

FIRST LIGHT

08 February 2022

RESEARCH

Affle (India) | Target: Rs 1,720 | +33% | BUY

Record revenue growth aided by JAMPP

SUMMARY

Affle (India)

- Q3 revenue growth at 24% QoQ and 126% YoY – the highest ever in AFFLE's history led by rise in CPCU and user volumes
- Shift in revenue mix towards international business due to JAMPP acquisition. EBITDA margin up 100bps QoQ to 19.9%
- We raise FY23-FY24 EPS by 6% each and roll forward to a new TP of Rs 1,720 (vs. Rs 1,390); BUY

[Click here](#) for the full report.

Daily macro indicators

Indicator	03-Feb	02-Jan	Chg (%)
US 10Y yield (%)	1.83	1.78	6
India 10Y yield (%)	6.89	6.88	1
USD/INR	74.86	74.84	0.0
Brent Crude (US\$/bbl)	91.1	89.5	1.8
Dow	35,111	35,629	(1.5)
Hang Seng	23,802	23,550	1.1
Sensex	58,788	59,558	(1.3)
India FII (US\$ mn)	02-Feb	01-Jan	Chg (\$ mn)
FII-D	(10.6)	(90.1)	79.5
FII-E	80.6	(12.9)	93.4

Source: Bank of Baroda Economics Research

BOBCAPS Research

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BUY**TP: Rs 1,720 | ▲ 33%****AFFLE (INDIA)**

Technology & Internet

07 February 2022

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Growth surprises positively: AFFLE reported its highest-ever revenue growth of 126% YoY (24% QoQ) driven by a 91% increase in the number of converted users, 26% growth in CPCU (cost per converted user) and positive seasonality. ARPU stood at a record high of Rs 51.8. India formed 50.3% of revenue in FY21 with international business rising to 49.7%, reflecting the shift in mix because of the JAMPP acquisition. For 9MFY22, the share of international revenue stood at 64.4%. India business grew 20% QoQ and 35% YoY.

EBITDA margin improves: At 19.9%, EBITDA margin was up 100bps QoQ in Q3. Employee expense increased 18% QoQ due to the appraisal cycle. Inventory and data costs were up 23% QoQ (forming 63% of revenue) as the JAMPP acquisition raised costs. Going forward, management is confident of stronger margin expansion as JAMPP becomes more profitable. PAT was up 103% YoY.

JAMPP aids growth: Following its consolidation in the Jun'21 quarter, AFFLE has been able to expand JAMPP's revenue through cross- and up-selling. JAMPP's EBITDA margin stood at 7-8% in Q3, in line with AFFLE's target. When first acquired, the company was breakeven at best.

Tech unicorns in the client roster: Per management, AFFLE has driven improved customer conversion and increased effectiveness of advertising campaigns run by new-age tech start-ups such as Byjus, GC Cash and Fetch Rewards. It has also helped Fetch Rewards achieve 40-51% higher ROI in SKAN campaigns – the company's USP.

Maintain BUY: Following the impressive Q3 performance, outstanding JAMPP print and growth impetus from the Android ecosystem, we raise our FY23/FY24 revenue and EPS estimates by 6% each. This also factors in the margin impact from the acquisition. On rollover to Mar'24E EPS, our TP stands revised to Rs 1,720 (vs. Rs 1,390), set at an unchanged 61x P/E – in line with the stock's post Covid average which bakes in the pandemic-led inflection for internet businesses. Retain **BUY**.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	AFFLE IN/Rs 1,292
Market cap	US\$ 461.9mn
Free float	40%
3M ADV	US\$ 9.7mn
52wk high/low	Rs 1,511/Rs 763
Promoter/FPI/DII	60%/20%/20%

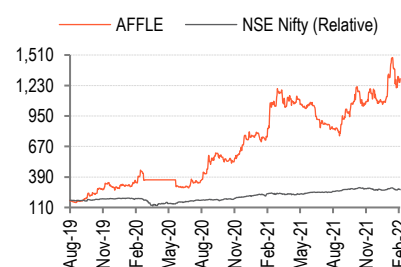
Source: NSE | Price as of 7 Feb 2022

Key financials

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	5,169	10,302	14,346
EBITDA (Rs mn)	1,300	2,048	3,156
Adj. net profit (Rs mn)	1,350	1,825	2,733
Adj. EPS (Rs)	10.6	13.7	20.5
Consensus EPS (Rs)	10.6	57.9	77.5
Adj. ROAE (%)	37.6	16.0	19.3
Adj. P/E (x)	122.0	94.3	63.0
EV/EBITDA (x)	26.5	17.0	10.6
Adj. EPS growth (%)	102.7	29.3	49.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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