MIRAE ASSET Sharekhan

Affle (India) Ltd

On a strong footing

Internet & new media	Sharekhan code: AFFLE
Reco/View: Buy ↔	CMP: Rs. 1,600	Price Target: Rs. 1,880 ↔

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

Company details

Market cap:	Rs. 22,475 cr
52-week high/low:	Rs. 1,883/1,010
NSE volume: (No of shares)	3.5 lakh
BSE code:	542752
NSE code:	AFFLE
Free float: (No of shares)	6.3 cr

Shareholding (%)

Promoters	55.0
FII	16.5
DII	14.6
Others	13.9

Price chart

Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	5.7	-8.8	0.7	51.2
Relative to Sensex	2.1	-7.3	10.6	44.6

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- We reiterate BUY with an unchanged PT of Rs. 1,880 (valued at 45x its FY27E EPS). At CMP, the stock trades at 58.8/48.2/38.2x its FY25/26/27E EPS.
- Management expects over 20% growth in FY25 and is confident of sustaining this momentum, driven by strong 9MFY25 performance, favourable industry trends, and broad-based growth across verticals and markets.
- Favourable macroeconomic trends in digital advertising such as the increasing adoption of Connected TV (CTV), mobile commerce, and increased focus on privacy compliance remain intact.
- Affle's unified platform and AI-driven efficiencies have aided in reducing costs with management expecting medium-term EBITDA margins to stabilise around 23%.

We had interacted with the management of Affle (India) to understand the business outlook and growth prospects of the company. Management expects over 20% growth in FY25 and is confident of sustaining this momentum, driven by strong 9MFY25 performance, favourable industry trends, and broad-based growth across verticals and markets, with no immediate headwinds in sight. However, the company remains wary of potential U.S. tariff war escalations that could affect clients in specific verticals. Strategic measures adopted in developed markets, especially the U.S., through platform integration, unified teams, and a single local entity structure, shield Affle from currency and tariff risks, bolstering business stability. Favourable macroeconomic trends in digital advertising such as the increasing adoption of Connected TV (CTV), mobile commerce, and heightened focus on privacy compliance remain intact, which position the company at the forefront of the fast-changing AdTech ecosystem. Affle's unified Consumer Platform Stack and AI adoption have enhanced operational efficiencies, lowering inventory, data, and employee costs, while increased business promotion expenses reflect its growth focus. These efforts reflect Affle's commitment to cost optimisation and margin improvement alongside platform enhancements. We reiterate BUY with an unchanged price target (PT) of Rs. 1,880. At CMP, the stock trades at 58.8/48.2/38.2x its FY25/26/27E EPS.

- **Strong organic growth:** Affle reported strong performance for 9MFY25 with Revenue/PAT growing 24.5%/32.9%, driven by robust CPCU revenue growth of 31.9% y-o-y. In the backdrop of robust performance, favourable industry tailwinds and broad-based growth across verticals and markets, the company is confident of delivering over 20% growth in FY2025 and sustaining this growth trajectory ahead. The company is not seeing any headwinds, but they are watchful on any spillover of U.S. tariff war escalations, which may impact their clients in certain verticals. The company's strategic efforts to strengthen operations in developed markets, particularly the U.S., by integrating platforms, teams, and adopting a single local entity structure hedges Affle against currency fluctuations and tariff risks, ensuring business stability. The company does not see tapering of growth in the medium term and continues to have strategic focus on premium growth, better pricing, and disciplined execution across emerging markets and India, making it well positioned to achieve long-term sustainable growth.
- **Industry tailwinds intact:** Favourable macroeconomic trends in digital advertising such as the increasing adoption of CTV, mobile commerce, and increased focus on privacy compliance remain intact. The company's Growth Vision 2030, which aims to link more than 10 billion connected devices, encompassing smartphones, CTVs, wearables, and smart home appliances, strategically places it at the forefront of the fast-changing AdTech ecosystem. It is projected that by 2027, India will have 100 million CTV households, with advertising spend on CTV reaching USD 400 million, registering a CAGR of 45%, reflecting a rapid expansion of CTV adoption. Further, Indian government's proposal to abolish the 6% Equalisation Levy on online advertising, effective April 1, 2025, is likely to reduce the cost of advertising on non-resident ad platforms for Indian businesses, thereby freeing up budgets and encouraging higher overall digital ad spending. We believe Affle can indirectly benefit as some enterprises may redirect some of these savings to Affle's platforms, especially for performance-based campaigns where Affle's CPCU model excels.
- **Margins:** Affle's unified Consumer Platform Stack has driven operational efficiencies, reducing inventory and data costs. The company is seeing significant operating efficiencies coming into play, owing to the successful integrations and strategies as well as due to the adoption of AI technologies across the board. Employee costs have dropped 6.5% y-o-y, reflecting normalised human resource expenses due to past investments and integrated team strategies, while other expenses have increased, driven by higher business promotion investments to sustain growth momentum. These calibrations highlight the company's focus on cost optimisation and margin improvement amid strategic platform enhancements. The company expects EBITDA margin to stabilise at around 23% in the medium term. PAT margin is expected to be around 17% to 18% in the medium term.

