Affle (India)

Ride the digital wave with India's Ad Tech Leader!

Aniket Pande
aniketpande@plindia.com
+91-22-6632 2300

Aditi Patil
aditipatil@plindia.com

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Affle (India)
Rating: BUY | CMP: Rs5,174 | TP: Rs7,023 | Mcap: Rs138bn

We are initiating coverage on Affle India with BUY rating as- 1) It is a play on rising digital adoption with mobile being the preferred channel, 2) It operates in emerging markets that have high growth in digital advertising (30% CAGR over FY21-25E) & are underpenetrated at ~30% digital ad spend vs ~50% globally, 3) It has differentiated end-to-end digital advertising capability with high ROI driven pricing model, 4) ability to expand addressable market share by profitably scaling up acquisitions with unique tech capabilities and 5) It maintained above average margins despite operating in emerging markets with low unit economics. We expect revenue/EPS CAGR of 54%/30% over FY21-24E and arrive at DCF based TP of Rs 7023 (implies 92/61x P/E on FY23/24E EPS of 76/116).

Investment Rationale:

- **Shift in B2C companies narrative from 'Mobile is Important' to 'Mobile is Default'':** Share of mobile in India's digital media spends jumped to 76% in FY21 (vs 45% in FY19), growing at 45% CAGR to US$1.9 bn. Favourable macro trends like i) huge base of smart phone users in India & emerging markets with lower penetration compared to developed markets, ii) increasing internet data consumption and mobile screen time driven by lower data costs and iii) growing adoption of m-commerce gave significant boost to mobile being used as a preferred channel for advertising. Affle is well positioned to ride this growth wave with >95% revenue coming from mobile advertising.

- **Focus on high growth markets and segments:** Affle is rightly focused on emerging markets of India, SEA, LATAM & Africa (90% of revenue) as digital ad spends are expected to grow faster at 30%/25% in India/emerging markets vs 9% globally over FY21-25. Within these markets Affle focuses on high growth verticals (e-commerce, foodtech, fintech, travel-tech etc.) in internet segment. Digital ad-spend is going to remain healthy in these verticals, given there primary mode of engaging with end consumers is via mobile apps. For example, India's e-commerce sector's digital ad spends (Rs 38,173 mn in CY2020) account to just 39% of their total advertising spend, thereby offering considerable runway for growth.

- **End-to-end mobile advertising platform powering high ROI driven pricing model:** Affle's end-to-end mobile advertising platform delivers deep contextual mobile ads powered by AI&ML based real-time, high-accuracy user targeting algorithms and proprietary ad-fraud prevention platform (mFaaS). This provides a huge competitive advantage as it enables outcome based pricing (cost per converted user (CPCU) model) driving high ROI for clients and ensuring higher client retention. Affle has also added unique capabilities through acquisitions and is one of the few players who have profitably scaled up in emerging markets with low unit economics.

- **Digital advertising is here to stay despite data privacy concerns:** We believe that digital advertising is here to stay because connected digital devices/experiences has become inseparable part of consumer's life. Affle has a proactive approach to data privacy given it is amongst the few companies that has been accredited for their entire tech stack by IMDA Singapore under the SG:D program and one of their earliest patents was on 'Consumer Acceptable Advertising' that emphasizes consumer content and privacy. Moreover, majority of Affle's business is on-device and in-app (android) which has lesser risk of disruption as key players in android ecosystem primarily depend on advertising revenue.

About Affle – Global ad-tech company with leading market position in India

Affle India Ltd (Affle) is a pure play ad tech company that helps enterprises drive user acquisitions and improve consumer engagement through **mobile advertising**. Affle's end-to-end integrated mobile marketing platform with deep learning AI powered algorithms   transform ads into consumer recommendations delivering conversions.   This powers it's **performance based pricing model (CPCU)** thus driving **higher ROI for brands globally**.

With focus on fast growing emerging markets (India, South East Asia, Middle East & Africa & Latin America) and high growth consumer internet segments (E-commerce, Fintech, Foodtech, EdTech, OTT, Gaming, Health-tech etc.), Affle has achieved 44% revenue CAGR and 67% PAT CAGR over FY19-21. It now has ~2.2 Bn connected devices and its converted users have grown at 38% CAGR over FY19-21 to ~105 mn.

Affle has a long-term vision to reach **10Bn+ next set of mobile first connected devices** through **Affle 2.0** strategy for in the decade ahead. Affle's scalable end-to-end platform offering has potential to grow at accelerated pace (25-30% revenue CAGR over medium term) aided by massive consumer adoption of connected devices across emerging markets.

Affle was **founded by Mr. Anuj Khanna Sohum (CEO)** in 2005-06. With moto of **"Built to Last",** Mr. Sohum has successfully navigated Affle through several industry and technological changes faced by the dynamic ever-evolving ad-tech industry over past 15+ years. He has profitably scaled up the company especially in Indian market with low unit economics. Affle has further strengthened it's tech capabilities through successfully integrating and unlocking profitable growth for acquired companies.

	Y/e March	2021	2022	2023	2024
Income Statement (Rs m)	Net Sales	5,169	9,128	13,461	18,755
	Growth (%)	*54.9*	*76.6*	*47.5*	*39.3*
	EBITDA	1,300	1,795	2,872	4,314
	Growth (%)	*46.2*	*38.1*	*60.0*	*50.2*
	Margin (%)	*25.1*	*19.7*	*21.3*	*23.0*
	EBIT	1,103	1,566	2,470	3,739
	Net Interest	37	148	179	169
	Other Income	415	215	56	66
	PBT	1,482	1,633	2,347	3,637
	Total Tax	129	207	317	546
	Adj. PAT	1,351	1,419	2,023	3,084
	Growth (%)	*106.2*	*5.1*	*42.6*	*52.4*
Balance Sheet (Rs m)	Gross Block	860	1,308	1,962	2,664
	Investments	1,000	1,000	1,000	1,000
	Inventories	-	-	-	-
	Trade receivables	1,079	1,951	2,950	4,111
	Cash & Bank Balance	632	421	554	1,520
	Equity Share Capital	255	267	267	267
	Total Networth	3,592	5,023	7,046	10,131
	Borrowings	1,168	1,148	1,078	1,008
	Trade payables	1,260	2,305	3,397	4,680
Cash Flow (Rs m)	Net cash from Op. activities	2,169	1,687	2,141	2,854
	Net Cash from Invt. activities	-2,677	-2,498	-1,753	138
	Net cash from Fin. activities	-352	1,314	-850	-3,024
	Net change in cash	-859	502	-462	-32
	Free Cash Flow	-1,718	1,005	-924	-64
Key Ratios	EPS (Rs)	53.0	53.3	75.9	115.7
	Growth (%)	*106.2*	*0.5*	*42.6*	*52.4*
	BPVS (Rs)	140.9	188.5	264.4	380.1
	DPS (Rs)	-	-	-	-
	RoCE (%)	28.7	28.6	34.5	38.8
	RoE (%)	45.9	33.0	33.5	35.9
	Net Debt : Equity (x)	0.1	0.1	0.1	-0.1
	Net Working Capital (Days)	-	-	-	-
	PE (x)	97.7	97.1	68.1	44.7
	P/B (x)	36.7	27.5	19.6	13.6
	EV / EBITDA (x)	101.9	77.2	48.2	31.8
	Dividend Yield (%)	-	-	-	-

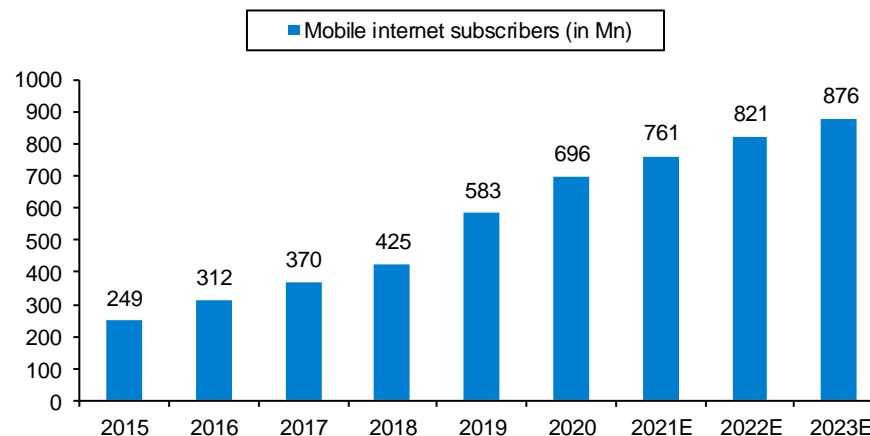# 'Mobile is Important' to 'Mobile is Default'

'Mobile is Important' to 'Mobile is Default'

Pandemic accelerated the shift to digital with mobile as preferred channel in emerging markets. We believe this accelerated growth in digital adoption will continue in India & emerging markets given declining cost of smartphone and very low data costs. Below are some upcoming trends to watch:

- **Data consumption to triple in next 5 years**: On an average Indians consume 14.6 GB data per smartphone per month, second highest globally, and this is expected to triple over next five years, according to Ericsson mobility report 2021.

- **Mobile is becoming preferred mode of accessing internet:** Given affordability of smartphone over PCs, _almost 72.6% of internet users_ will access the web solely **via** _their smartphones by 2025_ as per World Advertising Research Center. Most of the growth in smartphone usage will come from China, India, Indonesia & Nigeria.

- **Mobile app usage is also growing at strong pace.** China led the world with 96.2 Bn app downloads in CY20, while India emerged fastest growing country with 29% YoY rise in app downloads in CY20.

- **Consumers are spending more time on mobile**. Due to Covid, screen time has tremendously increased, consequently creating a lot more internet traffic and lot more impressions and clicks. In India the time spent in front on mobile devices rose 39.4% from 3.3 hours per day in CY19 to 4.6 hours in CY20.

- **Rise in mobile transactions:** Almost 51% of online sales volume is via mobile devices in India, compared to 39% globally average (source: PayPal m-commerce).

Affle is rightly focused on mobile (on-device and in-app) advertising (>95% of revenues) given that share of mobile in India's digital media spends jumped to 76% in FY21 (vs 45% in FY19), growing at 45% CAGR to US$1.9 bn in last two years. This is expected to grow at a strong rate of 32% CAGR over FY21-25.

Indian mobile internet subscriber base to increase ~15% by FY23E

Legend: Mobile internet subscribers (in Mn)

2015: 249
2016: 312
2017: 370
2018: 425
2019: 583
2020: 696
2021E: 761
2022E: 821
2023E: 876

Source: TRAI, Statista, PL

Data costs plunged in 2020 leading to 7-8X surge in data consumption

Legend: Mobile internet data costs per GB in INR; Data usage (GB per month)

2014: 33 (cost), 0.062 (usage)
2017: 21 (cost), 1.6 (usage)
2020: 6.7 (cost), 12 (usage)
2021: 6.7 (cost), 14.6 (usage)
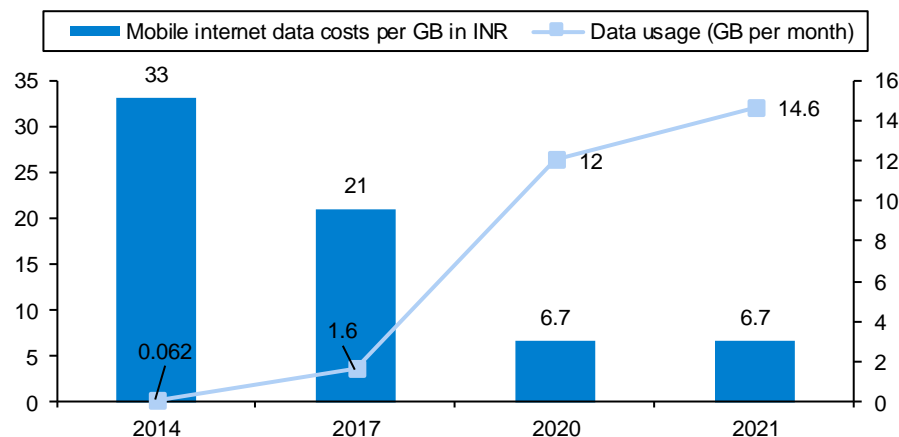
Source: TRAI, Cable.co.uk, PL

Covid has moved India online

E-commerce market in India to grow at 24% CAGR from FY21-25E

E-commerce market in India (USD Bn)

FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY24E	FY25E
39	50	58	64	79	97	121	152	188
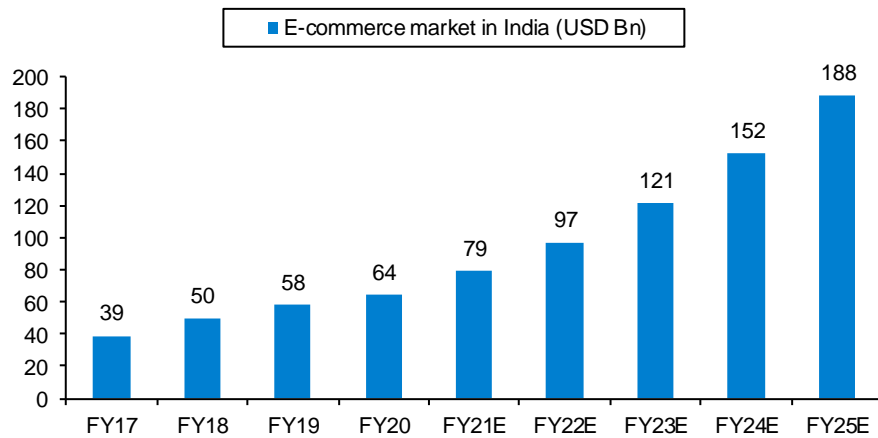
Source: Frost & Sullivan Analysis, PL

Rise in OTT consumption

Netflix India revenue trend (Rs Bn)

FY18	FY19	FY20
0.58	4.71	9.24
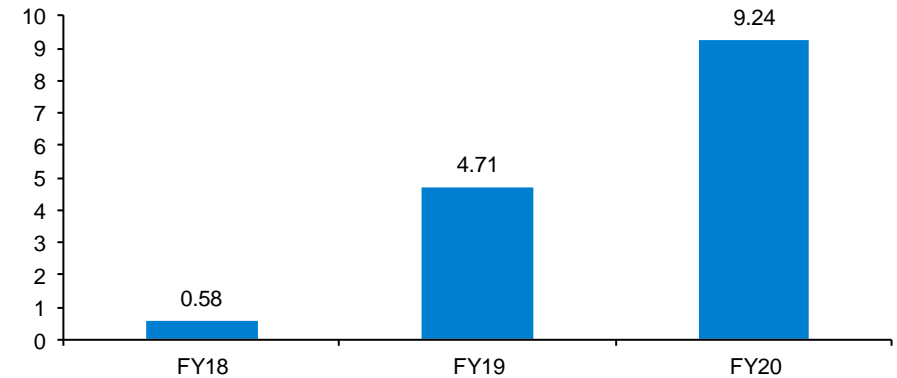
Source: Entrackr, PL

Surge in online gaming market in India

Online gaming market in India (USD bn)

FY14	FY20	FY24E
0.3	2.6	9.0
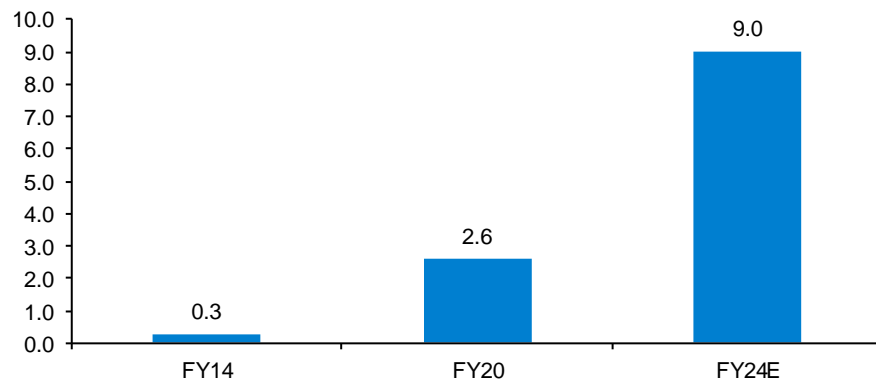
Source: RedSeer, PL

India 10x growth potential in online education

Online education market size (USD Bn)

	Higher Education	Lifelong learning
FY20	0.4	0.1
FY21E	1.3	0.3
FY25E	3.6	1.2

Source: RedSeer, PL

September 24, 2021
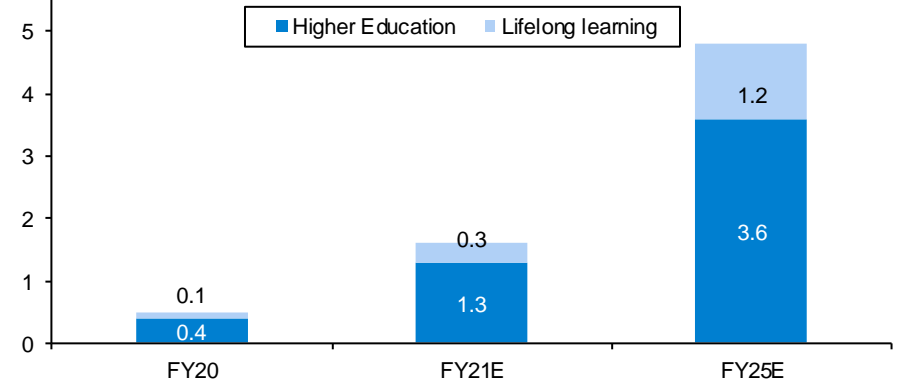
Mobile is now preferred channel for digital advertising

Mobile app downloads in India grew by 28.6% y/y in CY20

Mobile App downloads (in Bn)

Legend: ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020

India: 6.5, 12.1, 17.2, 18.9, 24.3
Brazil: 5.7, 6.3, 7.3, 8.0
Indonesia: 3.3, 4.0, 5.1, 5.6
US: 11.7, 11.3, 11.9, 12.3
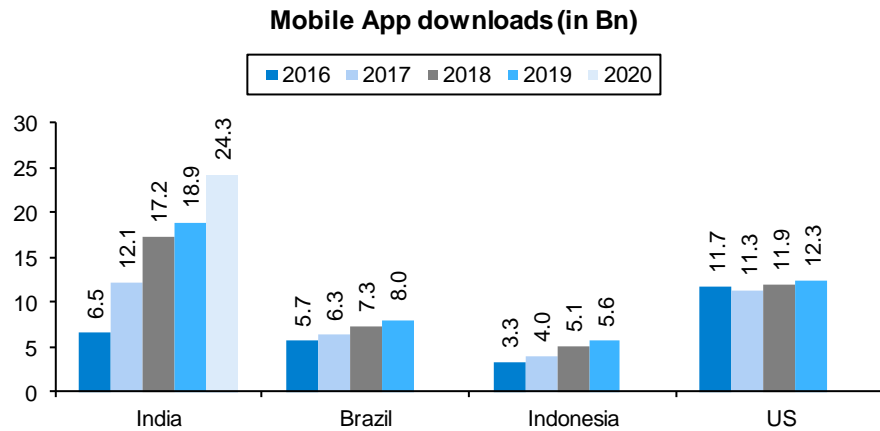
Source: E-marketer, App Annie, PL

Share of mobile in digital media spends jumped to 76% in last two years

Mobile vs Desktop advertising spend in India (USD Bn)
Mobile Advertising spend CGAR of 32.4% over FY21-25

