Mix Bag Performance; Strong Momentum to Continue

Est. Vs. Actual for Q1FY26: Revenue - MISS; EBIT margin - BEAT; PAT – BEAT

Recommendation Rationale

- **Growth across markets:** In Q1FY26, India and Global Emerging Markets collectively contributed 72.3% to revenue, growing by 18.1% YoY, indicating strong regional demand. Developed markets registered a 23.3% YoY growth, contributing 27.7%, driven by deeper customer engagements.
- **Patent Grant:** The company received a 14th patent grant in India for a "Method and System to Detect Advertisement Fraud," enhancing fraud detection capabilities across connected devices.
- **Acquisition plans:** Affle is actively evaluating acquisition prospects and waiting for the right time, pricing, and fit, focusing on selective acquisitions that deliver long-term growth.

Sector Outlook: Positive

Company Outlook & Guidance: The management guided for a 20% sustainable growth given the small base relative to the large addressable market, as well as new dimensions of this market. In the long run, the company is aiming to achieve 10x organic growth over the decade, with selective inorganic additions.

Current Valuation: 47x FY27E P/E

Current TP: 2,020/share

Recommendation: The company is well-positioned to capitalise on emerging opportunities due to focused tech investments, robust customer base, and deeper penetration across markets through category verticals. **Hence, we resume our coverage with a BUY rating on the stock.**

Financial performance

In Q1FY26, the company reported the revenue of Rs 621 Cr vs Rs 520 Cr (Q1FY25), up 19.5% YoY and 3.1% QoQ, led by device additions and strong converted users, 17% YoY. EBIT stood at Rs 114 Cr vs Rs 85 Cr (Q1FY25), up 33.9% YoY and 6% QoQ, led by lower other expenses and higher topline growth. EBIT margins were at 18.5% (up 198 bps YoY and 51 bps QoQ). Thus, net income stood at Rs 105 Cr vs Rs 86 Cr (Q1FY25), up 22.5% YoY and 2.4% QoQ. The number of user conversions stood at 107 Mn at a CPCU rate of Rs 58, leading to CPCU revenue growth of 20% YoY.

Valuation & Recommendation

The management remains optimistic for sustainable growth in FY26, led by the CPCU model and deeper penetration across markets. We are constructive on the long-term outlook of the company. Hence, we resume over coverage with a **BUY rating on the stock** and assign a 47x P/E multiple to its FY27E earnings to arrive at a TP of Rs 2,020/share, implying an upside of 10% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	621	3.1	19.5	648	(4.2)
EBIT	114	6.0	33.9	107	6.6
EBIT Margin	18.3	51bps	198bps	16.5	11.2
Net Profit	105	2.4	22.5	101	4.1
EPS (Rs)	7.5	2.1	22.5	7.5	0.5

Source: Company, Axis Research

(CMP as of 28th July, 2025)

CMP (Rs)	1,837
Upside /Downside (%)	10%
High/Low (Rs)	2,080/1,221
Market cap (Cr)	25,833
Avg. daily vol. (6m) Shrs.	3,17,850
No. of shares (Cr)	14

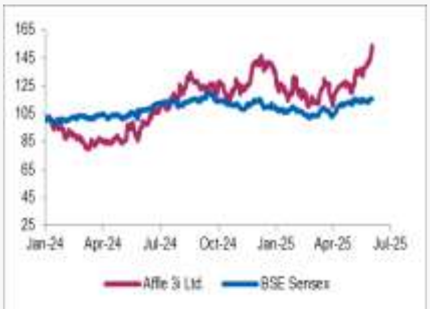
Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	55.0	55.0	55.0
FIIs	16.5	16.1	18.4
MFs/UTI	12.1	12.8	11.2
Banks/FIs	0	0	0
Others	16.4	16.1	15.4

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	2,266	2,749	3,437
EBIT	386	491	626
Net Profit	381	460	604
EPS (Rs)	27	33	43
PER (x)	73	61	46
P/BV (x)	10	9	7
EV/EBITDA (x)	55	44	34
ROE (%)	14	15	17

Relative Performance



Source: AceEquity, Axis Securities

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Outlook

- From a long-term perspective, we believe Affle has strong device and client additions. The company also demonstrates superior penetration in the international business and holds significant revenue growth potential moving forward.