Our Call

Valuation – Maintain BUY with an unchanged PT of Rs. 1,880: Affle reported strong performance for 9MFY25, with Revenue/PAT growing 24.5%/32.9%, respectively. The company achieved significant milestones in Q3FY25 on the revenue, PAT, and CPCU conversions front, driven by broad-based growth across regions and verticals along with significant margin gains. The company is on a strong growth trajectory as industry tailwinds remain intact and management expects growth momentum to sustain in the fiscals ahead. With advertisers prioritising Return on Ad Spend (RoAS) and Return on Investment (ROI), Affle's unique CPCU model positions it favourably to provide consistent, scalable, and profitable outcomes for the brands globally and will thereby enable it to achieve strong sustainable medium to long-term growth. We expect sales/PAT CAGR of 23.2/20.7%, respectively, over FY24-FY27E. We maintain BUY with an unchanged price target (PT) of Rs. 1,880 (valued at 45xFY27E EPS). At CMP, the stock trades at 58.8/48.2/38.2x its FY25/26/27E EPS.

Key Risks

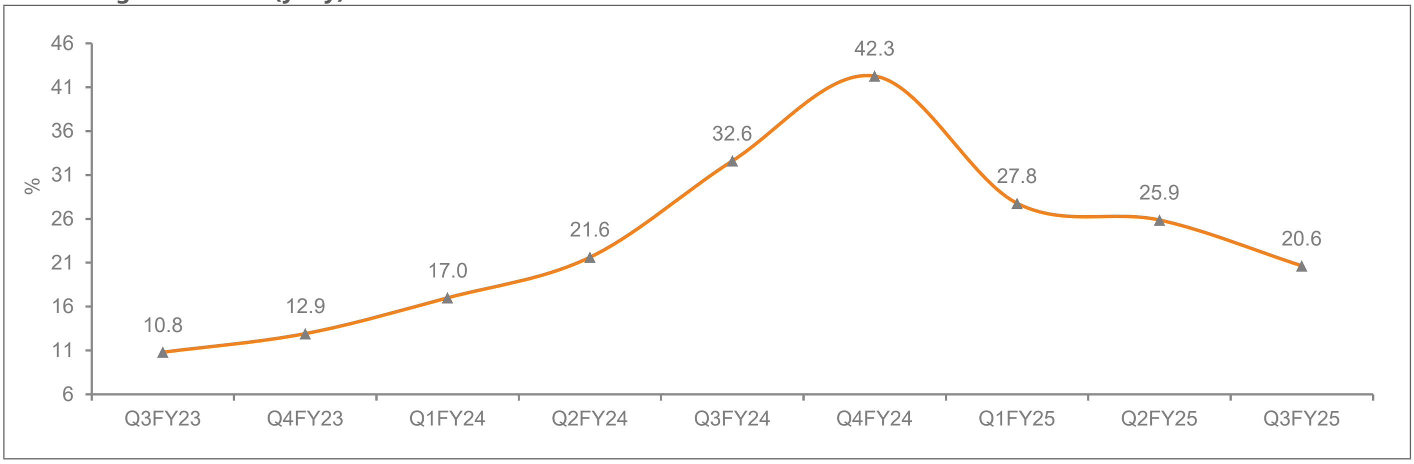
(1) Entry of a large technology player in this space; (2) Inability to generate relevant data for targeted advertisers; and (3) Government regulations related to the management of consumer data and respect for privacy.