Legend: ■ Mobile ■ Desktop

FY16: 0.2, 0.4
FY17: 0.5, 0.7
FY18: 0.7, 0.8
FY19: 0.9, 1.1
FY20: 1.6, 0.5
FY21E: 1.9, 0.6
FY22E: 2.5, 0.7
FY23E: 3.4, 0.9
FY24E: 4.6, 1.2
FY25E: 6.6, 1.7
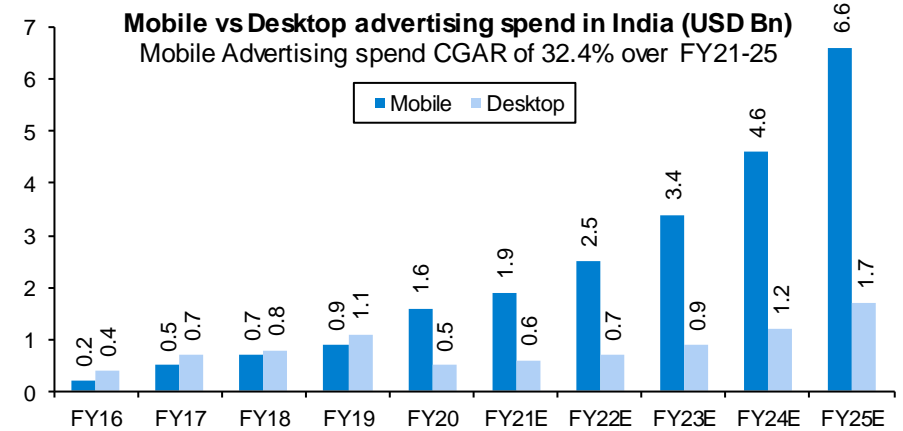
Source: Dentsu Digital & Frost & Sullivan, PL

42% of Indians yet to adopt smartphone offering huge runway for growth

Legend: ■ Non-smartphone users as % of total mobile users

FY17: 61%
FY18: 57%
FY19: 52%
FY20: 47%
FY21: 42%
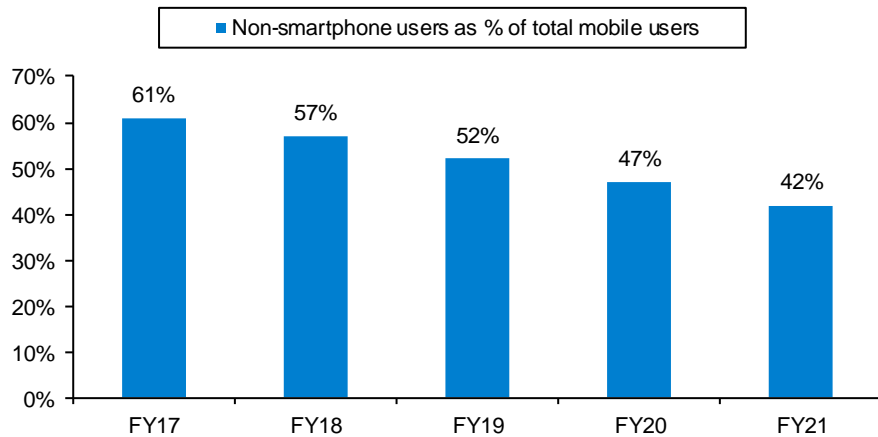
Source: Industry reports, PL

E-commerce spends shifting to mobile

E-commerce spend in India (USD bn)

Legend: ■ Desktop ■ Mobile

FY17: 21, 18
FY18: 27, 23
FY19: 28, 30
FY20: 26, 38
FY21: 29, 50
FY22E: 35, 62
FY23E: 42, 79
FY24E: 50, 102
FY25E: 58, 130
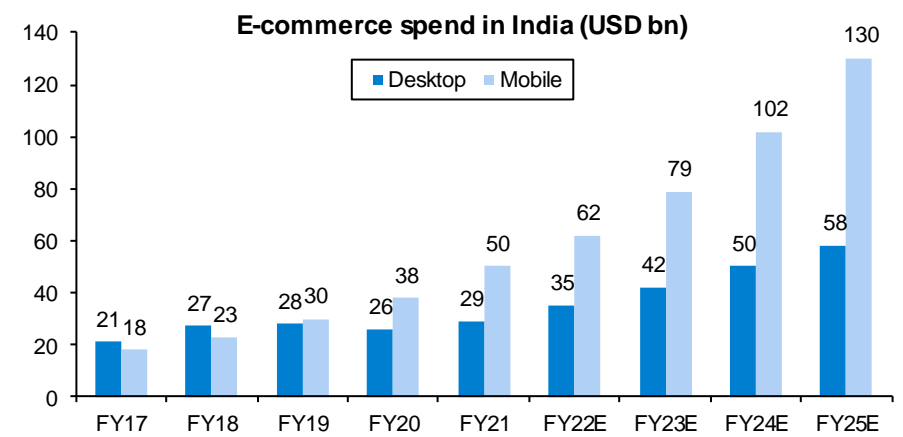
Source: Frost & Sullivan, PL

Surge in e-commerce driving digital ad-spends

The pandemic has disrupted consumer's purchase behavior and helped to form positive perception towards e-commerce across customer base. There is also a growing trend of online shoppers coming from the Tier 2, Tier 3 cities and beyond. Myntra got over 5 lakh shoppers over a 4 days end of season sale, with a 100% rise in online orders from Tier 2 and 3 cities.

Rise in advertising spends by E-commerce companies:

- Indian e-commerce sector's digital advertising spends were at USD 656 Mn in FY21. With e-commerce shoppers estimated to grow at 13.8% CAGR over FY21-25, **digital ad spends by e-commerce businesses is expected to grow at 33.7% CAGR over same period.**

- In CY2020, e-commerce giant Amazon's global marketing spend amounted to ~22$ Bn, up from 18.9$ Bn in the previous year. Company's marketing costs primarily consisted of targeted online advertising, TV ads and related spending on marketing staff.

E-commerce apps/websites emerging as advertising (publisher) platforms

- As consumers have opened up to digital buying, E-commerce platforms have also emerged as serious avenue for advertising during the pandemic. Criteo's report suggests that 55% of marketers are likely to increase their advertising budgets on retail websites/apps in 2021.

- **In CY2020, the advertising spends on e-commerce platforms were Rs. 4,7000 mn in India. Based on the current trajectory, Dentsu estimates advertising spends on these platforms to grow at a CAGR of 40%.** (Source: Dentsu Digital)

Digital advertising spends by e-commerce in India to grow at 33.7% CAGR over FY21-25
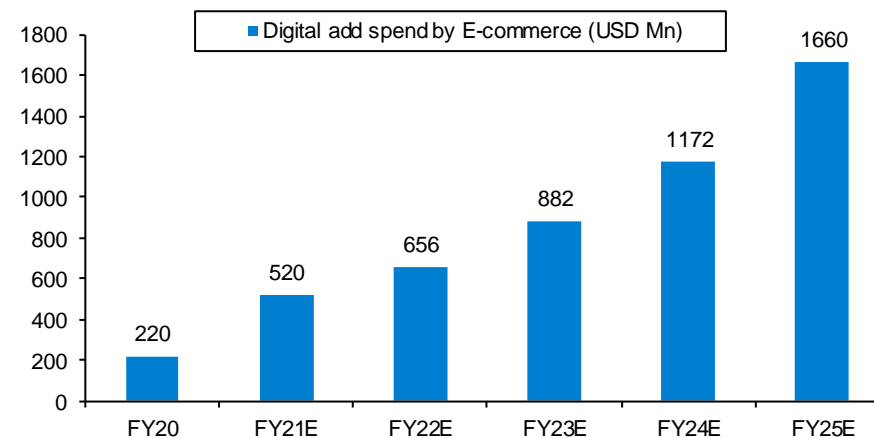
Source: Frost & Sullivan and Dentsu Digital Advertising 2021, PL

Number of E-commerce user to grow at 13.8% CAGR over FY20-25
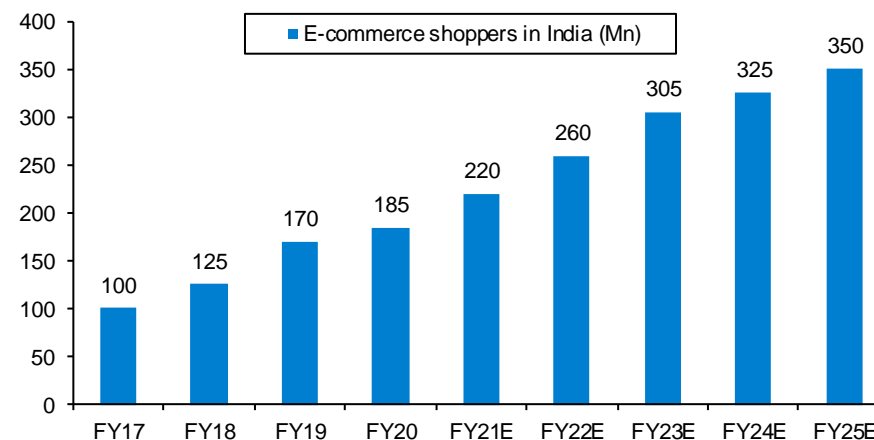
Source: Frost & Sullivan , PL

E-commerce growth story in charts

2.1x times rise in e-commerce app downloads in India

■ Rise in app downloads from 1QCY20 to 3QCY20 in India

Values by category:
- E-commerce: 2.1
- FMCG: 2.0
- Ed-Tech: 1.6
- Music: 1.4
- Video: 1.1
- Foodtech: 1.0
- Fintech: 0.9
- Healthtech: 0.8
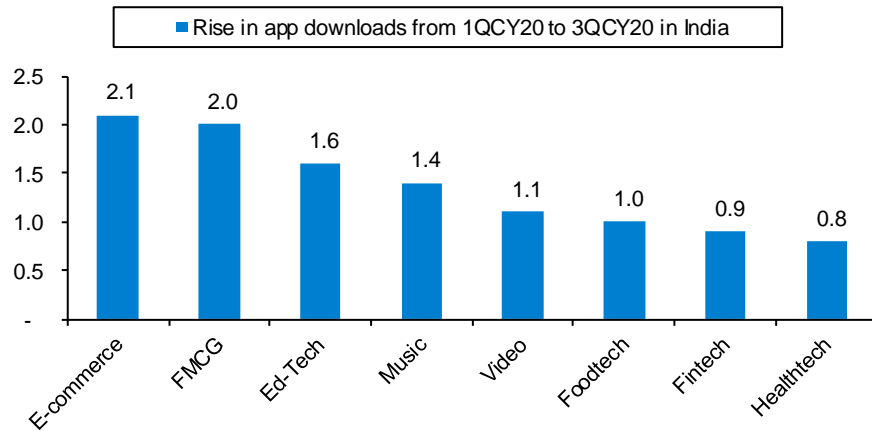
Source: Dentsu Digital Advertising 2021, PL

Average spend per E-commerce shopper to grow at 9.2% CAGR

■ Average spend per ecommerce shopper in India (USD)

Values by year:
- FY17: 100
- FY18: 125
- FY19: 170
- FY20: 185
- FY21E: 220
- FY22E: 260
- FY23E: 305
- FY24E: 325
- FY25E: 350
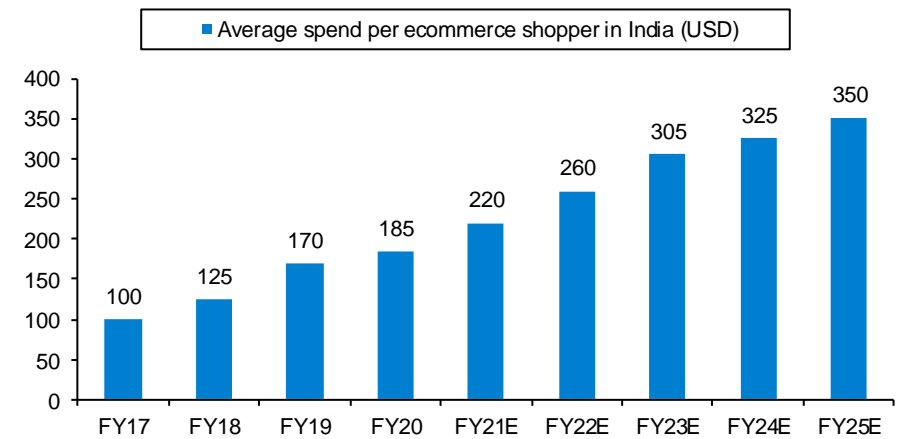
Source: Frost & Sullivan, PL

1.5x increase in adoption of online shopping in South East Asia

% responses citing online and most used channel

■ 2019 ■ 2020

	2019	2020
SEA	25	48
Malaysia	28	46
Indonesia	32	46
Vietnam	28	45
Singapore	33	45
Thailand	28	35
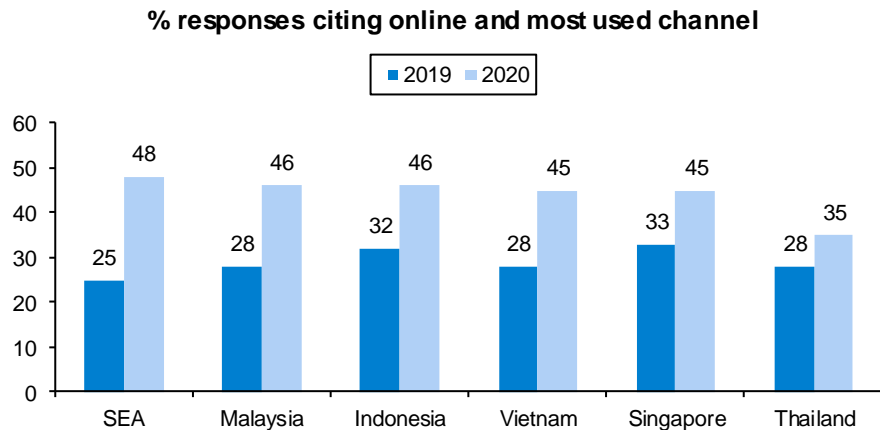
Source: Facebook and Bain & company report, PL

Share of E-commerce sales expected to rise in ASEAN countries…

E-commerce sales as % of total sales

■ 2018 ■ 2019 ■ 2020

	2018	2019	2020
ASEAN	4%	6%	9%
Mainland China	20%	22%	27%
US	14%	15%	20%
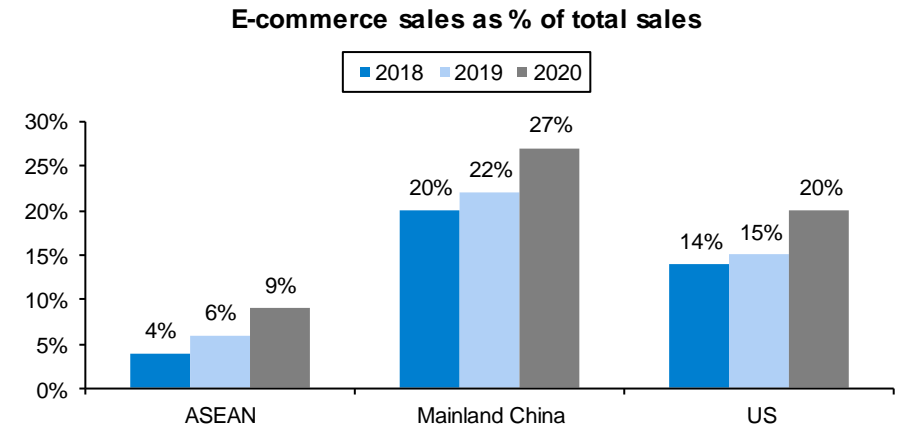
Source: Euromonitor Passport Database, PL

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Focus on fast growing emerging markets

Focus on fast growing emerging markets

Affle's focus is disproportionately on **emerging markets (90% of revenue share)** and within that **India (50% of revenue share)** is their dominant market.

Why is Affle focussed on emerging markets?

- In emerging markets there is huge growth potential due to – 1) higher number of smartphone users, 2) low smartphone penetration 3) huge gap between number of smartphone users and those who shop online on smartphone. Digital advertising is expected to grow at a slower pace at 11.2% CAGR in US over 2020-25E vs 30%/20-25% in India/Other emerging markets.

- There is greater competition in developed markets with majority of global players focussed on US and Europe as compared to emerging markets of India, SEA where Affle primarily operates. Therefore, higher investment in sales is required to build on-ground presence and scale in developed markets.

Leveraging their existing partnerships in Singapore and Asia, Affle started building on-ground presence in South Korea, Japan & Russia. Expansion into these regions was primarily driven by Affle's vernacular technology expertise.

Recently Affle acquired Argentina based mobile advertising company Jampp in order to expand presence in LATAM region. As Jampp has some presence in US, Affle gets access to on-ground local presence in US through this acquisition. In Q4FY20 as well it acquired Mediasmart which gave an access to Europe & LATAM region.

Affle's priorities in terms of market expansion are:

- To dominate and become market leader in India

- Be amongst top few players in emerging markets

- Aspire to become global leader

Smartphone penetration in India is much lower at 32%
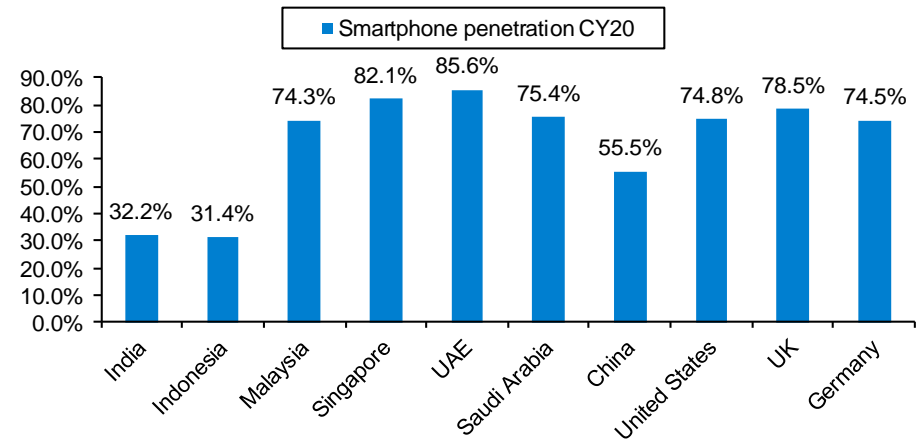
Source: Frost & Sullivan, PL

2/3rd of new internet users from Asia Pac & Sub-Saharan Africa
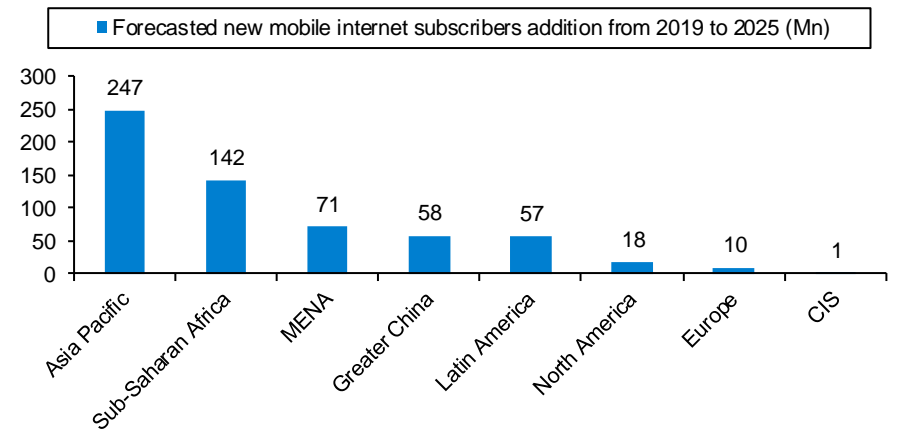
Source: GSMA Intelligence, PL

