margin Analysis %			Change in bps		Change in bps		Change in bps
EBIT Margin	15.4%	15.7%	(32)	16.2%	(84)	17.3%	(194)
EBIDTA Margin	19.4%	19.4%	(3)	20.0%	(63)	20.4%	(100)
NPM	17.3%	15.4%	188	17.4%	(13)	15.7%	154
Adjusted NPM	17.3%	15.4%	188	17.4%	(13)	15.7%	154
Effective Tax Rate %	12.6%	7.9%	477	10.7%	195	13.5%	(86)
Cost Analysis %			Change in bps		Change in bps		Change in bps
Inventory & Data Costs/Net Sales	61.0%	61.6%	(67)	60.8%	16	59.7%	126
Employee Cost/Net Sales	11.9%	12.4%	(49)	13.9%	(200)	13.3%	(145)
SG&A/Net sales	7.8%	6.6%	119	5.9%	188	6.6%	119

Source: Dalal & Broacha Research, Company

Valuation & Outlook

At the current level of INR 1228, the stock is trading at 44.4x / 34.5 FY25e / FY26e EPS.

The management is focused on cash flow-positive, bottom-line sensible, high-margin, premium, and profitable growth. They are targeting over 20% bottom-line growth. With advertisement budgets returning in the Fintech verticals in developed markets and the normalization of the Real Money Gaming vertical, the company is well-positioned for future growth.

Affle's focus on connected TV, the iOS market, recent OEM partnerships, and Gen AI-powered products on iOS will help the company target more premium segments. Additionally, synergies from acquisitions and consolidation are expected to improve margins and drive growth in the future.

Affle's ongoing emphasis on the organic business and the consolidation of acquisitions in high-growth emerging verticals will support steady and robust growth. **We maintain a BUY rating on the stock with a target price of INR 1,604, valuing the company at a 45x PE multiple on FY26E earnings.**

Financials.

Profit & Loss Statement					
YE March (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue from Operatior	10,817	14,340	18,428	22,693	27,327
% Growth	109.3	32.6	28.5	23.1	20.4
Operating Expenses					
Inventory and Data Costs	6,789	8,843	11,254	13,843	16,470
Employee Benefit Expense	1,296	1,872	2,352	2,877	3,553
Other Expenses	600	736	1,223	1,371	1,476
Total Operating Expense	8,685	11,452	14,828	18,090	21,499
EBITDA	2,131	2,888	3,600	4,603	5,828
<i>Growth (%)</i>	64.4	35.5	24.7	27.9	26.6
<i>EBITDA Margin (%)</i>	19.7	20.1	19.5	20.3	21.3
Less: Depreciation	324	494	715	792	779
EBIT	1,807	2,393	2,885	3,811	5,049
<i>Growth (%)</i>	64.3	32.5	20.5	32.1	32.5
<i>EBIT Margin (%)</i>	16.7	16.7	15.7	16.8	18.5
Interest Paid	71	114	189	163	130
Other Income	716	544	572	803	820
PBT	2,452	2,823	3,268	4,452	5,740
Tax Expenses	300	361	295	579	746
Net Profit	2,147	2,452	2,973	3,873	4,993
Adjust PAT	2,157	2,472	2,973	3,873	4,993
<i>Growth (%)</i>	109.5	14.6	20.2	30.3	28.9
<i>APAT Margin (%)</i>	19.8	17.1	16.1	17.1	18.3
EPS	16.1	18.4	21.7	27.6	35.6
<i>Growth (%)</i>	59.0	14.3	17.9	27.3	28.9
Adj. EPS	16.2	18.4	21.7	27.6	35.6
<i>Growth (%)</i>	109.5	13.8	17.9	27.3	28.9

Financial Ratio Analysis					
YE March (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
Profitability Ratios					
ROE (%)	18.20	16.71	11.90	13.42	14.75
ROCE (%)	12.92	14.89	10.93	12.67	14.48
ROA (%)	8.36	8.62	6.57	7.64	8.72
Financial Leverage Ratios					
Debt / Equity (x)	0.1x	0.1x	0.1x	0.1x	0.0x
Interest Coverage (x)	30x	25x	19x	28x	45x
Interest / Debt (%)	5	11	11	11	11
Asset Turnover Ratios					
Debtors (Days)	106	79	94	105	105
Creditors (Days)	79	62	63	79	79
Valuation Ratios					
Book Value (Rs.)	89	110	178	206	242
P/E (x)	76.2	66.7	56.6	44.4	34.5
P/BV (x)	13.9	11.2	6.9	6.0	5.1
EV/EBITDA (x)	75	55	45	34	26
Market Cap. / Sales (x)	15	11	9	8	6
Net Cash / Mkt Cap (%)	3	3	6	8	11
Dividend Yield (%)	0	0	0	0	0
Dividend Per Share	0	0	0	0	0
EV					
Market Cap	163,631	163,631	172,049	172,049	172,049
Net Cash	4,562	5,426	10,961	14,158	18,352
Net Debt	-4,562	-5,426	-10,961	-14,158	-18,352
Dividend Payout Ratio (%)	-	-	-	-	-
Current Market Price	1,228	1,228	1,228	1,228	1,228