Valuation (Consolidated) Rs cr

Particulars	FY24	FY25E	FY26E	FY27E
Revenue	1,842.8	2,273.7	2,790.2	3,443.8
OPM (%)	19.5	21.1	21.4	22.2
Adjusted Net Profit	334.2	381.0	465.0	587.2
YoY growth (%)	35.7	14.0	22.0	26.3
EPS (Rs.)	24.6	27.1	33.1	41.8
PER (x)	67.1	58.8	48.2	38.2
P/BV (x)	9.0	7.8	6.7	5.7
EV/EBITDA	59.2	43.8	34.6	26.3
ROE (%)	13.4	13.2	13.9	14.9
ROCE (%)	14.9	11.6	12.6	13.9

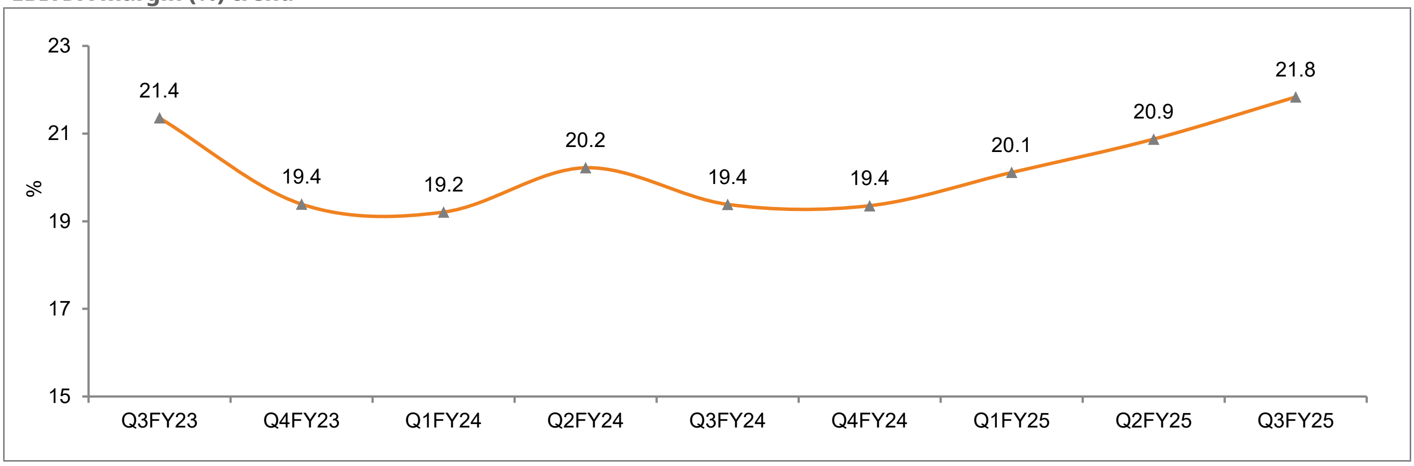
Source: Company; Mirae Asset Sharekhan estimates

Revenue growth trend (y-o-y)



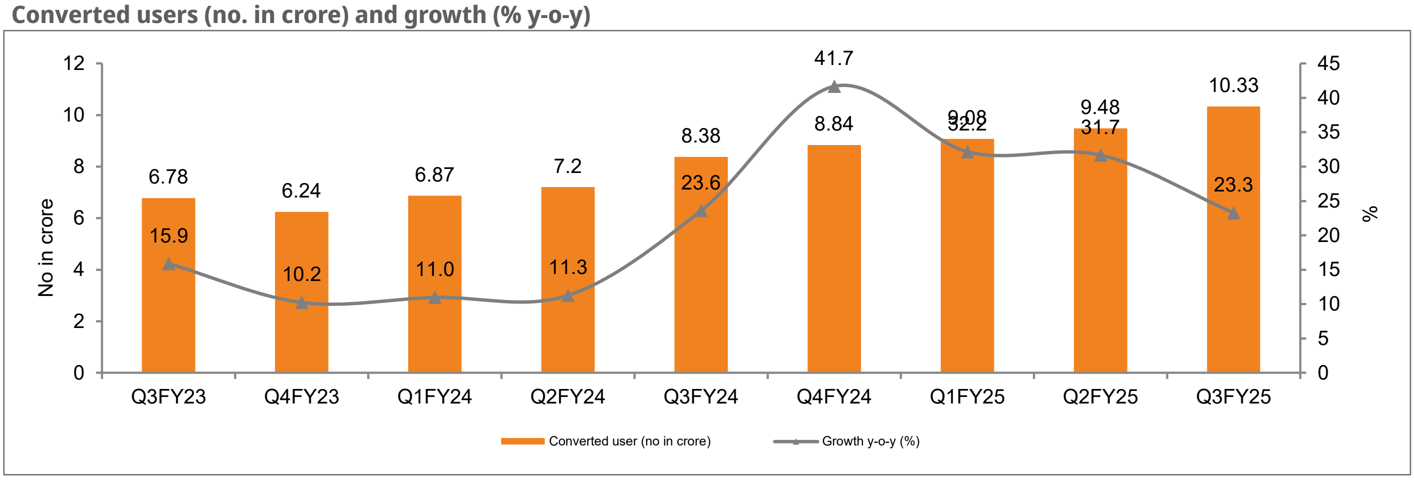
Source: Company; Mirae Asset Sharekhan Research