Huge growth potential in Emerging markets

Smart devices penetration in India is at just 2%

Smart devices penetration CY20

Country	Penetration
United States	20%
United Kingdom	16%
Germany	10%
South Korea	8%
Norway	7%
Japan	4%
France	3%
China	3%
Spain	3%
Italy	3%
India	2%
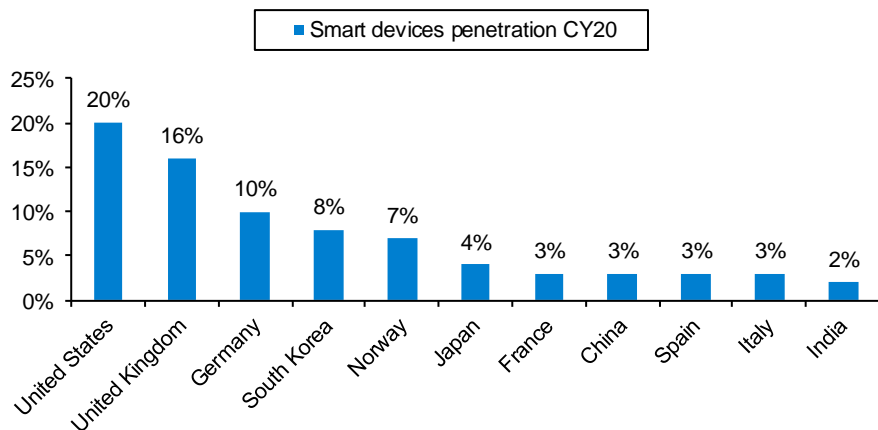
Source: Frost & Sullivan, PL

Mobile data consumption to grow 2x in India,4x in SEA & 5x in MENA

GB per subscriber per month

| Region	2019	2020
North America	7.6	35
Europe & CIS	8.3	29
Asia Pac	5.3	28
MENA	9.8	28
Greater China	4.7	24
Latin America	0.8	6.8
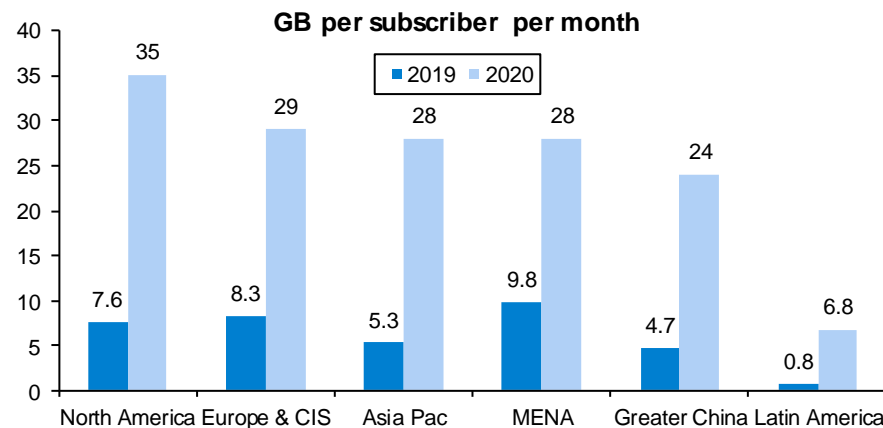
Source: Ericson Mobility Report, PL

Lowest data costs in India

$ cost per GB

Country	Cost
India	0.09
Russia	0.52
China	0.61
Indonesia	0.64
Brazil	1.01
UK	1.39
Japan	3.91
Germany	4.06
Mexico	4.77
US	8.00
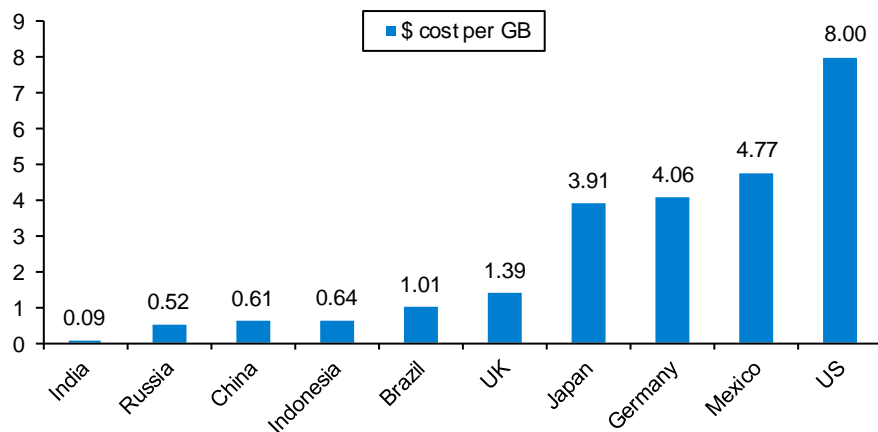
Source: National Payments Corporation of India, PL

Highest mobile screen-time in Indonesia, followed by India

Daily mobile hours in Q2CY2020

Country	Hours
Indonesia	6.0
India	4.8
Brazil	4.8
China	4.4
South Korea	3.9
Japan	3.6
Russia	3.5
Canada	3.5
Spain	3.2
Italy	3.1
US	3.0
UK	2.8
France	2.7
Germany	2.4
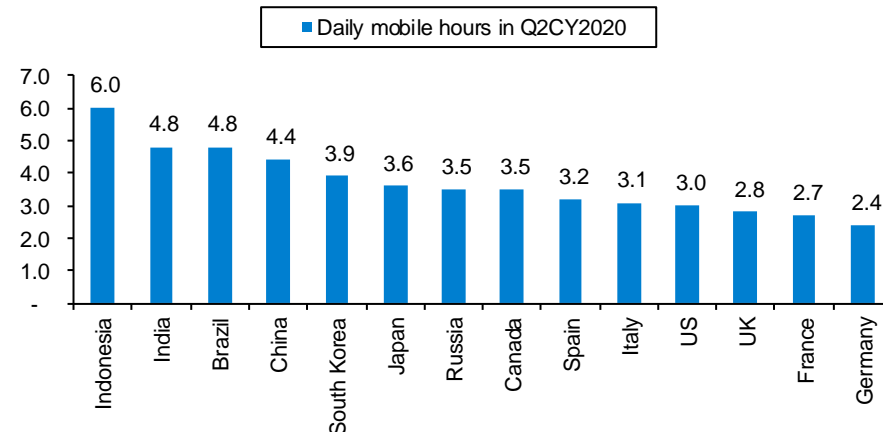
Source: App Annie, PL

September 24, 2021

Indian digital ad industry size is significantly lower than global average

Share of digital advertising still much lower than global average

- Share of digital advertising in India jumped from 22% in FY19 to 30% in FY22. <u>There is tremendous scope for growth because share of digital is significantly lower than the current global average of 50%.</u>

- In India, spends on digital media were led by social media with largest share of 29% (Rs. 46 Bn) closely followed by online video (28%, Rs. 44 Bn). Online video has seen fastest growth from a share of 22% in 2019 to 28% in 2020.

- In Asia Pacific region, digital ad sales grew by 9% to reach $101 bn in CY20. Mobile digital ad sales experienced highest spending growth (+16% y/y) in this region. (Source: Marketing interactive)

Why Advertisers prefer digital media?

- Advertisers earlier used to prefer TV and print due to their higher penetration, reach through local/vernacular content and ability to build strong band perception. However, this scenario is changing due to massive increase in digital adoption, increased screen time & growth of vernacular content on digital media.
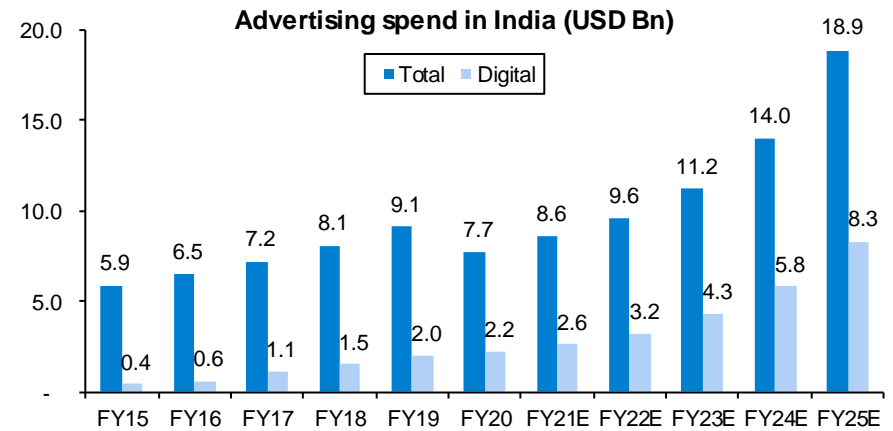
- Digital mediums offer real-time contextually personalized advertising plus their outcome is measurable and is typically cost effective as compared to traditional media.

- Digital advertising allows advertisers to reach people at the start of the buying journey and also enables them to make changes throughout the journey to drive in best results.

Indian Digital Ad spends to grow at 30.7% CAGR over FY20-25E

Advertising spend in India (USD Bn)

Legend: Total, Digital

Year	Total	Digital
FY15	5.9	0.4
FY16	6.5	0.6
FY17	7.2	1.1
FY18	8.1	1.5
FY19	9.1	2.0
FY20	7.7	2.2
FY21E	8.6	2.6
FY22E	9.6	3.2
FY23E	11.2	4.3
FY24E	14.0	5.8
FY25E	18.9	8.3

Source: Frost & Sullivan & Dentsu Aegis Report, PL

Global digital ad spend to grow at 9% CAGR over 2020-25E

Digital Ad spends in USD Bn

Legend: Global, US

Year	Global	US
2015	188	59
2016	192	70
2017	196	80
2018	220	90
2019	248	101
2020	268	111
2021	264	121
2022	310	134
2023	339	148
2024	373	166
2025	412	188
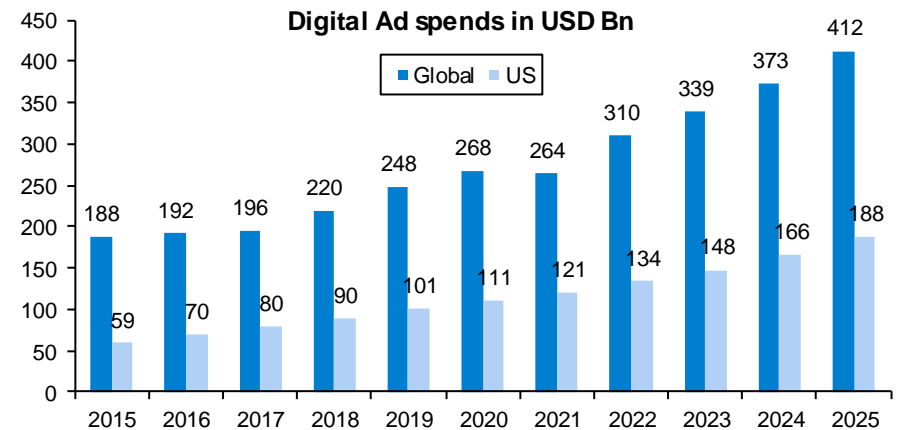
Source: Dentsu Digital Advertising 2021, PL

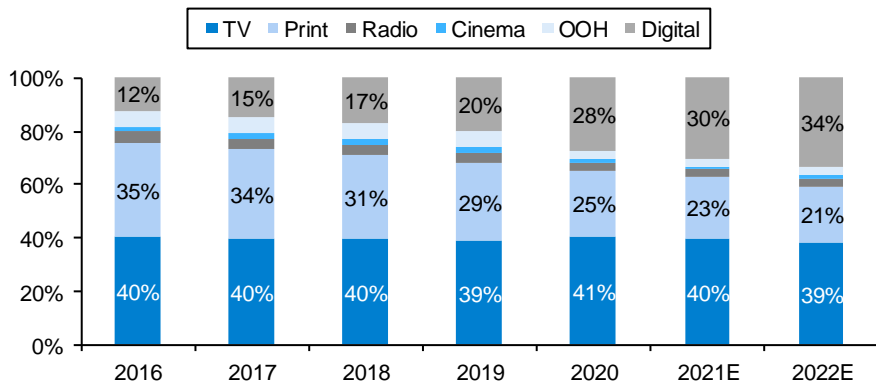# Digital Advertising market potential is huge

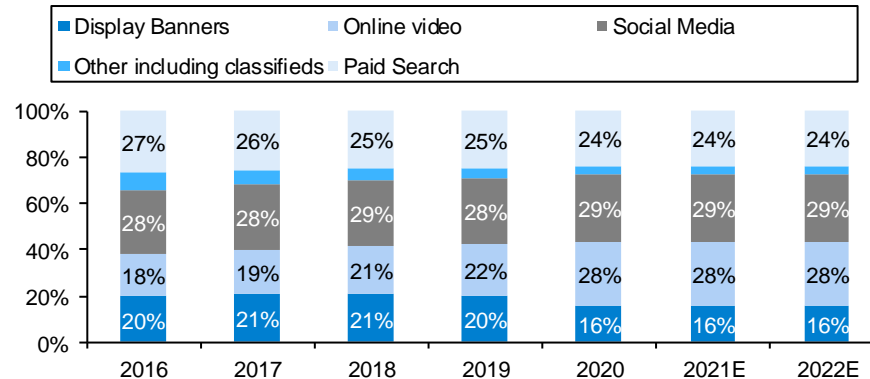## Sharp jump in share of digital advertising from 20% to 28% in CY20 in India

Ad Spends share across various media

Legend: TV | Print | Radio | Cinema | OOH | Digital

Year	Digital	Radio	Print	TV
2016	12%		35%	40%
2017	15%		34%	40%
2018	17%		31%	40%
2019	20%		29%	39%
2020	28%		25%	41%
2021E	30%		23%	40%
2022E	34%		21%	39%

Source: Dentsu Aegis, PL

Share of online video increased to 28% in CY20

Ad spends across various digital formats

Legend: Display Banners | Online video | Social Media | Other including classifieds | Paid Search

Year	Other incl. classifieds	Social Media	Online video	Display Banners
2016	27%	28%	18%	20%
2017	26%	28%	19%	21%
2018	25%	29%	21%	21%
2019	25%	28%	22%	20%
2020	24%	29%	28%	16%
2021E	24%	29%	28%	16%
2022E	24%	29%	28%	16%

Source: Dentsu Aegis, PL

Affle is well positioned in fast growing India & SEA markets

Growth in digital ad-spending in 2020

Region	Value
Global	2.4%
US	1.7%
Indonesia	6.5%
Malaysia	8.0%
Hong Kong	8.0%
China	10.0%
Singapore	12.0%
India	15.0%
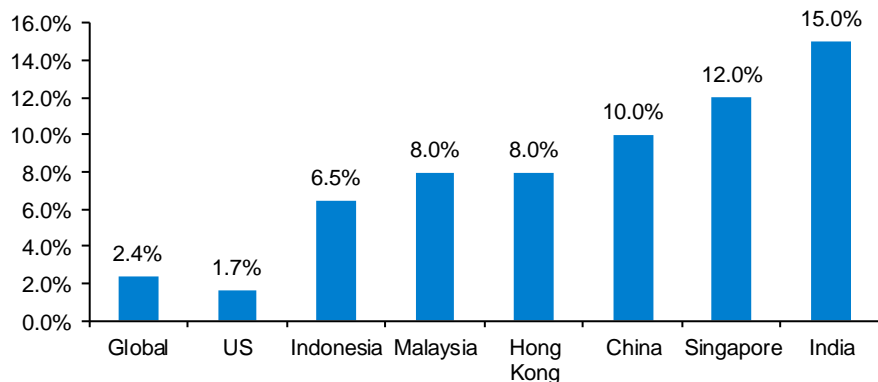
Source: E-marketer, Marketing Interactive, PL

Indian digital ad industry has long way to grow

Digital Ad industry size (USD bn)

Country	Value
Indonesia	1.5
India	2.5
France	6.9
Germany	9.9
Japan	15.7
UK	22.4
China	78.2
US	136.7
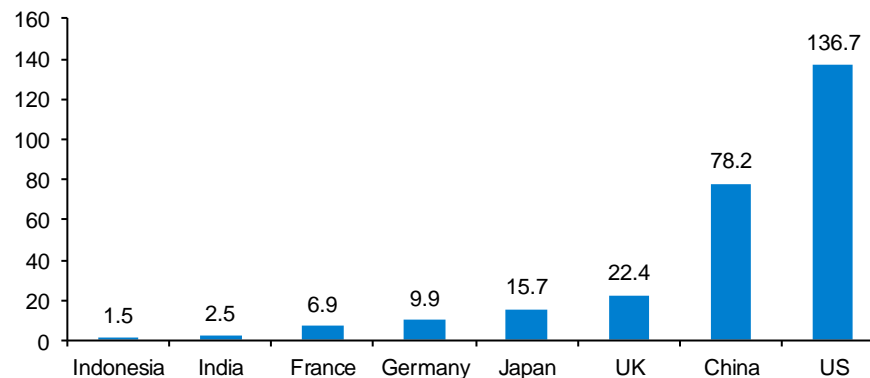
Source: Statista, PL

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End-to-end advertising platform powering high ROI driven pricing model

Affle's business segments - Consumer platform drives 98% of revenue

Affle operates two business platforms

- **Consumer Platform**

- **Enterprise Platform**

Consumer Platform primarily provides new consumer conversions (acquisitions, engagements and transactions), retargets existing consumers (by taking them closer to transactions) and offers online to offline ("O2O") platform that converts online consumer engagement into measurable in-store walk-ins.

Affle primarily earns revenue from Consumer Platform via:

- **CPCU (86% of revs):** Cost Per Converted User basis pricing model (i.e. cost per install, cost per action, cost per transaction etc.).

  Consumer platform facilitates 1) High ROI driven CPCU pricing model, 2) Has strong capabilities across ad-tech ecosystem, 3) Enables Programmatic advertising, 4) Business benefits from network effects, 5) Superior results in challenging Indian markets, and 6) Devises anti-fraud capabilities.

- **Non-CPCU (13% of revs):** Includes impression based on CPM (Cost per million impressions), retargeting, online to offline conversion and other marketing spends.

Enterprise Platform provides end-to-end solutions to enterprises for enhancing their engagement with mobile users, such as developing Apps, enabling offline to online commerce for offline businesses with e-commerce aspirations and providing enterprise grade data analytics for online and offline companies.

98% of revenue from Consumer Platform update chart

Revenue mix for FY21

Enterprise Platform 1.7%

Consumer Platform 98.3%
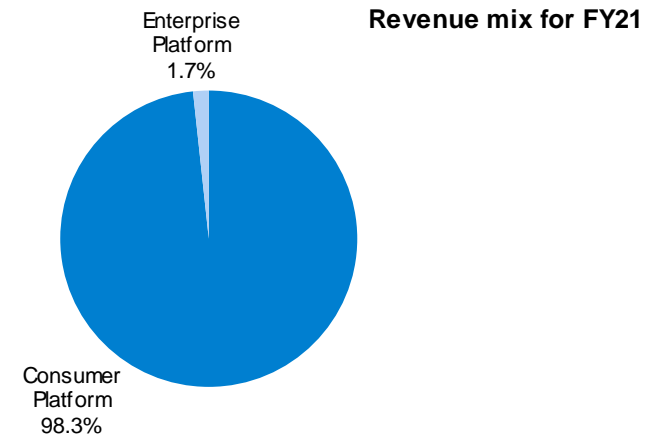
Source: Company, PL

86% of total revenue comes from CPCU pricing model

non-CPCU model 13%

CPCU model 86%
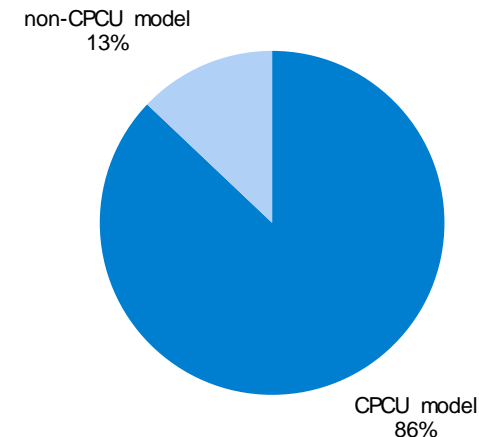
Source: Company, PL

Consumer platform facilitates high ROI driven CPCU pricing

Affle's consumer platform enables high ROI driven CPCU pricing

Affle receives revenue only when users perform one of the deep funnel conversion events. Hence highly accurate real time targeting capability is essential to profitably scale up the CPCU pricing model. Affle's consumer platform (98% of revenue share) is capable to accurately target real shoppers from a large set of users while simultaneously reducing real-time ad frauds. Consumer platform powers all three CPCU use cases i.e. 1) New user acquisition, 2) re-targeting users to complete transactions and 3) online to offline conversions.