Key highlights

- India and Global Emerging Markets together accounted for 72.3% of the revenue, up 18.1% YoY, indicating strong regional demand. Developed markets registered a 23.3% YoY growth, contributing 27.7%, driven by deeper customer engagements.
- The company achieved a significant milestone by becoming an Apple-certified partner, resulting in better credibility and trust among advertisers globally.
- Affle received its 14th patent grant in India for a "Method and System to Detect Advertisement Fraud," enhancing fraud detection capabilities across connected devices.
- According to management, the R&D spending is likely to remain in line with no significant increase expected in the coming years.
- On a category-wise wise, G and E are witnessing growth while F and H continue to be resilient. However, some customers have been impacted due to macro uncertainty issues. However, at a broader level, the company is seeing broad-based growth and increasing its efforts in these particular categories.
- Indian markets continue to look attractive compared to international markets due to strong presence across vertical categories, direct customers' contribution, i.e 76% of revenue, and deeper integration of CPCU model with customers.
- No major competition from large agencies or other players, like Trade Desk, due to the company’s direct advertiser engagement model and conversion-led platform.
- On the acquisition front, the company is actively evaluating businesses and waiting for the right time, pricing, and fit, emphasising more on selective acquisitions that will deliver long-term growth.
- Affle continues to be a consumer platform, with mobile being a dominant part due to increasing consumer time spent on devices and rising digital transactions. The company is integrated with platforms like Google and Meta to optimise campaigns across various channels.
- The company remains confident in sustaining the strong business momentum, supported by intact market tailwinds. The management guided for 20% sustainable revenue growth with 23% EBITDA margin, led by CPCU model, strong strategic moat, and deeper penetration in emerging markets through vertical categories. Aiming to achieve 10x decadal growth backed by organic growth and selective inorganic additions.

Key Risks to our Estimates and TP

- Inability to generate relevant data for targeted advertisers.
- Intense competition from global and other ad-tech startups.

Results Review (Rs Cr)

Y/E March	Q1FY26	Q4FY25	QoQ (%)	Q1FY25	YoY (%)
Net sales	**621**	**602**	**3.1**	**520**	**19.5**
Total Expenditure	481	468	2.7	415	15.9
EBITDA	**140**	**134**	**4.3**	**104**	**33.9**
EBITDA margin (%)	22.5	22.2	26bps	20.1	243bps
Depreciation	26	27	(2.7)	19	34.0
EBIT	**114**	**107**	**6.0**	**85**	**33.9**
EBIT margin (%)	*18.3*	*17.8*	*51bps*	*16.4*	*198bps*
Interest cost	2	2	(25.2)	4	(51.9)
Other income	17	19	(9.2)	25	(31.0)
Exceptional item	0	0	NA	0	NA
PBT	**129**	**124**	**4.3**	**106**	**21.8**
Tax	24	21	14.0	20	18.5
Profit after tax	**105**	**103**	**2.4**	**86**	**22.5**
Reported EPS	**7.5**	**7.4**	**2.1**	**6.1**	**22.5**
Adj. PAT	**105**	**103**	**2.4**	**86**	**22.5**
Adj. EPS	**7.5**	**7.3**	**2.3**	**6.1**	**22.5**

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss (Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net sales	**1,434**	**1,843**	**2,266**	**2,749**	**3,437**
Change (YoY, %)	33	29	23	21	25
Operating expenses	1,144	1,483	1,783	2,151	2,684
EBITDA	**290**	**360**	**483**	**598**	**753**
Change (YoY, %)	36	24	34	24	26
Margin (%)	20	20	21	22	22
Depreciation	49	72	97	106	128
EBIT	**241**	**288**	**386**	**491**	**626**
Interest paid	11	19	13	11	9
Other income	53	57	94	81	120
Pre-tax profit	**282**	**327**	**467**	**561**	**737**
Tax	36	29	86	102	133
Effective tax rate (%)	13	9	18	18	18
Net profit	**246**	**297**	**381**	**460**	**604**
Exceptional items	0	0	0	0	0
Adjusted net profit	**246**	**297**	**381**	**460**	**604**
Change (YoY,%)	14	21	28	21	31
Adj. EPS	**19**	**22**	**27**	**33**	**43**
Dividend per share	5	5	7	8	11
Dividend Payout (%)	25	25	25	25	25

Source: Company, Axis Securities

Balance Sheet (Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share capital	**27**	**28**	**28**	**28**	**28**
Reserves & surplus	1,438	2,470	2,918	3,263	3,716
Shareholders funds	1,465	2,498	2,946	3,291	3,744
Total Debt	53	109	69	51	34
Other liabilities	138	138	45	42	39
Current Liabilities & prov	403	643	629	699	807
Current liabilities	349	535	556	645	769
Provisions	3	3	6	6	6
Total liabilities	544	785	675	744	848
Total equity & liabilities	**2,011**	**3,283**	**3,622**	**4,035**	**4,592**
Net fixed assets	3	4	3	5	8
Investments	0	37	63	63	63
Other non-curr assets	844	1,268	1,379	1,379	1,379
Current assets	1,163	1,974	2,176	2,588	3,142
Inventories	0	0	0	0	0
Sundry Debtors	245	317	299	366	458
Cash & Liquid	646	1,237	1,392	1,735	2,198
Other Curr Assets	272	420	486	486	486
Total assets	**2,009**	**3,283**	**3,622**	**4,035**	**4,592**