EBITDA margin (%) trend



Source: Company; Mirae Asset Sharekhan Research

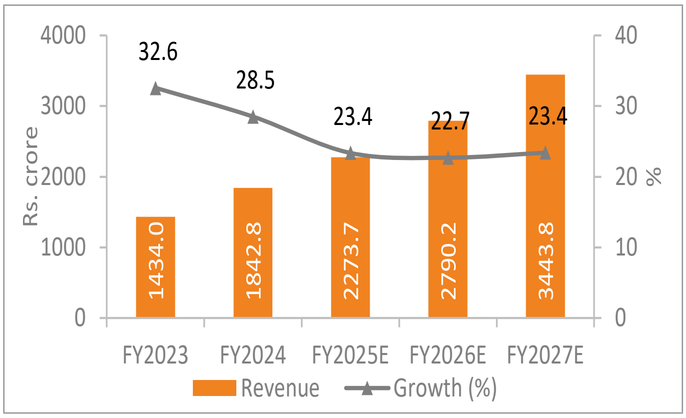
Converted users (no. in crore) and growth (% y-o-y)



Source: Company; Mirae Asset Sharekhan Research

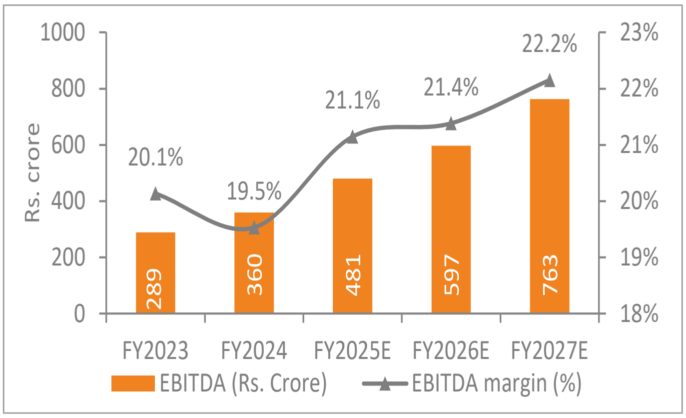
Financials in charts

Revenue (Rs Crore)



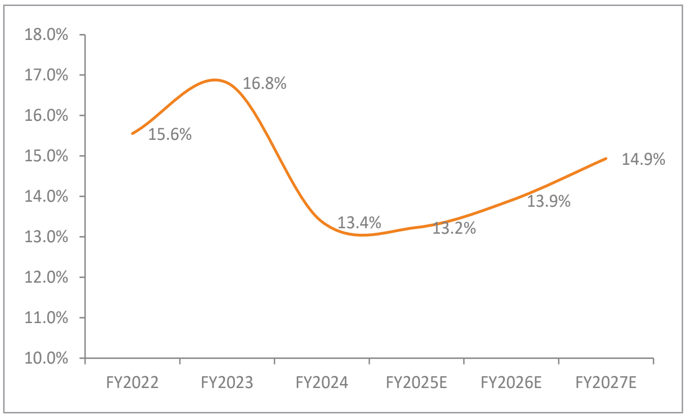
Source: Company; Mirae Asset Sharekhan Research

EBITDA and EBITDA Margin



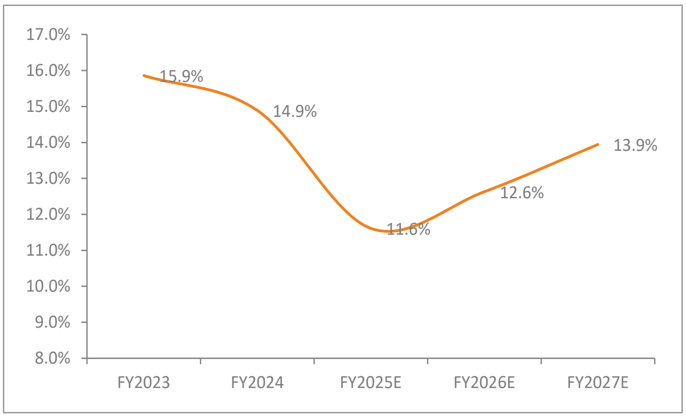
Source: Company; Mirae Asset Sharekhan Research