What is CPCU based pricing model?

While the industry is largely dominated by companies operating on cost per clicks (CPC), cost per mile (CPM) i.e. views and impressions Affle is very well differentiated as it operates on '**Cost per Converted User' (CPCU)** based pricing. It is a outcome based pricing model wherein conversions are linked to the deep funnel matrix which are post click and post install events (purchase, add to cart etc.) done by the consumers on their smart-devices. This means Affle receives revenue only when a user performs these events (example: transacts through mobile app). This offers much better value proposition to clients compared with other advertising solutions that rely largely on number of clicks or visits per web page.
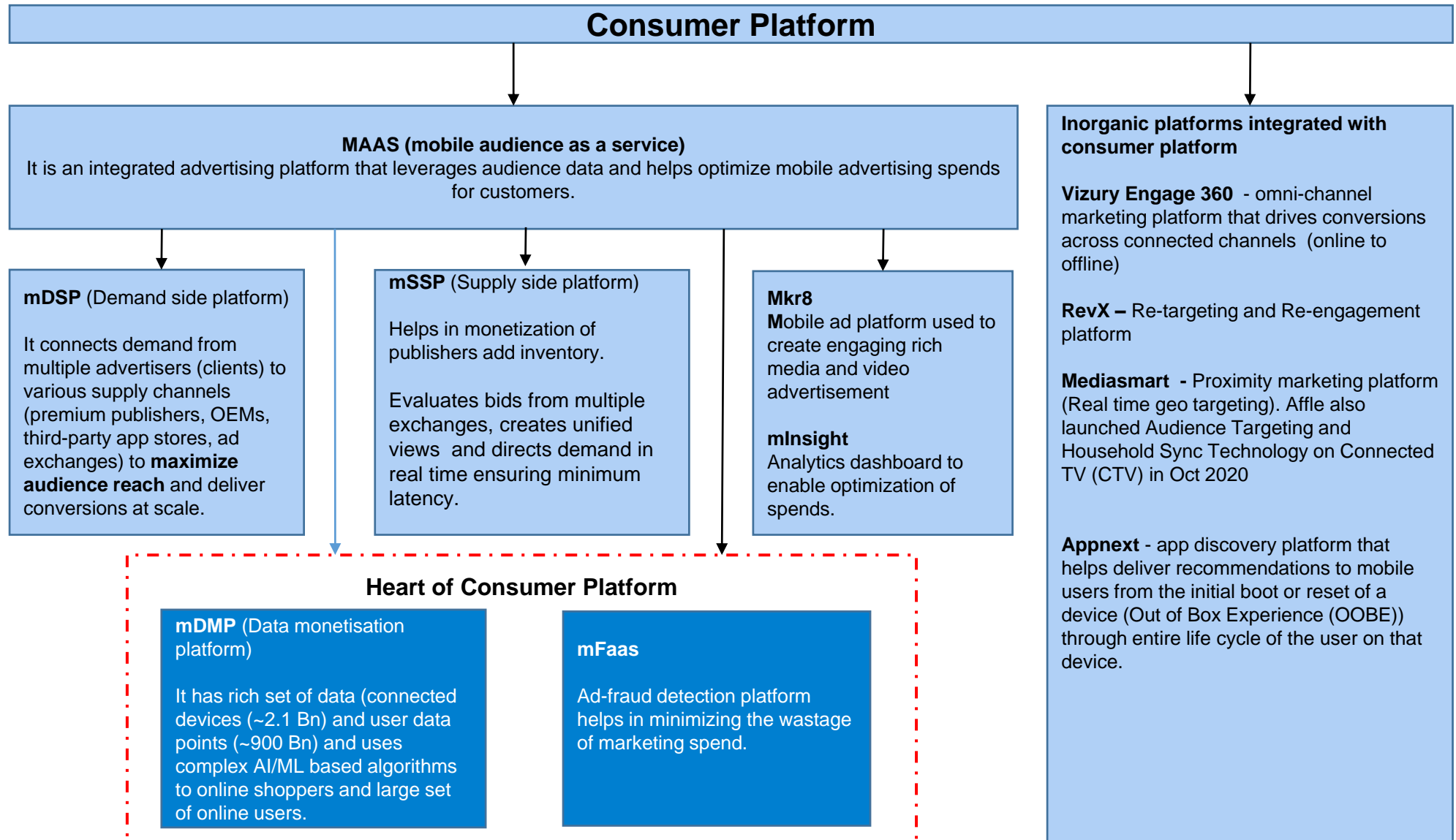
Why does Affle prefer CPCU based pricing?

- Advertising industry is shifting towards performance based pricing

- CPCU model provides superior ROI for clients, lowers ad-fraud rate, improves ad-quality and user experience

- It improves customer stickiness and places Affle as a strategic partner in client's digital marketing strategy.

Issues in other forms of pricing such as cost per thousand impressions (CPM) or views (CPV):

- **Ad visibility:** Ads may be located at the bottom of the page and may not be visible unless a user scrolls down, but these are still counted as a delivered impression in a CPM model,

- **Ad quality:** CPM models offer less incentive to the ad tech player for improving quality of ad placements through better targeting and engaging content

- **Unmeasurable:** There is no way to determine the attribution of leads.

Affle's consumer platform has strong capabilities across ad-tech ecosystem

Consumer Platform

MAAS (mobile audience as a service)
It is an integrated advertising platform that leverages audience data and helps optimize mobile advertising spends for customers.

mDSP (Demand side platform)

It connects demand from multiple advertisers (clients) to various supply channels (premium publishers, OEMs, third-party app stores, ad exchanges) to **maximize audience reach** and deliver conversions at scale.

mSSP (Supply side platform)

Helps in monetization of publishers add inventory.

Evaluates bids from multiple exchanges, creates unified views and directs demand in real time ensuring minimum latency.

Mkr8
Mobile ad platform used to create engaging rich media and video advertisement

mInsight
Analytics dashboard to enable optimization of spends.

Heart of Consumer Platform

mDMP (Data monetisation platform)

It has rich set of data (connected devices (~2.1 Bn) and user data points (~900 Bn) and uses complex AI/ML based algorithms to online shoppers and large set of online users.

mFaas

Ad-fraud detection platform helps in minimizing the wastage of marketing spend.

Inorganic platforms integrated with consumer platform

Vizury Engage 360 - omni-channel marketing platform that drives conversions across connected channels (online to offline)

RevX – Re-targeting and Re-engagement platform

Mediasmart - Proximity marketing platform (Real time geo targeting). Affle also launched Audience Targeting and Household Sync Technology on Connected TV (CTV) in Oct 2020

Appnext - app discovery platform that helps deliver recommendations to mobile users from the initial boot or reset of a device (Out of Box Experience (OOBE)) through entire life cycle of the user on that device.

Key components of Affle's consumer platform

AUDIENCE · DATA · QUALITY · EXPERIENCE · INSIGHT

Direct Premium Publishers Programmatic Ad Exchanges (mDSP)

OEM and Third-party app Stores & Devices

DMP² Central intelligence repository of profiled connected devices

FaaS
AML-based fraud detection system to highlight all prevailing ad fraud types

kr8
Engaging rich media, video and native ad units to maximize ad experience

mInsight
United in-depth analysis across publishers & channels through transparent and granular reporting

Source: Company, PL

Unlike numerous other players serving different parts of ad-tech ecosystem, Affle's has presence in across almost entire digital ad tech value chain.

Advertising Agency	DMP	DSP	Ad exchange	SSP
Group M, Publicis, Umnicon, Dentsue Aegis Network, Interpublic Group (IPG) Media Brands, Interactive Avenues, Havas, Madison, M&C Saatchi Mobile	Affle, Oracle, Lotame, Salesforece	Affle, Google, Tradedesk, Xander, Mediamath, Criteo, Adobe, Appier	Google, MoPub, Rubicon	Affle, Pubmatic, Digital Turbine, Magnite, IronSource, Applovin

Source: Company, PL

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Consumer platform enables programmatic advertising

Digital advertising is tendered either through direct advertising or through programmatic advertising. Direct advertising involves significant human intervention to auction ad spaces and fix pricing, whereas programmatic advertising is completely automated. **Affle's end-to-end connected consumer platform also uses 'programmatic advertising' i.e. the entire process of placing adds and delivering user conversions is completely automated. Programmatic advertising enhances the ability of advertisers to target users with pin-point accuracy in real time.**

How programmatic ad-buying works?

▪ Programmatic advertising process starts when a user arrives on a website/app. Publishers provides details of the available ad space and user profile to supply-side platform

▪ Supply Side Platforms (SSPs) aggregates ad inventory from multiple publishers and analyses user's data to place the data in an appropriate ad-exchange. SSP then opens up bidding option for advertisers through an ad-exchange.

▪ Ad-exchanges hosts aggregates multiple such open bidding options from SSPs and allows Demand side platforms (DSPs) to bid for ad-spaces on real time basis. DSPs evaluates the users worth based on target profile of the advertisers campaign, user data received through SSP, data from Data Management Platform (DMP) and fraud detection platform. (mFaaS)

▪ DSP then submits bid to the ad exchange, based on value assigned to user data. Higher bidder wins the bid. Supply-side platform allocates ad space to the advertiser who then supplies ad and completes payment process, after which ad is displayed at the publisher.

Ad-tech companies like Affle typically cater to 40-50% of overall digital ad-spend through presence in DSP, SSP & Fraud detection. Ad-tech vendors retain higher share (50-60%) in case of direct relationship with clients as compared to catering through Ad agencies.

Real time bidding process or programmatic advertising
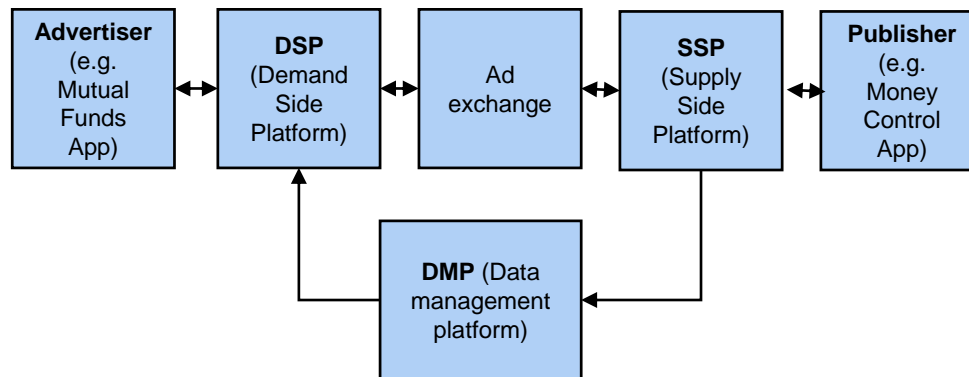
Source: PL

Addressable spend for Affle: 40-50% of total digital add spend
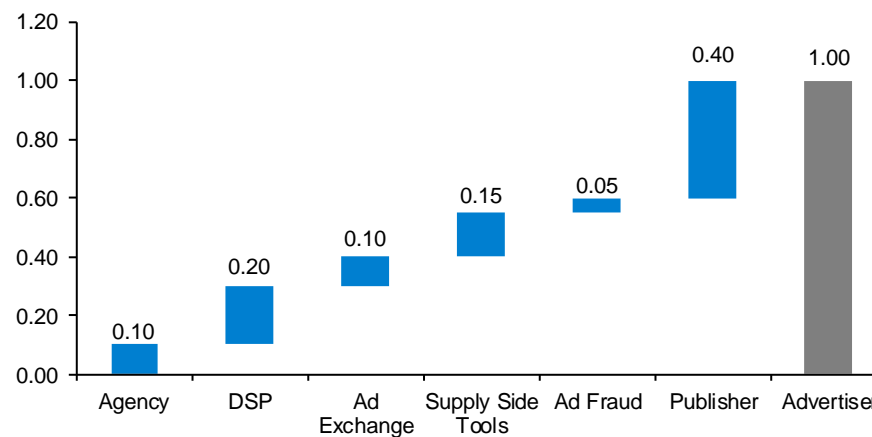
Source: Company, PL

High quality data drives network effects for Affle

Affle benefits from network effects

Affle's DMP platform with contextual user data generates deep insights on real time basis to actively target shoppers. Detailed filtering of user data helps in bidding appropriate price for the user profile, multi-channel targeting, cross-selling & upselling.

The accuracy of predicting algorithm improves with every advertisement that Affle delivers because consumer platform incorporates new data based on engagement/conversions derived from the advertisement, while continuing to learn from existing data. **This in turn drives higher conversions thus driving scale, deeper retention of customers and repeat business growth**. Affle's proprietary algorithm for Consumer Platform is a result of over 15 years' experience.

Affle collects data from three key sources:

- **First party data** of consumers, such as usage and transactions on their Apps

- **Second party data** collected based on performance/engagement of advertisements delivered on a particular publisher's App

- **Third-party data**, such as customer demographic and behavioral data derived from third-party device identification information.

Access to add inventory (advertising space on publisher platform):

- Relationships with OEMs premium publishers

- Real-time bidding mobile advertising inventory exchanges and platforms.

Data used for algorithm is largely non-personally identifiable: Affle follows high standards of data security and ensures consumption of consumer data with their due consent, but without any personally identifiable or financial data.

Number of data points accumulated till 3QFY21 is 1.6X times that in FY20
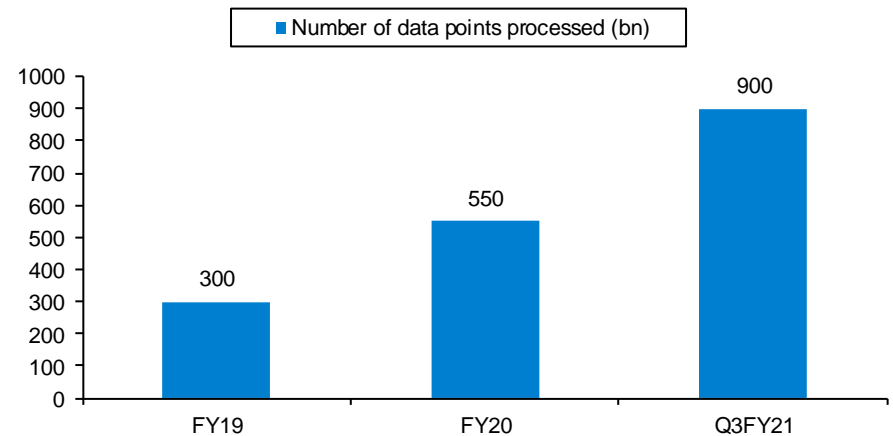
Source: Company, PL, Note: Data points processed is a cumulative number

Affle's business benefits from network effects
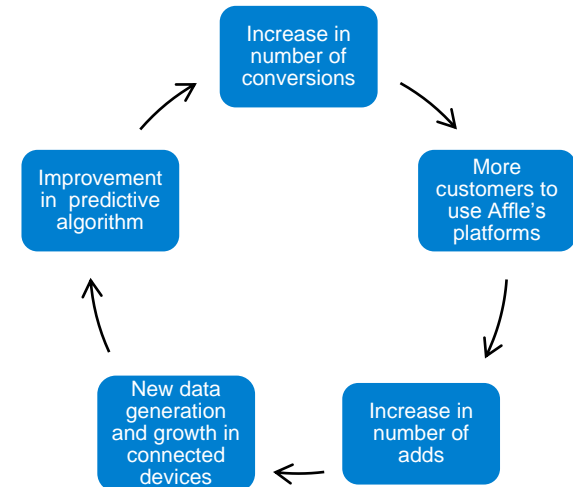
Source: Company, PL

Strong data platform drove superior results in challenging Indian market

Challenges faced by Affle in Indian market:

- **Fragmented market:** India has highly fragmented, culturally diverse and widely spread geographical demographics. It is challenging to develop deep insights about online shopping behavior of such diverse population.

- **Very low CPCU rates:** CPCU rates are very low in India, implying much lower conversion price than developed markets – typically 40-70% lower than other markets

- **Low online shopper penetration:** Affle has about 600mn connected devices in India but actual shoppers are not more than 20%, much lower than developed markets where about 80% of smartphone users do mobile-commerce.

Despite above challenges, Affle has achieved higher conversions and thus higher monetization factor (number of users converted / total connected devices) in India as compared to international markets. This is because Affle has gained deep insights into Indian market due to their strong DMP (data management platform) and superior data analytics, AI/ML based algorithms to identify shoppers accurately from large number of web-surfers.

Potential for Global Expansion

Having profitably scaled in low unit economics market of India, Affle has huge scope to expand in developed and international emerging markets, thereby improving monetization factor in DM & EM which is currently ~0.6% & 1.8% respectively vs 8.6% in India. CPCU rates are also attractive in developed and emerging markets at USD2-2.5 and USD0.6-1.2 vs USD0.35 in India

Low monetization in International markets: scope for expansion
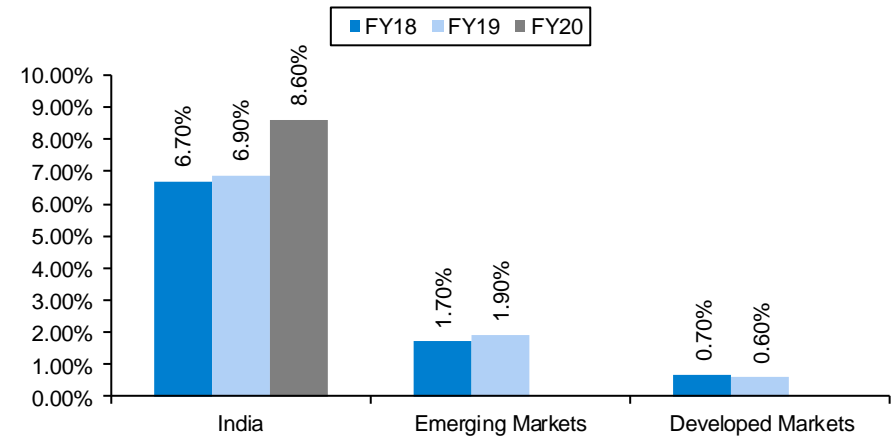
Source: PL (Calculated converted users using revenue mix and CPCU rate estimates)

Revenue share of India vs other emerging markets to remain at ~50%
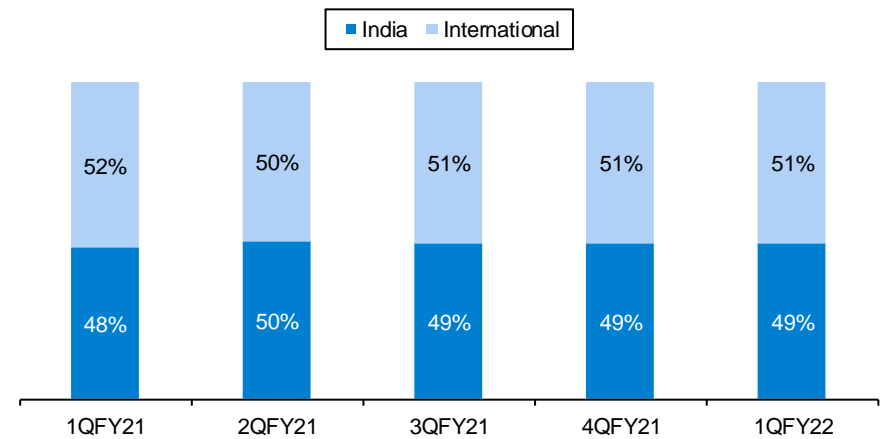
Source: Company, PL

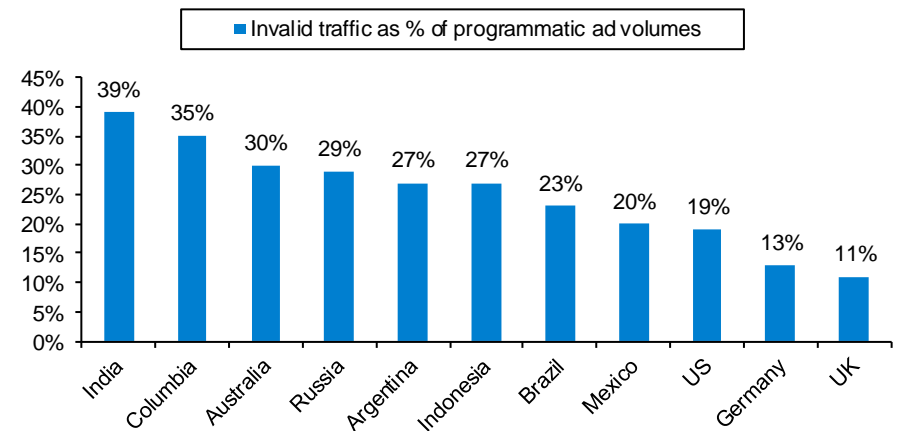# Credible player with strong anti-fraud capabilities

Ad-fraud has been a pain point for advertisers:

- Ad fraud occurs when digital traffic is manipulated to give the impression of successful ad-campaign performance, while in reality the quality suffers. This fraud can be technical (bots or malware) or human (illegitimate traffic).