Source: Company, Axis Securities

Cash Flow **(Rs Cr)**

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Pre tax	**246**	**297**	**381**	**460**	**604**
Depreciation	(53)	(57)	(94)	(81)	(120)
Change in working capital	(204)	19	(61)	3	16
Other operating activities	(41)	(38)	(81)	(70)	(111)
Cash flow from operations (a)	**50**	**349**	**336**	**499**	**636**
Capital expenditure	(2)	(3)	(96)	(108)	(130)
Chg in investments	(48)	(318)	(25)	-	-
Other investing activities	139	(86)	(18)	81	120
Cash flow from investing (b)	**88**	**(407)**	**(140)**	**(27)**	**(10)**
Equity raised/(repaid)	(0)	1	0	-	-
Debt raised/(repaid)	(79)	2	(95)	(2)	(3)
Dividend (incl. tax)	(62)	(74)	(95)	(115)	(151)
Chg in monorities	1	(2)	-	-	-
Other financing activities	43	720	150	(11)	(9)
Cash flow from financing (c)	**(96)**	**647**	**(41)**	**(128)**	**(163)**
Net change in cash (a+b+c)	42	590	155	343	463
Opening cash balance	605	646	1,237	1,392	1,735
Closing cash balance	647	1,235	1,392	1,735	2,198

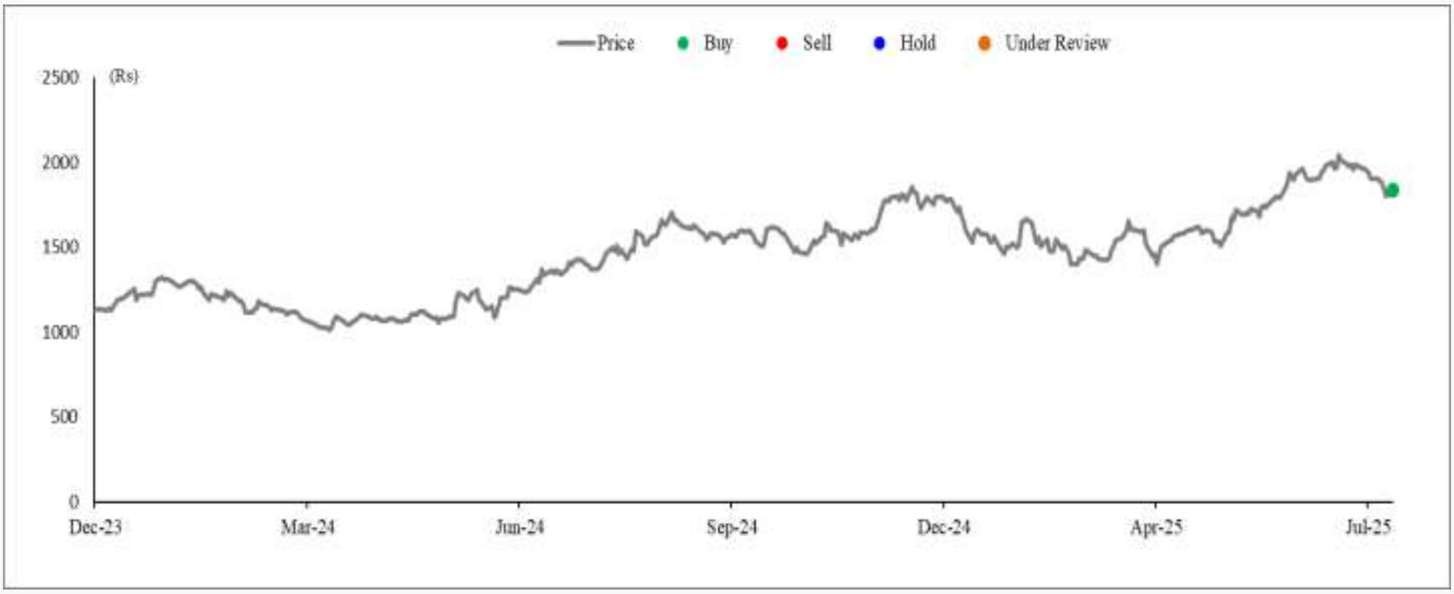
Source: Company, Axis Securities

Ratio Analysis **(%)**

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	111	184	210	235	267
Adj EPS (Rs)	19	22	27	33	43
Adj EPS growth (%)	15	17	24	21	31
EBITDA margin (%)	20	20	21	22	22
Pre-tax margin (%)	20	18	21	20	21
Debt/Equity (x)	0	0	0	0	0
ROCE (%)	17	15	14	15	17
ROE (%)	19	15	14	15	17
Financial leverage ratios					
Debt / Equity (x)	0	0	0	0	0
Interest Coverage (x)	25	19	38	56	80
Interest / Debt (%)	12	7	4	5	4
Working Capital & Liquidity Ratio					
Inventory days	0	0	0	0	0
Receivable days	62	62	48	48	48
Payable days	63	75	65	65	65
Valuation ratio					
PER (x)	107	91	73	61	46
Adjusted PER (x)	107	91	73	61	46
P/BV (x)	18	11	10	9	7
EV/EBITDA (x)	89	72	55	44	34
Market Cap. / Sales (x)	18	15	12	10	8

Source: Company, Axis Securities

Affle 3i Price Chart and Recommendation History



Date	Reco	TP	Research
29-Jul-25	BUY	2,020	Result Update

Source: Axis Securities Research

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