RoE



Source: Company; Mirae Asset Sharekhan Research

RoCE



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Expect strong growth in mobile ad revenue to continue

Digital advertising spends are expected to report a 32.5% and 18% CAGR, respectively, in India and Southeast Asia (SEA) in the next five years because of rising active internet users, rapid adoption of smartphones and connected devices, and a young population. Mobile advertisement spends are projected to reach 50% of total advertising spends from 25% currently in India over the next three years. Combined opportunities in mobile-app video, OTT, and CTV programmatic advertising spends across the globe are expected to post a 17% CAGR over 2020-2025.

■ Company Outlook – Long runway for growth

Affle's exposure in fast-growing markets such as India and global emerging markets, and emerging verticals in developed markets and segments such as e-commerce provide a platform for sustainable growth momentum in the long term. With a scalable end-to-end offering across ad-tech value chain and the CPCU model, we believe Affle would continue to derive high RoI for advertisers. Management expects over 20% growth in FY25 and is confident of sustaining this momentum, driven by strong 9MFY25 performance, favourable industry trends, and broad-based growth across verticals and markets.

■ Valuation – Maintain BUY with unchanged PT of Rs. 1,880

Affle reported strong performance for 9MFY25, with Revenue/PAT growing 24.5%/32.9%, respectively. The company achieved significant milestones in Q3FY25 on the revenue, PAT, and CPCU conversions front, driven by broad-based growth across regions and verticals along with significant margin gains. The company is on a strong growth trajectory as industry tailwinds remain intact and management expects growth momentum to sustain in the fiscals ahead. With advertisers prioritising Return on Ad Spend (RoAS) and Return on Investment (ROI), Affle's unique CPCU model positions it favourably to provide consistent, scalable, and profitable outcomes for the brands globally and will thereby enable it to achieve strong sustainable medium to long-term growth. We expect sales/PAT CAGR of 23.2/20.7%, respectively, over FY24-FY27E. We maintain BUY with an unchanged price target (PT) of Rs. 1,880 (valued at 45xFY27E EPS). At CMP, the stock trades at 58.8/48.2/38.2x its FY25/26/27E EPS.

One-year forward P/E (x) band

Source: Company; Mirae Asset Sharekhan Research

About the company

Affle is a global technology company with a leading market position in India. The company has two business segments, i.e. (1) consumer platform and (2) enterprise platform. The consumer intelligence platform delivers consumer engagement, acquisitions, and transactions for leading brands and B2C companies through relevant mobile advertising. The company owns an in-house data management platform with a reach of over 2.4 billion connected devices. The company's enterprise platform helps offline companies to go online through platform-based app development, enabling O2O (online to offline) commerce, and data analytics.

Investment theme

Affle, a leading ad tech company in India, provides end-to-end offerings to advertisers through mobile advertising using its proprietary mobile audience as a service (MAAS) platform for customers. Given its deep learning algorithm capabilities and ability to deliver more targeted and personalised advertisements, more advertisers have been using the consumer platform for running their digital ad campaigns on its platform. With an increased share of digital ad spending and shifting of advertisers towards programmatic advertising, ad-tech vendors such as Affle are well placed to deliver higher growth going ahead.

Key Risks

(1) High client concentration; (2) entry of a large tech player in this space; and (3) inability to generate actionable outcomes for targeted advertisers.

Additional Data

Key management personnel

Anuj Khanna Sohum	Founder, Chairman and CEO
Anuj Kumar	Co-founder, Chief Revenue and Operating Officer
Kapil Bhutani	Chief Financial and Operations Officer
Mei Theng Leong	Chief Finance and Commercial Officer – International
Vipul Kedia	Chief Data and Platforms Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Gamnat Pte Ltd	4.91
2	ICICI Prudential Asset Management	3.23
3	Nippon Life India Asset Management	3.17
4	MALABAR INDIA FUND LTD	2.47
5	Franklin Resources Inc	2.19
6	Vanguard Group Inc	1.60
7	ICICI Prudential Life Insurance Co	1.57
8	Sundaram Asset Management Co Ltd	1.55
9	Monetary Authority Of Singapore	1.15
10	Axis Asset Management Co Ltd	0.94

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed 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, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

---

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN: - U99999MH1995PLC087498.

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Chief Compliance Officer: Mr. Joby John Meledan; Tel: 022-62263303; email id: complianceofficer@sharekhan.com

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022-69920600.