- The ad-fraud report released by techARC in August 2020, projects ad-fraud rates to go up in the range of 45-55% post covid compared to present industry average of 25-35%.

- Mobile remains the riskiest channel for ad fraud. In 2019, Mobile Marketing Association in India reported that 20% of digital ad budgets fall victim to ad fraud and mobile advertising accounts 62% of total digital ad-fraud.

Affle developed mFaaS in June 2017 to tackle ad-fraud issues.:

- mFaaS enables mobile advertisers and networks to detect and prevent mobile ad fraud not only at a post-mortem level, but during runtime too.

- It processes massive volumes of click and conversion data using complex machine learning algorithms to detect fraud. It is currently used globally to detect and reduce ad fraud for campaigns of many top marketers.

- mFaaS analyses 15+ reason codes that identify wide variety of frauds including Click or downstream event hijacking, Click spamming, BOT activities, IP Fraud, Device fraud and many more.

- The company uses this platform for its own mobile advertising display and also licenses this platform for a fee.

- **Affle's superior ad-fraud protection capability gives it a major competitive advantage to deliver campaign KRAs (conversions) in a profitable way.**

Ad-fraud rate higher in India, LATAM & SEA

Legend: Invalid traffic as % of programmatic ad volumes

India 39%, Columbia 35%, Australia 30%, Russia 29%, Argentina 27%, Indonesia 27%, Brazil 23%, Mexico 20%, US 19%, Germany 13%, UK 11%

Source: Pixalate Q2 2019 Ad-Fraud report, PL

Affle's Fraud detection platform

10 Patents filed in US & India related to digital ad fraud detection

FaaS — Affle's Real time solution for addressing mobile ad fraud, a major issue in digital advertising

DMS | DIGIXX 2019 — **DIGIXX Awards 2019** — mFaaS awarded Gold in 'Digital Marketing Excellence in Technology'

IAMAI Internet And Mobile Association Of India — **IAMAI India Digital Awards 2017** — mFaaS awarded as the industry-wide 'Best Big Data Technology Platform' of the Year

Source: Company, PL

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Client Case Studies

Client	Objective	Affle's Consumer Platform Solution	Results
Swiggy	Drive business growth through acquisition of high-quality new users having higher propensity of ordering	• **Audience intelligence & Predictive modelling** to reach high potential users • **Creative optimization** to deliver hyper personalized ads to maximize impact • **Daypart and Location** led targeting to drive Incremental conversions	• 177% Increase in shopping conversions from new users • 3.2X Scale in post install orders • Greater ROI realization by driving higher conversions
KFC	In Malaysia sp. during pandemic, Ramadan celebrations were to be at home vs. in restaurant this year. The key objective for KFC was to grow at home orders by acquiring high-intent new users to boost first purchase rates	• **Find high affinity users** by leveraging Affle's mDMP with its lookalike audience modelling algorithms • **Location intelligence** added to prioritize ads in important locations • **Custom dashboards** to track and optimize for incremental conversions	• 8% Increase in the first order rates • Successfully enabled online orders through 700+ offline stores • Greater ROI realization by maximizing new orders
Levi Strauss Co.	With offline retail starting to open out after lockdowns, Levi's wanted to drive more shoppers to it's select mall outlets in Indonesia and also track incremental impact of such advertising	• **Find high affinity users** by leveraging Affle's mDMP • **Location targeting** to advertise to people within driving distance of stores • **Proprietary algorithms** to help track footfalls and maximize incremental visits to stores & uplift	• 46% Incremental visits to Levi's stores • 2.83X Uplift for ad exposed users • Significant growth in Attributed visits/ Conversions to physical store

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CPCU model spans entire consumer journey

New user conversion (online)
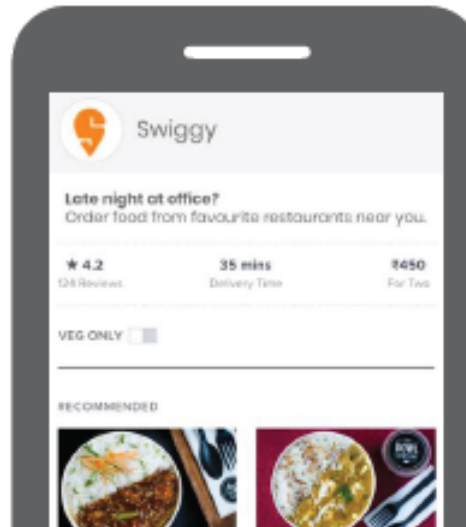

USE CASE
Targeted new user acquisition optimized to in-app transaction/ registration/event

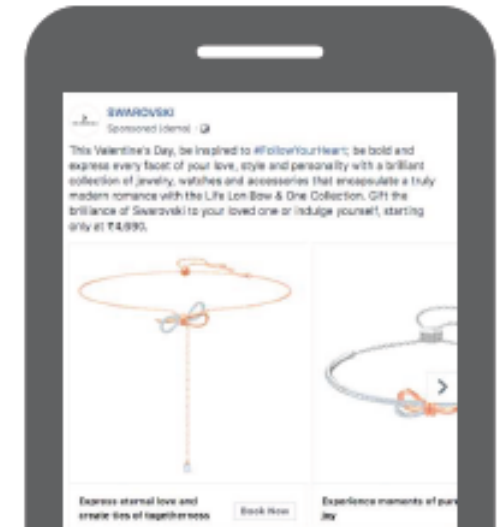**Existing user repeat conversion (online)**

USE CASE
Target interested user to complete the transaction
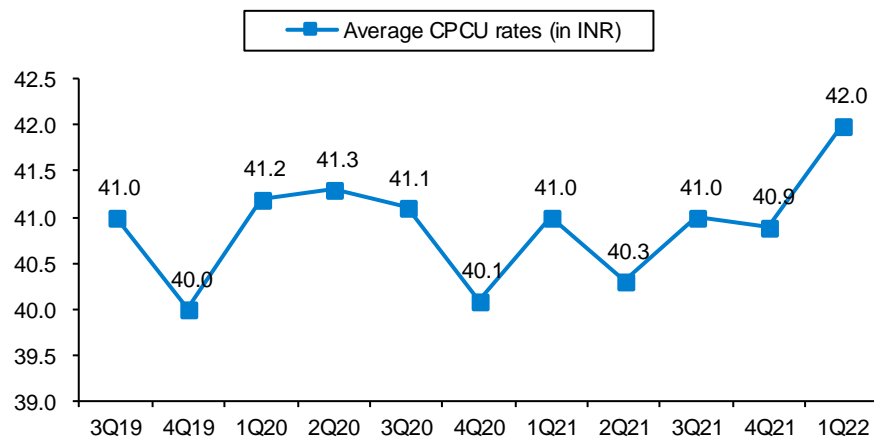
New/existing user conversion (offline)

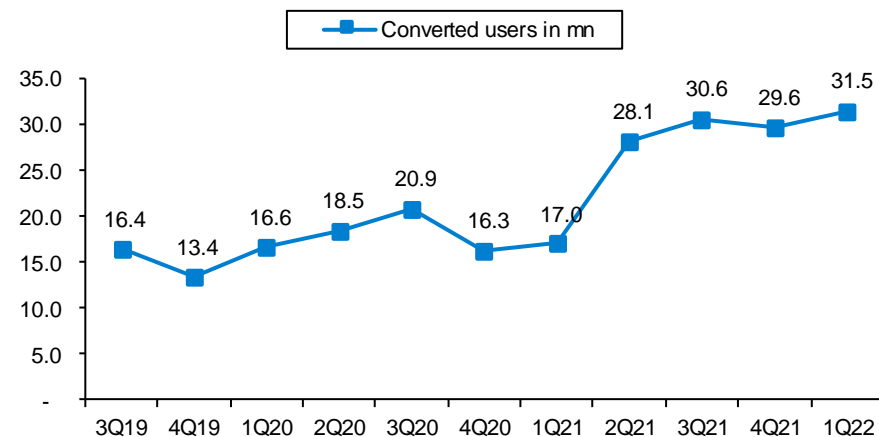**USE CASE**
Online bookings to drive offline walk-ins (O2O)

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Strong growth in converted users while maintaining stable pricing

CPCU pricing to improve as share of international markets increases

Average CPCU rates (in INR)

Quarter	Rate
3Q19	41.0
4Q19	40.0
1Q20	41.2
2Q20	41.3
3Q20	41.1
4Q20	40.1
1Q21	41.0
2Q21	40.3
3Q21	41.0
4Q21	40.9
1Q22	42.0

Source: Company, PL

Strong growth in user conversions with 16.7% CQGR over last 5 quarters

Converted users in mn

Quarter	Users
3Q19	16.4
4Q19	13.4
1Q20	16.6
2Q20	18.5
3Q20	20.9
4Q20	16.3
1Q21	17.0
2Q21	28.1
3Q21	30.6
4Q21	29.6
1Q22	31.5

Source: Company, PL

Business models in Ad Tech industry

Business model	Metrics	Typical Pricing Range
Media based pricing model	Cost per media (for example, number of banners, videos)	USD0.15-USD10 per thousand impressions
Performance based pricing model	Cost per click, Cost per Sale, Cost per View, Cost per Action (such as app downloads	USD0.3-USD 1.5 per click
Flat Fee Model	A flat rate for each media/channel	Varies
Software as a Service	Monthly fee based on tech stack and number of users targeted and so on	USD 15,000-USD35,000 per month

Source: Company, PL

India has one of the lowest CPCU rates

CPCU rates (in INR) as on 2019

Region	Rate
India	25
EM	60
DM	114

Source: Company, PL

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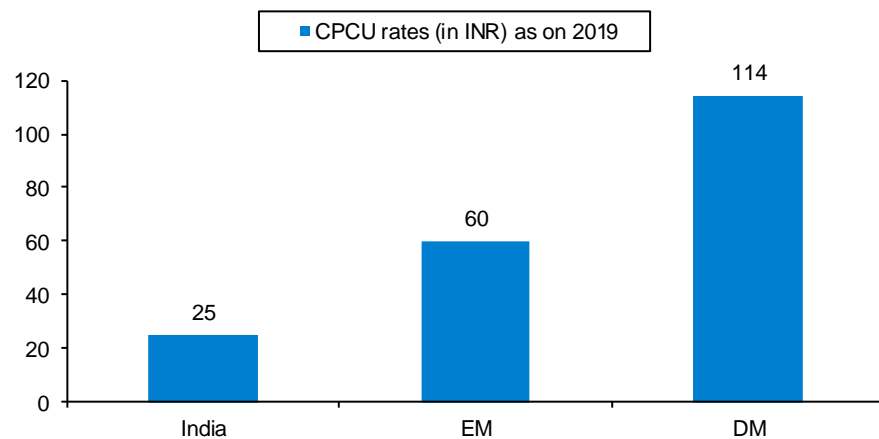
Enterprise Platform powers D2C connections for enterprises

Affle's Enterprise Platform **(2% of revenue share)** provides end-to-end solutions for enterprises to enhance their engagement with mobile users. It offers an integrated approach to building audience centric mobile assets and comprises:

App development for third parties:

- Affle has designed and deployed multiple native mobile apps for enterprises across multiple industries. (e-commerce and retail Apps, travel Apps, self-care Apps, ticketing Apps, healthcare Apps, social/ chat Apps, OTT/ streaming Apps and workforce management Apps.)

- They have a reusable components library (Chatbot, e-commerce engine, ticket and task list management etc.) which allows them to leverage pre-built components for faster development of high quality enterprise grade Apps in a cost-efficient way.

mTraction CDP:

- mTraction CDP is an end-to-end user data, intelligence, and engagement management platform for enterprises across multiple sectors and industries. Its data analytics suite enables insights on usage analytics, marketing attribution and utilizes these for rules-based customer engagement to maximize return on customer's marketing spend.

- mTraction CDP offers private cloud type of deployment options making it an attractive product for enterprises and governments that have access to a lot of personally identifiable user data that needs a secure trusted platform to store, segment and utilize it.

Markt:

- Markt is commerce platform that enables offline, businesses and enterprises to conduct end-to-end online commerce. It is an enterprise grade, omni-channel, commerce platform consisting of multiple custom-built modules that offer web service APIs for easy and fast integration. Markt is modular in nature and can integrate with any custom interfaces or systems.

- Markt's key modules include a catalogue management system, inventory management, order management, payments handler and delivery management.

- Markt supports two primary implementation scenarios: offline to online store enablement; and offline to online marketplace enablement.

Digital advertising is here to stay despite data privacy concerns

Digital advertising is here to stay despite data privacy concerns

We believe that digital advertising is here to stay because connected digital devices/experiences have become inseparable part of consumer's life and will continue to be part of deeply integrated digital experiences. Affle's R&D teams continually strive to be future ready and will keep evolving their tech capabilities to enable deep contextual advertising along with protecting individual data privacy.

Affle's proactive approach to data privacy:

▪ Nearly ~90% of Affle's revenue comes from markets where there are no existing regulations on data privacy. However, as a proactive and responsible player, Affle has been abiding to stringent data-privacy regulations set by Singapore Government and some of the European standards. **Affle is amongst the few companies that have been accredited for its entire tech stack by Infocomm Media Development Authority of Singapore (IMDA) under the SG:D program.** This accreditation is based on technical assessment of security, reliability, usability and maintainability as well as business sustainability & scalability of its tech stack.

▪ Affle strives to ensure both privacy and security through every phase of data lifecycle. **One of their earliest patents filed and now granted in the US Patent Office was on 'Consumer Acceptable Advertising'** that includes emphasis on consumer content and privacy. Affle processes only appographic, behavioural and intent data with no access to any personal or financial user information.

**Minimum impact of Apple's stringent privacy policy rollout on Affle:**

▪ **Apple recently rolled out App Tracking Transparency (ATT) Framework applicable in iOS 14.5+ and above,** wherein it has provided users an option to opt-out sharing of unique identifier for advertisers (IDFA) at the App level. Ad-targeting and impact measurement done based on this IDFA is severely impacted.

▪ Post rollout of iOS privacy policy, **advertisers have shifted their budgets from iOS to Android as only ~36% of iOS 14.5+ users globally have opted-in for tracking**. For example, US based performance marketing firm Tinuiti's Facebook client's advertising spend this year on iOS slowed down from 42% growth in May to 25% in June. Android ad prices are now about 30% higher than ad prices for iOS users.

▪ **Impact on Affle is minimal because approx 95% of it's business is in Android ecosystem. Moreover, shift of advertising budgets from iOS to Android is also beneficial for Affle.** However, impact on players operating in developed markets is huge. Inmobi, a mobile marketing company with exposure to iOS heavy developed markets, is working on alternatives like – 1) enabling contextual targeting based on app page content, 2) investments in geo-targeting, and 3) developing residential graph to reach intended users through mobile and connected TV devices.

▪ **Affle sees it as an opportunity** to come up with innovative solutions to navigate this change for advertisers/clients in developed markets. Management believes that, having experienced this challenge, by the time such changes would impact Android ecosystem, Affle will be completely ready to tackle them.

Larger players in ad-tech ecosystem deeply dependent on advertising

Google heavily dependent on advertising revenue:

- **Google has delayed phasing out of third-party cookies** used to track user's browsing journey across multiple websites by mid-2023. In March 2020 it revealed that it won't build any alternative tracking technology. Instead it will use privacy sandbox which allows advertisers to target aggregated groups of users with similar interests, or "cohorts," rather than individual users.

- While this move will affect targeting precision of advertisers on web browser, **it won't have major impact on Affle because around 97% of their business comes from in-app and on-device advertising and only 3% from browser.** Future policy changes by Google in Android and connected devices ecosystem has potential to disrupt Affle's business. However, this scenario is highly unlikely given 1) Google itself depends heavily on advertising revenue (83% of revenue share in CY20) and 2) it's difficult to bring major change in Android as it is open source and every mobile OEM has customized Android OS.

- **We believe that technology will evolve to enable deep contextual advertising along with protection of individual data privacy.** Affle has also partnered with ecosystem players - mobile OEMs (Xaomi, Samsung etc.), Bobble AI, connected TV, thus reducing their reliance on any one platform and increasing their share of presence in consumer's digital journey.

iOS 14.5+ adoption rate at 74% out of which ~64% people have opted out of sharing data
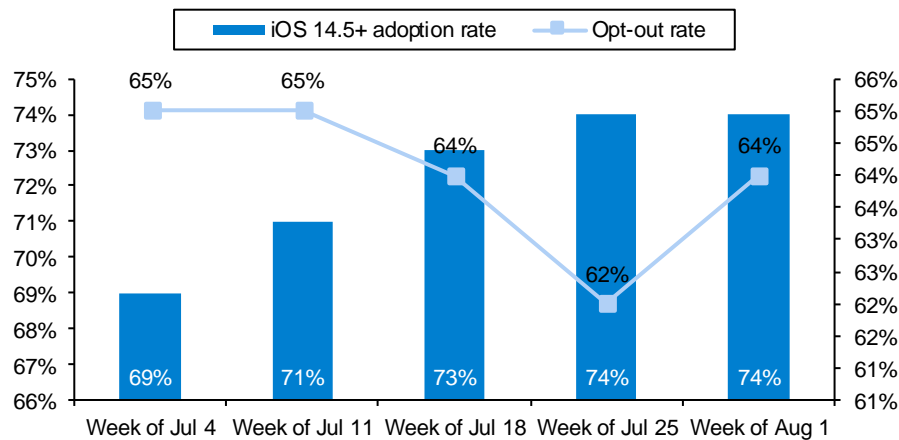
Source: Inmobi, PL

Google derives ~80% of revenue from advertising vs only 1% by Apple

Share of revenue from advertising
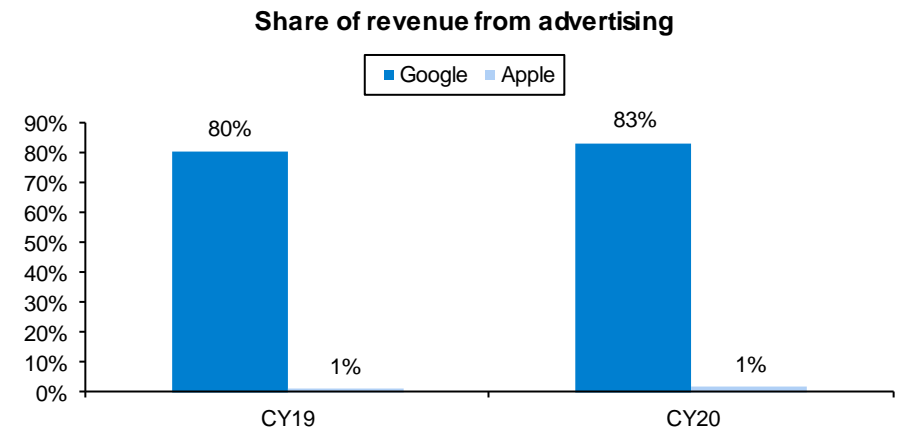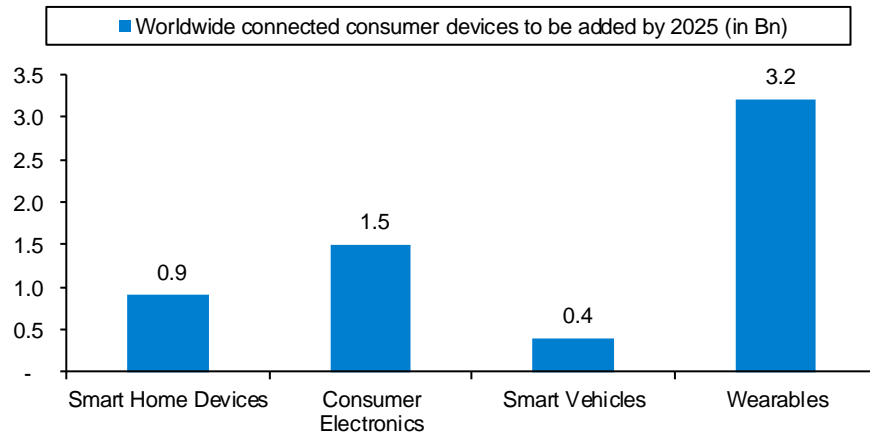

Source: Company, PL

Affle 2.0 strategy for the decade ahead: Aspiration to reach 10Bn+ connected devices

Affle's 2.0 strategy: Aspiration to reach 10Bn connected devices

Affle 2.0 strategy is anchored on OEM partnership, Vernacular and Verticalization. Affle 2.0 aims to reach more than 10Bn connected devices including mobile smart phones, connected TV, smart wearables and out-of-home screens to enable integrated omni-channel online and offline consumer journeys. The company aspires to drive sustainable, innovation led profitable growth through this strategy.