Balance Sheet					
Particulars	FY22	FY23	FY24E	FY25E	FY26E
EQUITY					
Equity Share Capital	267	266	280	280	280
Other Equity	11,527	14,405	24,700	28,573	33,566
Total Equity	11,794	14,672	24,980	28,853	33,847
LIABILITIES					
Non-Current Liabilities					
Financial Liabilities					
Borrowings	891	521	726	526	326
Other Non-Current Financial Liabilities	1,218	789	528	528	528
Long-Term Provisions	18	19	25	25	25
Deferred Tax Liabilities (net)	61	55	103	103	103
Lease Liabilities	-	18	39	39	39
Total Non-Current Liabilities	2,188	1,402	1,421	1,221	1,021
Current Liabilities					
Contract Liabilities	41	23	96	96	96
Financial Liabilities					
Borrowings	593	510	1052	952	852
Trade Payables					
Dues of small enterprises	42	30	28		
Others	2,517	2,491	3,803	5,204	6,185
Lease Liabilities	2	7	10	10	10
Other Financial Liabilities	788	698	1,047	1,151	1,421
Short-Term Provisions	31	32	29	29	29
Liabilities for Current Tax	69	67	166	69	90
Other Current Liabilities	204	174	198	186	192
Total Current Liabilities	4,288	4,033	6,429	7,696	8,874
Total Equity and Liabilities	18,269	20,107	32,830	37,771	43,742
Non-Current Assets					
Property Plant & Equipment					
		1.00			
Gross Block	559	1,060	1,782	2,582	3,382
Less: Depreciation	535	1,029	1,744	2,536	3,315
Net Block	24.24	30.62	38	46	67
Investment in Associates					
Right of Use Assets	2	25	62	62	62
Goodwill	6,163	6,640	9,829	9,829	9,829
Other Intangible Assets	804	1,163	1,515	1,818	2,182
Intangible Assets Under Development	422	485	981	1,135	1,366
Financial Assets					
Investments	0	0	373	623	873
Loans, Other financial & income tax assets	50	110	168	168	168
Deffered Tax Assets (Net)	29	28	121	-	-
Total Non-Current Assets	8,840	8,482	13,087	13,680	14,547
Current Assets					
Contract Asset	758	1036	2053	1362	1640
Investment held for sale		1338	1338	1338	1338
Financial Assets					
Trade Receivables	2,347	2,452	3,174	4,912	5,915
Cash and Cash Equivalent s	3,163	3,320	8,051	10,698	14,342
Other Bank Balances	2,883	3,137	4,314	4,314	4,314
Loans	12	5	18	227	273
Other Financial Assets	47	94	174	618	751
Other Current Assets	220	243	622	622	622
Total Current Assets	9,429	11,625	19,743	24,091	29,195
Total Assets	18,269	20,107	32,830	37,771	43,742

Cashflow (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	2,452	2,823	3,268	4,452	5,740
Depreciation	324	494	715	792	779
Net Chg in WC	843	(701)	186	(433)	(282)
Taxes	(278)	(403)	(345)	(664)	(579)
Others	(1,352)	275	(1,390)	-	-
CFO	2,060	2,603	2,623	4,309	5,787
Capex	(3,747)	(1,400)	(4,759)	(1,256)	(1,395)
Net Investments made	1,013	(23)	(410)	(250)	(250)
Others	(2,825)	(552)	(604)	-	-
CFI	(5,559)	(1,974)	(5,773)	(1,506)	(1,645)
Change in Share capital	6,055	426	7,336	-	(0)
Change in Debts	149	(799)	(56)	(200)	(200)
Others	34	(127)	717	207	(167)
CFF	6,150	(590)	7,832	(156)	(497)
Total Cash Generated	2,650	38	4,682	2,647	3,645
Cash Opening Balance	491	3,163	3,320	8,051	10,698
Cash Closing Balance	3,163	3,320	8,051	10,698	14,342

Free Cash Flow Statement	FY22	FY23	FY24E	FY25E	FY26E
EBITDA	2,131	2,888	3,600	4,603	5,828
Add: Depreciation Tax Shield	40	63	65	103	101
Working Capital Changes	843	-701	186	-433	-282
Less: Inc in FC Investment	734	923	1,570	1,256	1,395
Taxes Paid	300	361	295	579	746
Total Free Cash Flows	1,980	966	1,985	2,437	3,505

Source: Dalal & Broacha Research, Company

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