- **Ecosystem level partnerships:** Partnership with mobile OEMs, operators and publishers enables Affle to do holistic advertisement on the OEM device as compared to only in-app adds earlier.

- **Vernacular** focus enables hyper personalized consumer recommendations and targeting next set of users coming from Indian rural areas and South East Asian countries where native/regional languages are predominant.

- **Verticalization** focus on top 10 high growth, resilient internet sector verticals such as E-commerce, Fintech, Foodtech, Edtech, Gaming etc. will enable Affle to drive deeper insights in these verticals leading to greater ROI impact for clients.

6 Bn new connected consumer devices to be added by 2025 globally

Worldwide connected consumer devices to be added by 2025 (in Bn)

Category	Value
Smart Home Devices	0.9
Consumer Electronics	1.5
Smart Vehicles	0.4
Wearables	3.2

Source: Company, PL

Aspiration to reach 10 Bn devices from current 2.1 Bn

Affle connected devices (in Mn)

Region	Value
India	598
South East Asia	370
Japan, Korea, Australia	121
Europe	285
North America	410
LATAM	183
Middle East & Africa	182
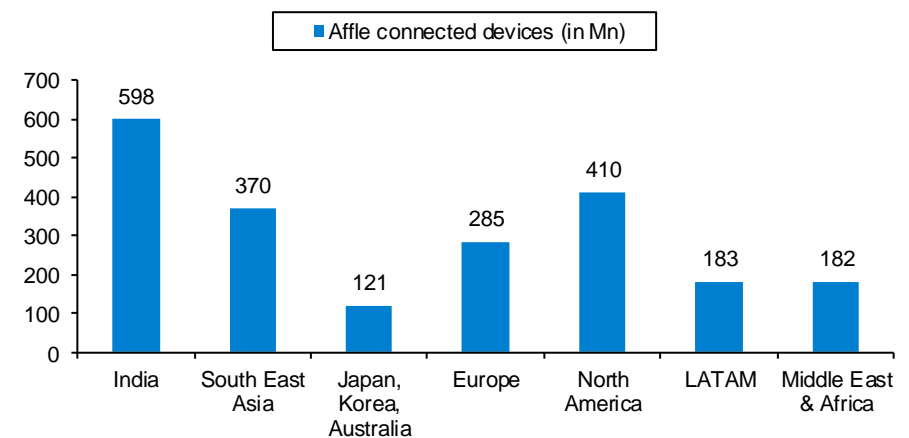
Source: Company, PL

OEM Partnership gives exclusive access to device touchpoints

Ecosystem level partnership:

Affle partners with mobile OEMs, operators and publishers, to enable exclusive access to on-device touchpoints and augment holistic advertisement across consumer's connected journey.
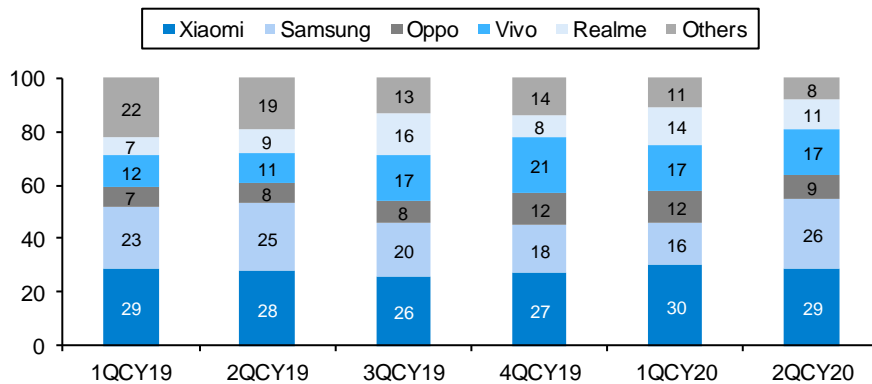
Acquisition of **Appnext (device app-discovery company)** has given Affle exclusive access to few of the largest mobile OEM's devices for app recommendations. Currently Appnext serves **Samsung, Xiaomi and Oppo**. This gives it a dominant market share and it is also their single largest partner in India and South East Asia.

Integrating Appnext with Affle's consumer platform, enables it to map **multiple touch points across consumer journey - initial boot or reset of a device (referred to as the Out of Box Experience (OOBE)) and throughout life cycle of the user's journey on that device**. Appnext has 300Mn daily active users (100mn in India), 20+ on-device daily interactions through OEM partnerships and 60,000+ apps and delivers over 4Bn app recommendations per day. This data from Appnext will power add to the rich data set of Affle's DMP platform thus aiding in improving user conversions.

Samsung, Xiaomi & Oppo have total of 53.8% market share in SEA

India: Smartphone Shipments market share (%)

Legend: Xiaomi, Samsung, Oppo, Vivo, Realme, Others

	1QCY19	2QCY19	3QCY19	4QCY19	1QCY20	2QCY20
Others	22	19	13	14	11	8
Realme	7	9	16	8	14	11
Vivo	12	11	17	21	17	17
Oppo	7	8	8	12	12	9
Samsung	23	25	20	18	16	26
Xiaomi	29	28	26	27	30	29

Source: Counterpointresearch.com, PL

South East Asia Smartphone market share in 2QCY20
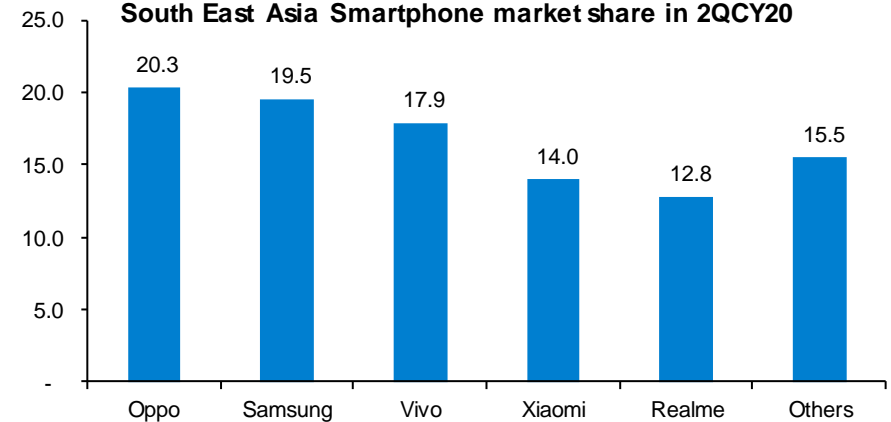
Oppo	Samsung	Vivo	Xiaomi	Realme	Others
20.3	19.5	17.9	14.0	12.8	15.5

Source: Counterpointresearch.com, PL

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Vernacular focus targets next set of new online users

Next set of new internet users to be vernacular/regional language users:

Rural India had 227 million active internet users, 10% more than urban India's 205 million, as of November 2019. (Source: IAMAI and Nielsen). However, there is still huge runway for growth in rural areas with internet subscriber penetration at just 34%. Due to rise in data consumption in Tier-2/3 cities & rural areas demand for local language content in India is growing rapidly. **According to KPMG report, 90% of country's new internet users will consume content in vernacular languages.**

Regional language consumption is also widespread in South East Asian countries where Affle has a strong presence. According to Statista, Indonesian / Malaysian languages stand at 6th spot among top 10 languages used on internet with 4.1% of total global internet users.

Building blocks in place to benefit from rise in vernacular audience:

Vernacular focus enable hyper-personalized targeting next set of users coming from Indian Tier2/3 cities, rural areas and other emerging markets where vernacular and regional languages are predominant.

Affle has an advantage of going early on and building consumer profile of spending users in Tier 2 & 3 cities. It spends 10% of inventory and data costs in listening to users in Tier 2 & 3 cities in India, SEA & other EMs. The strategy will benefit Affle in tapping into larger share of e-commerce ad spends as they focus on Tier-2/3 markets in India. The company recently entered in to Korea and Japan to leverage their vernacular experience technologies.

Affle has filed 4 patents in Singapore in areas of conversational marketing and vernacular & voice-based intelligence. The company has also done strategic investment in Bobble AI, a unique interactive Keyboard (used in mobile devices) which is accessible in 23 Indian Language and 100 international languages.

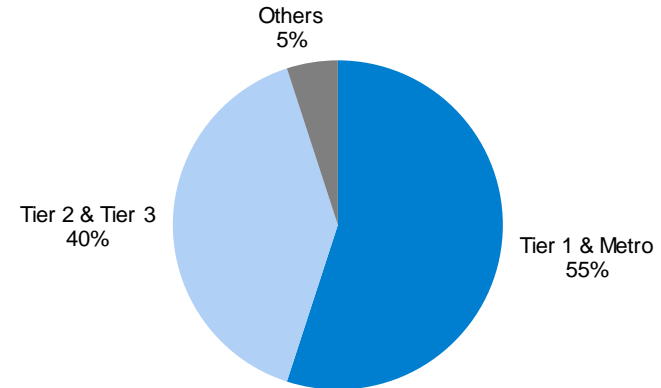## Urban internet penetration has peaked, Rural has long way to grow

Internet subscribers per 100 population
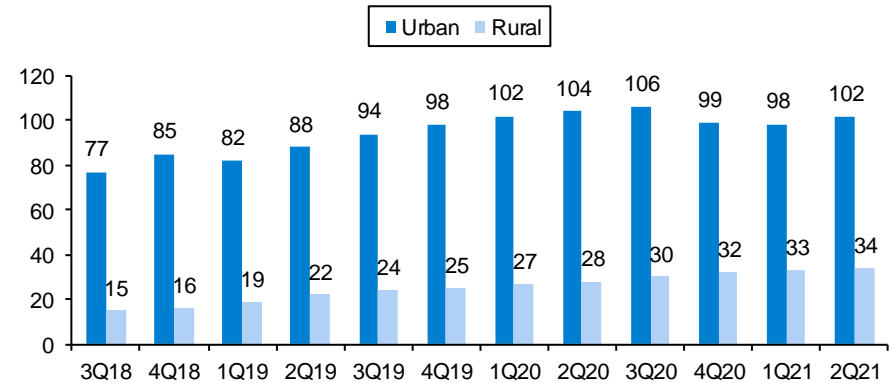
Source: TRAI, PL

Tier 2 & 3 cities with high vernacular affinity account to 40% of online sales

E-commerce Sales by region in India

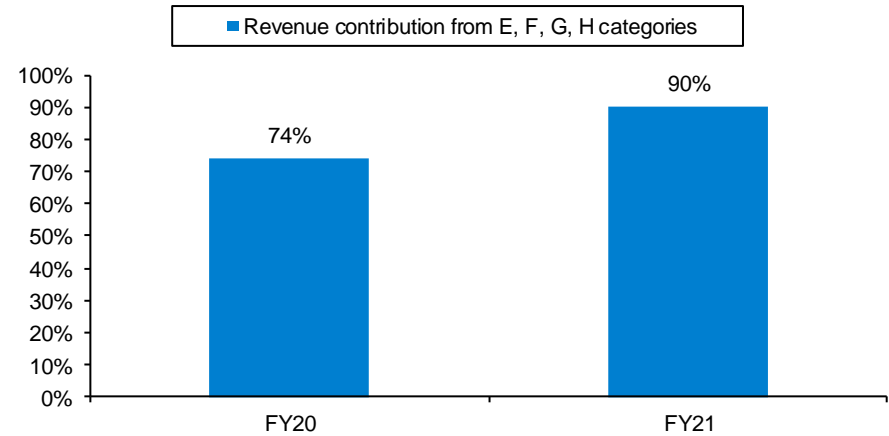- Others 5%
- Tier 2 & Tier 3 40%
- Tier 1 & Metro 55%

Source: Frost & Sullivan, PL

Verticalization focus targeted at high growth internet verticals

In FY21, Affle strongly focussed on their top industry verticals which are high-growth, Covid-19 resilient and driven by accelerated consumer adoption. **These top-10 industries are expected to grow in the range of 20-70% CAGR over next five years.** Affle's revenue share from its top-10 industry grew from 74% to 90% in FY21.
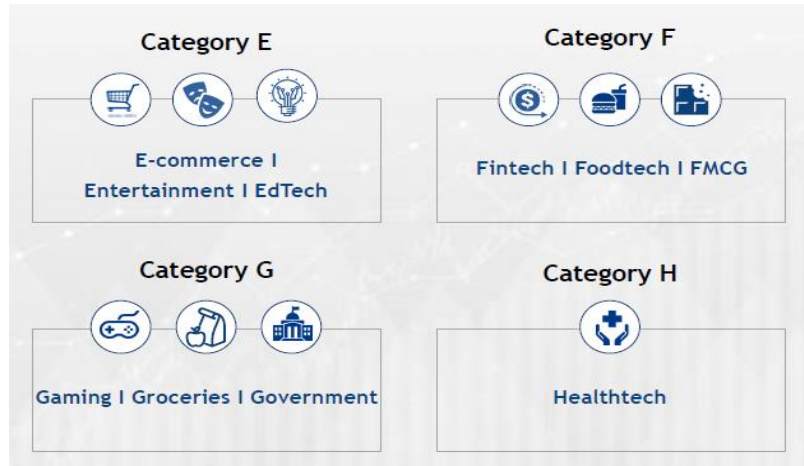
As consumers are spending more and more time on mobile phones it is no longer discretionary to look at mobile advertising in these 10 verticals because their primary mode of engaging with the end consumers is through their mobile apps. Plus ad-spends are also led by aggressive customer acquisition strategy especially in e-commerce, Foodtech and Fintech segment. Verticalization focus enables Affle to draw deeper insights across the 10 verticals leading to greater ROI impact.

Direct customers growth powered by E,F,G,H categories

Legend: Revenue contribution from E, F, G, H categories

- FY20: 74%
- FY21: 90%

Source: Company, PL

Affle's Top 10 verticals contribute 90% of total revenues

Category E
E-commerce I Entertainment I EdTech

Category F
Fintech I Foodtech I FMCG

Category G
Gaming I Groceries I Government

Category H
Healthtech

Source: Company, PL

Presence in high growth verticals

Legend: Growth CAGR (2020-2025) in India

- E-commerce: 27%
- Ed-Tech: 62%
- FinTech: 55%
- Food Tech: 40%
- Online Grocery: 70%
- Health Tech: 20%
- Gaming: 32%
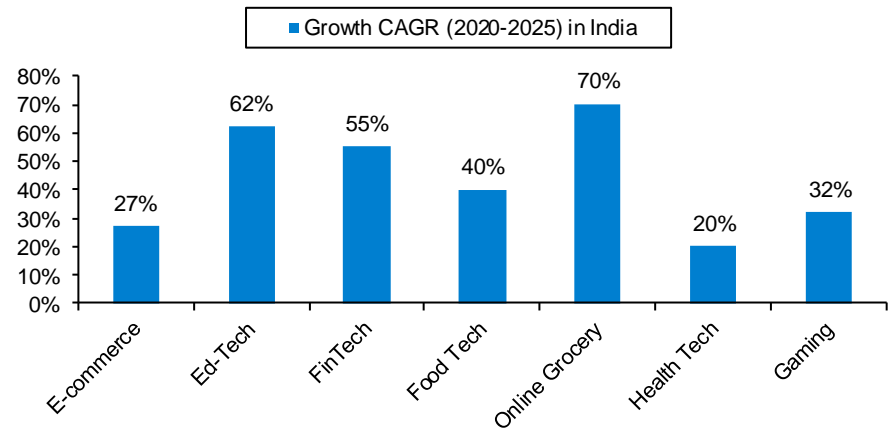
Source: RedSeer, Technopak, PL

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Verticalization led to increase in direct customer share

Affle engages with its customer directly as well as through large Advertising agency groups.

Verticalization has helped to increase direct customer share: Large enterprises with increased focus on digital ad budgets have started to set up in-house teams that deal directly with ad tech vendors for placing digital ads.

Affle's increased brand-visibility post IPO and focus on strengthening domain capabilities in each of the verticals (E,F,G,H) has **improved revenue share of direct customers to 71% in Q1FY22 from 57% in FY20** which helps in garnering larger pie of advertising spends and reduces client concentration risk.

Client concentration risk has significantly reduced with top 10 client revenue share at 42.8% vs 64.5% in FY19.

Relationship with advertising agencies: Affle has ongoing relationship with top 6 global agencies (GroupM; Publicis; Omnicom; Dentsu Aegis Network; IPG and Havas - that collectively accounts for 70% of all Global Ad spends) and also regional agencies (Eg: Interactive Avenues, Madison, M&C Saatchi). Many of these agencies feature in Top10-20 client list for Affle.

Affle neutral to working with direct sourcing vs ad-agencies: Affle is neutral whether business comes from an ad-agency or directly from an enterprise and does not influence this decision. Affle continues to maintain very delicate balance of relationship with agencies in terms of adhering to servicing priorities.

Direct customers growth powered by E,F,G,H categories
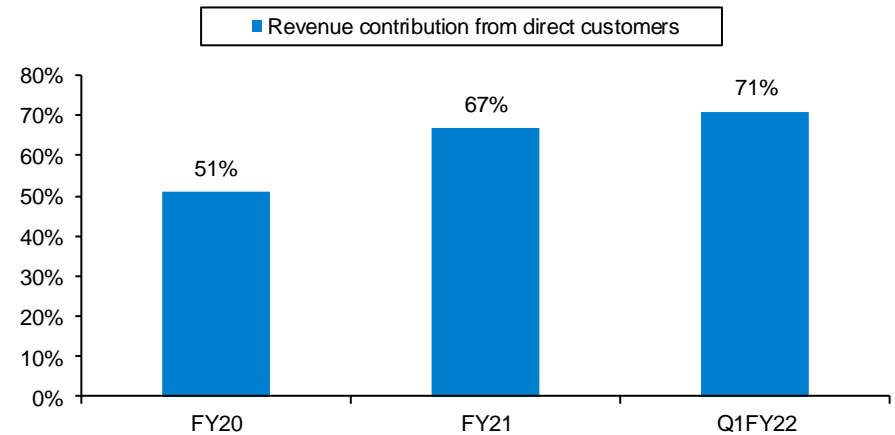
Source: Company, PL

Top 10 clients contribution decreased to 45.5% of revenues
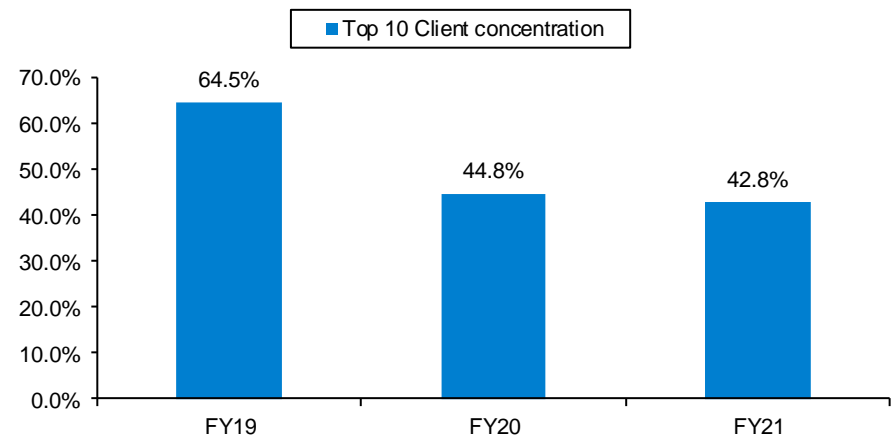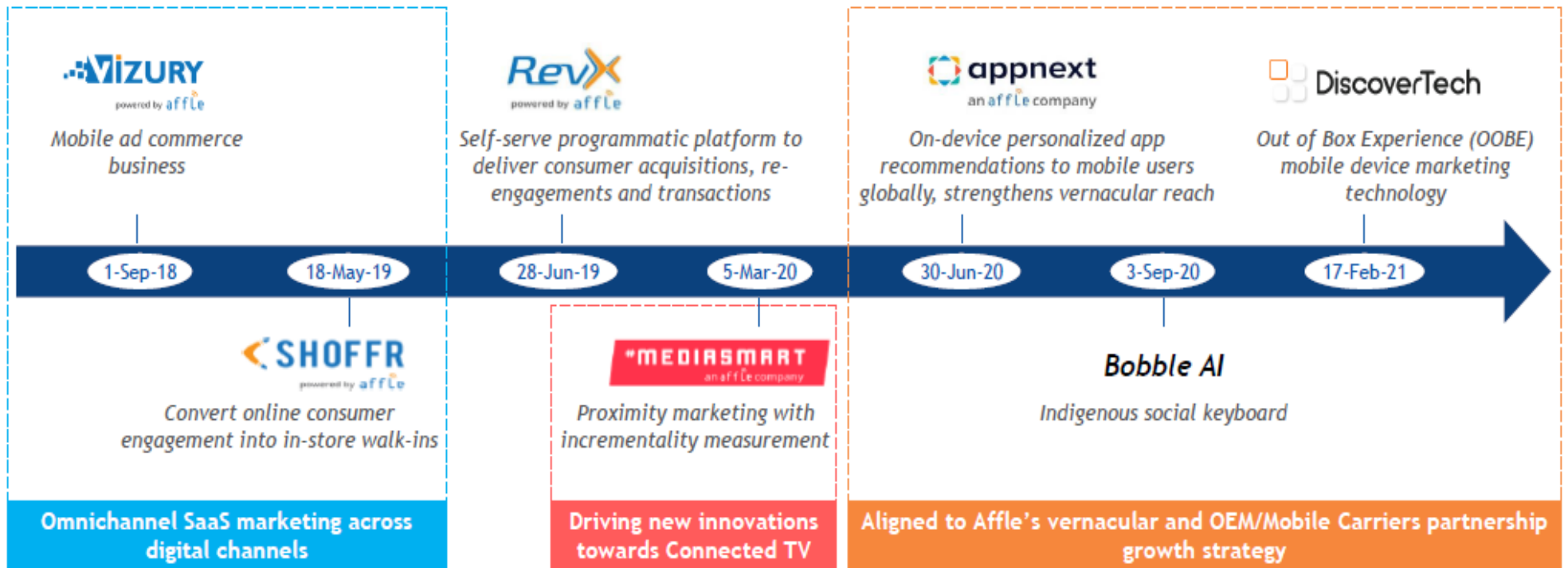

Source: Company, PL

Acquisitions

Unique capabilities added through successfully integrating acquisitions

Affle has been scaling up the value chain by adding more capabilities through acquisitions and strategic investments. This enables them to expand their addressable opportunity and ride through the entire business value-chain. It has added innovative capabilities and invested in upcoming areas such as Proximity marketing (Mediasmart), Omni-channel marketing (Vizury & Shoffr), Re-engaging users, (RevX), On-device App discovery (Appnext, DiscoverTech) , vernacular & interactive Keyboard to enable conversational marketing (Bobble AI) etc.

Affle has bought most companies at a stage when they were just breakeven or struggling to be profitable, at attractive valuations (EV/Sales ~0.5-2), successfully integrated and turned them around in to profitable businesses. With these acquisitions they have not only gained access to new technologies, but also to new markets & customers. Affle's focus is to drive industry consolidation to gain market leadership.

Affle's strategic acquisitions and investments – scaling up the value chain

VIZURY powered by affle
Mobile ad commerce business
1-Sep-18

SHOFFR powered by affle
Convert online consumer engagement into in-store walk-ins
18-May-19

Omnichannel SaaS marketing across digital channels

RevX powered by affle
Self-serve programmatic platform to deliver consumer acquisitions, re-engagements and transactions
28-Jun-19

MEDIASMART an affle company
Proximity marketing with incrementality measurement
5-Mar-20

Driving new innovations towards Connected TV

appnext an affle company
On-device personalized app recommendations to mobile users globally, strengthens vernacular reach
30-Jun-20

Bobble AI
Indigenous social keyboard
3-Sep-20

DiscoverTech
Out of Box Experience (OOBE) mobile device marketing technology
17-Feb-21

Aligned to Affle's vernacular and OEM/Mobile Carriers partnership growth strategy

Source: Company, PL

Acquisition & Minority Stake Summary (Cont. in annexure)

Clients	Stake	Completion date	Consideration paid / Earn out due	Revenue	Multiple	Reason for Acquisition
Vizury	100%	Sept-18	Consideration paid for Vizury India INR 85.07 mn and for Vizury International for INR 207.51 mn	Revenue for 5 months till August,2019 stood at $3.32mn (Rs. 235.82)	EV/Sales of 1.24	Affle modified Vizury into Engage360 an **Omni-channel marketing platform** in order to help marketers unify their communication across channels and devices plus drive conversions powered by AI&ML.
RevX	100%	April-19	Consideration of INR 339.24 mn	NA	NA	Revx added **retargeting services**
Shoffr	100%	Feb-19	Consideration of INR 41.46 mn	NA	NA	Shoffr added **Online to Offline user conversion capabilities**
Mediasmart	95%	28-Feb-20	Total consideration of INR 401.05 mn out of which INR 98 mn was contingent on meeting earning targets.	The revenue for CY19 stood at EUR 5.95mn ($7.05mn at EUR/USD at 1.19). CAGR of CY17-19 was negative 26%)	EV/Sales of 0.8	Build greater strategic presence in Europe, LATAM and US and get Mediasmart's **proximity marketing programmatic** capability
Appnext	67%	08-Jun-20	Total purchase consideration is INR 1803 mn which includes INR 1202 mn for 67% stake, INR 603 mn for 28% stake and INR 58 mn for Tech IP assets. Affle has right to acquire remaining 28% stake at end of three years and rest 5% at end of 5 years.	The revenue for CY19 stood at $10.3mn.	EV/Sales of 2.43	Acquisition gives **exclusive access to few of the largest mobile OEM's devices** for app recommendations on-device and in-app.
Bobble AI	25.7%	13-Aug-20	Bought 8% stake for Rs.198mn. (~$2.78mn) and additional 17.7% stake for cash consideration of INR 340 mn. This includes acquisition of ~5% stake as a part of the secondary transaction for INR120mn and acquisition of ~4.8% stake as a part of the primary transaction for INR220mn	Revenue for FY20 is Rs. 10.8mn ($0.15mn at USD/INR at 71)	EV/Sales of 20	Complements Affle's **vernacular strategy** and significantly strengthens partnership with OEMs
Discover Tech	100%	27-Jan-21	INR 84 mn ($1.15 mn) in cash and a maximum success fee of $3.37 million will be paid over a period of a maximum of four years.	NA	NA	Discover Tech is an Out of Box Experience (OOBE) technology platform offering a **major consumer touchpoint in the mobile device** lifecycle for Dynamic app discovery and recommendation **at initial boot or reset of the device.**
Jampp	100%	1-July-21	Total consideration of USD 41.3 million (including the contingent incremental consideration of USD 15.0 million to be paid over a period of 3 years)	Revenue of USD 29.5 mn in CY20.	EV/Sales of 1.4x	Acquisition gives **on-ground presence in LATAM and US Android market.**

Jampp acquisition : Expansion in LATM & US

About Jampp: Affle acquired 100% stake in Jampp (including tech IP assets),a programmatic mobile advertising company helping clients acquire new users and drive repeat in-app engagements. The company started in 2013 in LATAM and its majority employee base of ~100 is based out of Argentina.

Benefits and synergies to be derived from this acquisition:

- **Scale up Affle's revenue:** Jampp's CY20 revenue of USD 29.5 mn or **INR 2.1 Bn (~42% of Affle's FY21 revenue of INR 5.2 Bn) will add scale to Affle's overall business.** Higher CPCU rates in LATAM and conversion to CPCU business model will also considerably increase CPCU rates and thus improve profitability.

- **Access to LATAM and US**: LATAM being the anchor market of Jampp, this acquisition is in-line with Affle's strategy of expanding in Android heavy emerging markets. With local senior management and on-ground presence in LATAM, **Affle aims to be market leader in this region within next 2-3 years**.

- Jampp also has niche vertical focused presence in some North American markets. Affle plans to tap Android market in US. With implementation of ATT by Apple (stricter privacy policy) advertising budgets are shifting towards Android which will further benefit Affle.

- **Marquee client base:** Jampp is well rated in Appsflyer index (13th rank in retargeting and 12th in growth index). Jampp will provide a marquee customer base within the same internet focused business (E-commerce, Foodtech, Travel-tech etc.) which are high growth verticals of Affle. Jampp's clients include Twitter, Shutterfly, Boxed, Yelp, Grab, Fetch, Rappi, Deliveroo, Justeat, Shpock, Beat, Rapido, Centauro, Wabi, Rise etc.

- **Upgrade in business model to drive higher profitability:** Jampp's business model is currently based on Cost per Install (CPI), similar to Affle's focus on delivering conversions. However, Affle will upgrade this model to CPCU, deepening funnel conversion further, thus driving higher ROI for clients and improving profitability and CPCU rates of Jampp.

Expertise in identifying high potential strategic acquisitions and turning them around: Affle's CEO has closely watched Jampp and has been in connection with Jampp's senior management since 2013, since their founding year. Affle believes that Jampp has progressed well in these seven years and now is the right time for it to lift Jampp's growth trajectory to new heights. Affle aims to make Jampp profitable (~high-single digit PAT margin) within 12 months of acquisition and subsequently scale up revenues and bring it to company level profitability.

September 24, 2021

Competitive Landscape

Competitive landscape in Ad-tech market

The global advertising technology market is highly competitive, with multiple regional and global players. Although it is dominated by digital giants such as Google and Facebook, there are over hundreds of players focusing on specific niches in the value chain. Frost & Sullivan believes that eventually customers will want to engage only with vendors who have an end to end value chain of services that can streamline their needs and drive advertising with efficacy. Ad tech continues to evolve and requires scale in capabilities as well as capacity.

- **Global peers have struggled to achieve profitability:** Ad tech is a large volume business with intense competition. Despite rapid growth in digital advertising, several market participants globally have struggled to achieve profitability. Affle has successfully scaled up and achieved profitable growth in Indian markets with low unit economics. **Affle with strong balance sheet, sufficient liquidity and proven profitable growth can benefit from consolidation in Indian market.**

- **Very few companies have capabilities across the ad-tech value chain:** Very few companies such as Affle, the Trade Desk, Pubmatic and InMobi have products that span the entire value chain. While some companies are more focused on buy-side platforms, some others are focused on the publisher side.

- **No major competitor in emerging markets:** Competitors are dispersed geographically. Most of the global players such as Tradedesk, InMobi, Criteo, Pubmatic, Magnite, Digital turbine operate in developed markets of US & Europe. Freakout Holdings derives 90% of revenue from Japan. There are very few players in high potential emerging markets of China, South East Asia and India.

- **Very few companies hold Ad tech patents:** The Ad tech market has been extremely dynamic in terms of requirements, spiking the need for constant innovation. But very few companies in the Ad tech market hold patents, especially in the mobile Ad tech solution space. Amongst competitors considered for analysis only Affle and InMobi have patents related to mobile advertising segment.

- **No comparable listed peer:** There is no comparable listed peer because they operate in different geographies or service different parts of ad-tech value chain. Vertoz, is the only Ad-tech peer listed in Indian Markets. It offers programmatic advertising platform (including SSP, DSP, Ad exchange & DMP), however, it derives 90% of revenue from International markets and has revenue size of just ~9-10% of Affle. Only 22% of Vertoz's revenue comes from performance based pricing model vs ~88% for Affle.

Tech giants Google/Facebook pose low threat

Why Google/Facebook pose low threat?

Clients/Advertisers perceive tech giants with monopolistic mindset as risk to their business:

- The huge concentration of Google & Facebook in ad-tech market (almost a duopoly) is expected to reduce as there are good numbers of players that do not wish to work with these walled-gardens as they can disrupt any business with their monopolistic and multi-dimensional mindset.

- **Affle on the contrary is large enough to be termed 'trustworthy' and small enough to be non-threatening to its clients.** Hence clients are comfortable in sharing confidential user data with Affle vs the tech giants.

Share of time spent on internet to shift away from Google/Facebook owned apps/websites to local mobile apps:

- Google and Facebook continue to dominate digital ad-tech market cornering ~70% of digital ad spends in India and ~60% globally. Plus these platforms have access to large quantum of user specific data which provides for better targeting. However, with increasing time spent on mobile apps (food, home services, music, vernacular content OTT apps, e-commerce etc.), we expect the share of time spent on internet to shift away from Google/Facebook.

- For example, in 2QCY20, Netflix garnered 34% share of US streaming minutes vs 20% share of rival Youtube.

- Trade Desk has made inroads versus Google by investing in online advertising segments like audio and streaming TV, where Google hadn't already cornered the market. (Trade Desk has 8% market share in the area of add-buying vs 40% of Google).

- As per an Adeptmind survey in May 2018, ~47% of the US internet users made product searches on Amazon vs ~35% on Google—similar trends are visible in travel bookings in the US; they have also started to play out in India as per eMarketer.

Tech giants Google/Facebook pose low threat

Affle perceives Google/Facebook/Amazon as publisher partners rather than direct competitors:

- Affle is riding on growth of these tech giants – 1) it has created filtering on Facebook Account Manager, 2) its re-targeting app sits on Google Data and 3) Amazon has been its top account.

- The rich trove of data that Amazon has, has made it into the third-largest digital ad platform in the U.S. and a growing contender to take on digital ad duopoly of Google and Facebook.

Affle operates in CPCU space vs CPM & CPC being dominant pricing model for tech giants :

- Google and Facebook largely generate revenue from CPM and CPC pricing model whereas Affle offers customized deep funnel user action driven performance pricing (CPCU model) wherein it earns revenue only when user performs specific action such as downloading the app, adding products to carts, purchasing products etc.

- As CPCU model leads to higher ROI, advertising spends are gradually shifting to CPCU pricing model.

Affle has continuously evolved its capabilities:

- Affle has positioned it-self as an end-to-end consumer intelligence mobile advertising platform with Omni-channel and re-targeting capabilities.

- It has gained access to multiple touchpoints such as OEMs, Connected devices, InApps, Interactive vernacular Keyboard which can provide unmatched data access of consumer behavior in terms of what kind of Apps they use, their taste and so on. This makes it more competitive and comparable to differentiated approach which tech-giants have.

Business models of global peers

Peers	Value Chain coverage	Channel coverage	Vertical Focus	Geographical presence	Business model
InMobi	DSP, DMP, SSP, Fraud Detection	Mobile App	Retail, Finance, Gaming, Media, Ecommerce, food and beverage, Hospitality	India, China, USA, Dubai, London, France, Malaysia, South Korea, Australia, Indonesia, Japan	InMobi (backed by Softbank) is a mobile marketing company founded in 2009. InMobi currently acts a DSP and Exchange and has also built a content platform Glance and data company TruFactor.
Pubmatic	DSP, DMP, SSP, Fraud Detection	Connected TV, Mobile, Desktop	News, E-Commerce, Gaming, Media, Weather, Fashion, Technology	United States, EMEA, APAC, ROW	PubMatic is a cloud based platform that empowers app developers and publishers to control and maximize their digital advertising businesses.
Tradedesk	DSP (SaaS Platform), DMP, API to design custom solutions	Connected TV, Mobile, Website,	Media, manufacturing, retail, finance, telecom	85% revenue from US, Rest from Europe and Asia	Tradedesk is the largest Demand Side platform for real time purchase of ads by agencies and brands. It is a self-service, cloud based platform (SaaS) with API to design custom solutions on top of the DSP platform that allows advertisers to manage data-driven ad campaigns.
Digital Turbine	Mobile content, applications and games, Application management solutions	Mobile App	Telecom, media, gaming, entertainment	US, Canada, Europe, Middle East, Africa, Asia Pacific, China, Mexico, Central and South America.	Digital Turbine is on device app-discovery company which shows advertisements on mobile devices and connected TVs. It has 400mn+ devices and 40+ partner (leading telecomm players and OEM manufacturers) under its' ecosystem.
Mobvista	DMP, DSP, Fraud Detection	Mobile App developers	Mobile games, banks, news	China, SEA, India, US, UK	Mobvista is a leading technology platform providing mobile advertising and mobile analytics services to the app developers globally.
Ironsource	App Discovery, App Marketing, Mobile Advertising	Mobile	Media, Gaming, Software	San Francisco, New York, London, Tel Aviv, Bengaluru, Beijing, Seoul, Tokyo	IronSource is a global software company backed by Carmel Ventures, a Viola Group affiliate, as well as CVC Capital Partners. The company focuses on developing technologies for app monetization and distribution, with its core products focused on the app economy.
Criteo	Customer acquisition & retargeting (DSP)	Website browsing	Retail, Travel, Hospitality, E-commerce	US, Europe, Asia	Criteo is a retargeting ad-tech company that works with E-commerce and Retailers (significantly on desktop). Criteo faces growth issues and risk from Google's decision to eliminate cookies.
Freakout Holdings	DSP	Display, Video, Next generation chat, digital signage	Media, Auto, Rail	APAC	FreakOut is a Japan based marketing technology company that sells marketing platforms and is a DSP and DMP in display and video format advertising.

Financials & Valuations

Financial Performance : Revenue momentum to sustain

- **Revenue momentum to sustain:** Affle's revenue grew at 41% CAGR over FY18-20, much higher than Indian digital ad spending growth of ~21% CAGR, led by increasing scale, market share gains and stable pricing. With significant shift in advertising spends to digital media led by COVID pandemic, Affle's revenue grew even higher at 55% YoY in FY21.

- **Affle has multiple levers to sustain this growth momentum given** i) pace of digital advertising growth accelerated due to COVID ii) mobile has become preferred channel iii) strong technology capabilities across entire mobile advertising value chain iv) ability to scale up profitability and grow much higher than the industry in challenging Indian markets iv) expansion into other emerging & developed markets and v) ability to turn around and scale up acquisitions.

- We anticipate revenue to grow by 77% in FY22 led by i) strong organic growth and 2) **boost from Jampp acquisition (INR 2.1 Bn in CY20, ~42% of Affle's FY21 revenue) completed at end of Q1FY22**. We anticipate Affle's revenue to grow 54% CAGR over FY21-FY24E. Faster expansion in emerging international markets (LATAM, SEA, Africa) and accelerated scale-up of platform offerings in the acquired business will provide further upside to our estimates.

- **Consumer Platform: CPCU business (87% of total revenue):** Growth in CPCU business is driven by i) number of conversions and ii) price per conversion. (CPCU rate). We expect the conversions to grow at 48% CAGR over FY21-24E. CPCU rate has largely remained flat at ~Rs. 41 for last three years. It is expected to increase to ~Rs. 46.7 in FY22 due to addition of Jampp revenue coming from higher priced LATAM region. CPCU rate is expected to increase further by 7% CAGR over FY21-24E as Affle expands in international emerging markets and remain stable thereafter.

Revenue expected to grow at 54% CAGR over FY21-24
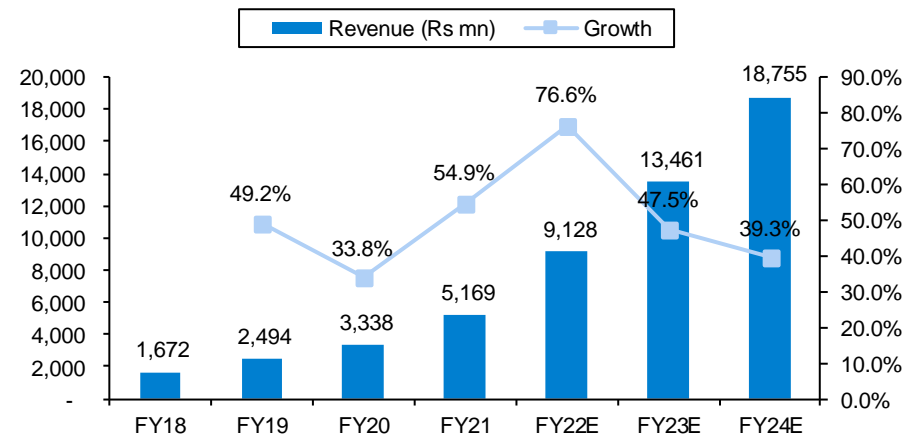
Source: Company, PL

Revenue estimates

Revenue mix	FY20	FY21	FY22E	FY23E	FY24E
Converted users (in mn) (A)	72	105	172	240	341
Average CPCU rate (INR) (B)	41	41	47	50	50
CPCU Revenue (INR mn) (AxB) = C	2,961	4,295	8,034	11,997	17,072
Non CPCU Revenue (INR mn) (D)	284	781	993	1,341	1,536
Consumer Platform Revenue (INR mn) (C+D) = E	3,245	5,076	9,027	13,337	18,608
Enterprise Platform Revenue (INR mn) (F)	93	93	101	123	147
Total Revenue (INR mn) (F+E)	3,338	5,169	9,128	13,461	18,755

Source: Company, PL

Financial Performance: Expenses & Margin Outlook

- **Consumer platform - Non-CPCU business (12% of total revenues)** has seen spurt in growth since 4QFY20, with 175% growth in FY21 aided by 1) small base 2) scaling up of RevX, Vizury 360, Mediasmart and Appnext. These platform based business models have ability to scale up non-linearly and we anticipate them to grow at 25% CAGR over FY21-24.

- **Enterprise platform (~1.5% of total revenues)** mainly comprises App development and online-to-offline platform implementation for enterprises. This segment was impacted by Covid in FY21. We anticipate the revenues to grow at 16.5% CAGR over FY21-24E for enterprise platforms

- **Inventory & Data costs (IDC):** Inventory & Data costs (IDC) are major costs incurred by Affle, amounting to ~57-58% of revenues. There are two main components of IDC – i) inventory cost i.e. cost paid by Affle to publisher apps to buy add-space. and ii) data and cloud computing costs. Inventory cost is paid to the publishers irrespective of the conversion in CPCU business and is expected to reduce as efficiency of conversion increases. In FY22, IDC costs is going to further increase due to investments done to scale up Jampp business. Profitability in Jampp business is expected to improve to company average over next 2-3 years

- Since FY20, **Affle invests 2-3% of their revenues (included under Inventory & Data costs) in 1) capturing and analyzing vernacular data in Tier 2 and Tier 3 cities and 2) going deeper to more connected devices beyond mobile.** Since these investments are expected to continue we anticipate that Inventory and Data Costs will remain around ~58-60% of revenues over medium term. Over long-term this cost is expected to improve as revenue scales up and efficiency of user conversion improves. Any non-linear scale-up in PaaS revenue of Non-CPCU business may boost margins favourably as it has very limited incremental costs.

No. of user conversions to grow at strong rate of 48% CAGR over FY21-24E
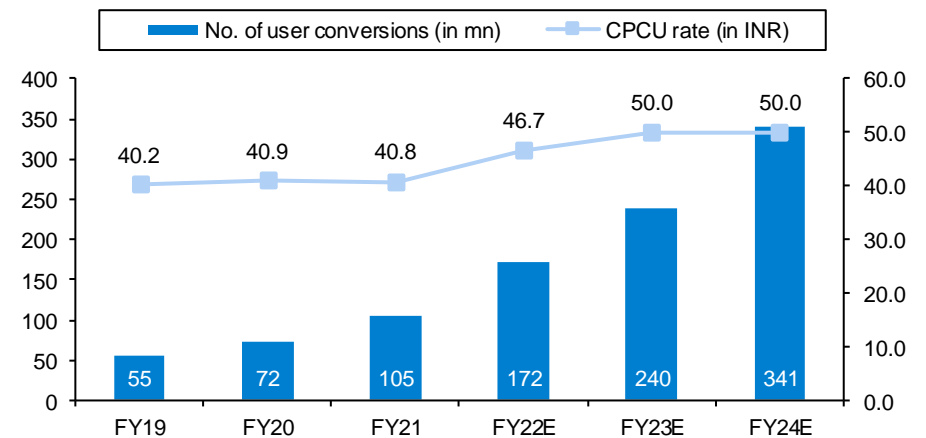
Source: Company, PL

Inventory and Data Costs expected to increase in medium term

Source: Company, PL

September 24, 2021
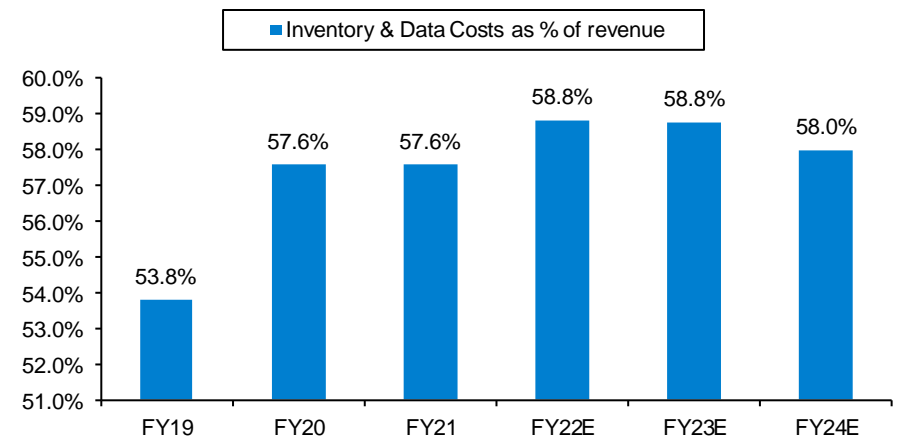
Financial Performance: Expenses and Margin Outlook

- **Employee & SG&A costs:** Employee costs have inched up by ~200bps in FY21 to 10.4% because Affle has increased investments in human resources to deepen their access in India and International markets (Japan, South Korea, South East Asia, Russia) and due to impact of acquired business. Investments in building on-ground presence in new markets will continue and we expect employee cost to remain at elevated levels of 12-13% over FY22-FY24. SG&A costs are also expected to increase to 7% in medium term led by acquisition transition costs.

- **EBIT Margins:** We anticipate margin to decline to 17.2% in FY22 (vs 21.3% in FY21) primarily led by low margin Jampp business. Margins are expected to come back gradually over next 2-3 years as and how Jampp becomes profitable. Over long term as scale increases and user conversion efficiency improves we expect margins to be around 23-24%.

- **PAT:** We expect PAT to remain at 15-16% of revenue over FY22-24 supported by higher other income and lower ETR of ~12%-13%. Inorganic revenue stream (Mediasmart and Appnext) accounted for 8%-10% PAT in FY21.

- **Working Capital** is expected to remain stable with net current assets at 25-30% of revenue and current liabilities at 25-30% of revenue.

- **Capex:** We anticipate Capex of ~INR 1800 mn in FY22 because of Jampp acquisition and over long term we expect Capex to be ~2000 mn per year.

- **FCFF** is expected to be negative in FY22 led by higher capex. (21% of revenue). It is expected to grow strongly from FY23 with 60% CAGR over FY23-30E led by revenue acceleration and margin expansion.

EBIT expected to decline in FY22 due to low margin Jampp business
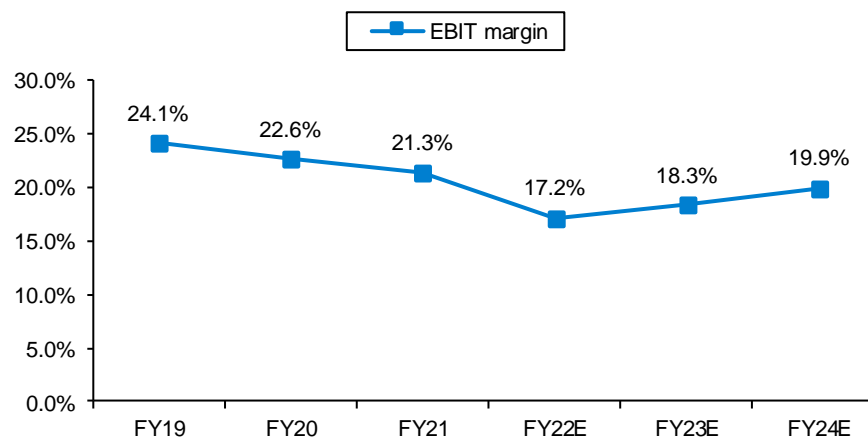
Source: Company, PL

FCFF expected to grow at 60% CAGR over FY23-30E

Source: Company, PL

September 24, 2021
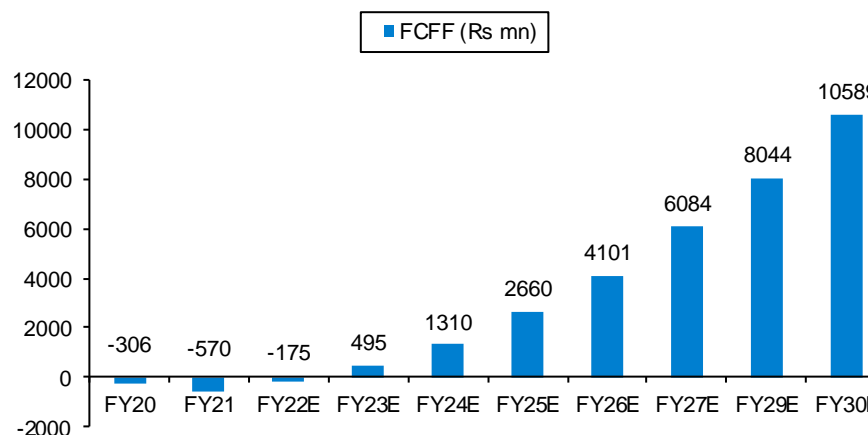
Valuations

Affle offers multi year high growth opportunity (~54% CAGR over FY21-24E and) given 1) rising digital adoption with mobile being preferred channel (mobile advertising spend to grow at 32% CAGR over FY21-25), 2) operates in emerging markets with high growth (20-30% CAGR over FY21-25) digital advertising industry which is still underpenetrated with 25-30% ad spend in digital vs 50% globally, 3) highly scalable end-to-end mobile advertising platform, 4) has ability to expand addressable market share by profitably scaling up acquisitions with unique tech capabilities and 5) recent acquisition of Jampp (42% of Affle's revenue) based in LATAM will significantly scale up revenues. We anticipate strong revenue growth with 24% CAGR over FY24-30E and 20% CAGR over FY30-35E

The company has maintained above industry average margin performance (21.3% in FY21 for Affle vs ~10% for industry) despite operating in emerging markets with low unit economics. However, we expect drop in EBIT margin (17.2% in FY22 vs 21.3% in FY21) given low margin profile of Jampp which will improve over 2-3 years as Affle profitably scales up Jampp (~21% in FY25E will further improve to 23-24% by FY30-35E).

Affle does not have comparable listed peers because they operate in different geographies or service different parts of ad-tech value chains. Given comparatively lower size of digital ad-tech industry in emerging markets, high growth potential for the industry and Affle's capability to grow much higher than industry, we believe DCF valuation is appropriate to capture long term growth potential of Affle. We expect Revenue/EPS CAGR of 54%/31% over FY21-24E and arrive at DCF based TP of Rs 7023 (implies 92/61x P/E on FY23/24E EPS of 76/116). Initiate with 'BUY' rating.

Key DCF Assumptions (Rs mn)

	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Revenue	5,169	9,128	13,461	18,755	24,331	30,150	37,289	45,778	55,779	67,966	82,189	98,627	1,18,352	1,42,022	1,70,427
EBIT	1103	1566	2470	3739	5119	6426	8,017	10,071	12,550	15,292	18,903	22,684	27,813	34,085	40,902
Less: Taxes	96	199	333	561	768	964	1203	1511	1883	2294	3025	3629	4450	5454	6544
Add: Depreciation	197	229	403	574	780	1035	1,305	1,602	1,952	2,379	2,877	3,452	4,142	4,971	5,965
Less: Changes in Working Capital	-158	92	22	53	31	98	388	170	200	244	284	329	395	473	568
Less: Capex	-1616	-1864	-2066	-2496	-2503	-2494	-2,424	-2,289	-2,231	-2,379	-2,466	-2,466	-2,367	-2,130	-2,045
FCFF	-570	-175	495	1310	2660	4101	6084	8044	10589	13242	16574	20370	25532	31946	38846

Source: Company, PL

Premium valuation to sustain...
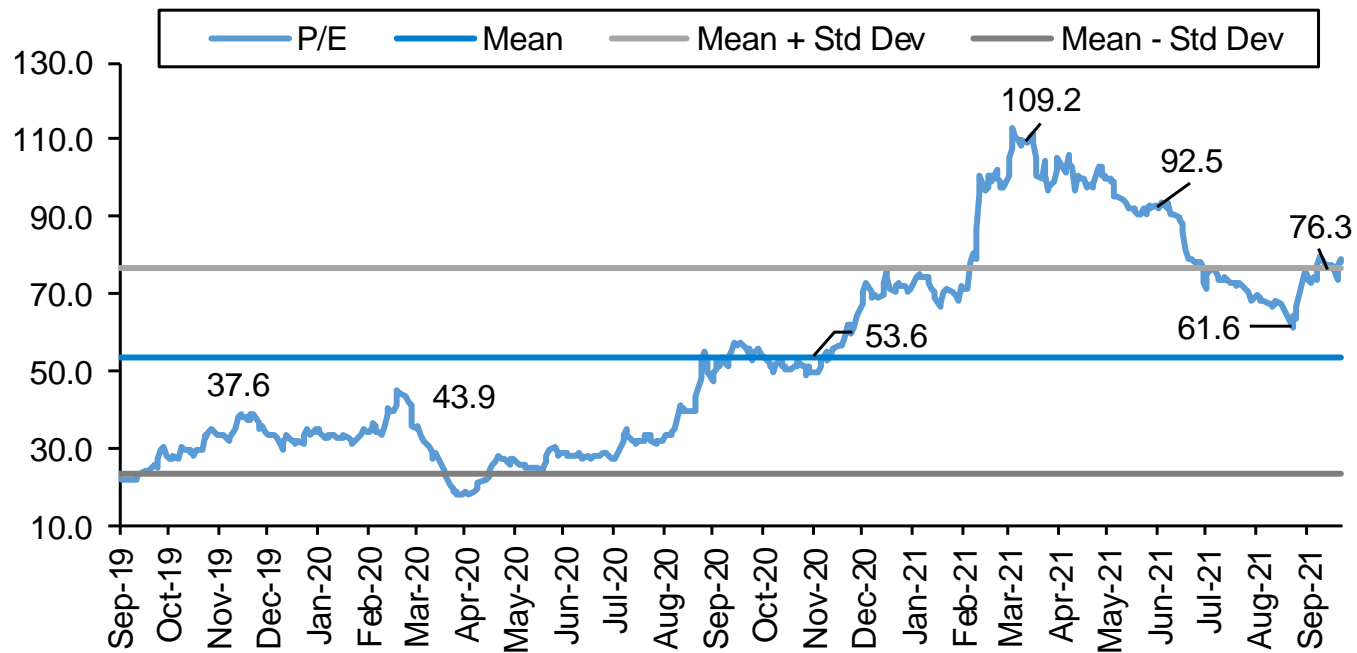
DCF Assumptions

Key Assumptions (INR mn)	
Sum of PV of FCFF from FY22-FY35E	57,608
PV of Terminal Value	1,30,216
Total PV of cash flows	1,87,824
Less: Debt	2,061
Add: Cash & Cash Eq & Investments	1,391
Value of Equity	**1,64,244**
No. of shares (mn)	26.7
Target Price (Rs.)	7,023

Key Assumptions	
Equity Risk Premium	7.8%
Risk Free Rate	6.2%
Beta	1.1
Cost of Equity	14.8%
Cost of Debt	8%
Tax rate	15%
Debt to Capital Ratio	36.5%
WACC	11.9%

Revenue assumptions	FY20	FY21	FY22E	FY23E	FY24E
Converted users (in mn) (A)	72	105	172	240	341
Growth %	*31%*	*46%*	*63%*	*39%*	*42%*
Average CPCU rate (INR) (B)	40.9	40.8	46.7	50.0	50.0
Growth %	*2%*	*0%*	*14%*	*7%*	*0%*
CPCU Revenue (INR mn) (AxB) = C	2,961	4,295	8,034	11,997	17,072
Growth %	*34%*	*45%*	*87%*	*49%*	*42%*
Non CPCU Revenue (INR mn) (D)	284	781	993	1,341	1,536
Growth %	*37%*	*175%*	*27%*	*35%*	*15%*
Consumer Platform Revenue (INR mn) (C+D) = E	3,245	5,076	9,027	13,337	18,608
Growth %	*34%*	*56%*	*78%*	*48%*	*40%*
Enterprise Platform Revenue (INR mn) (F)	93	93	101	123	147
Growth %	*25%*	*0%*	*9%*	*22%*	*19%*
Total Revenue (INR mn) (F+E)	**3,338**	**5,169**	**9,128**	**13,461**	**18,755**
Growth %	***34%***	***55%***	***77%***	***47%***	***39%***

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Peer Group Financial Comparison

Revenue growth for Affle was higher than most of global peers in FY21

Legend: Revenue growth rate in FY21 (%)

- Affle: 54.9
- Pubmatic: 30.6
- Digital Turbine: 103.7
- The Trade Desk: 26.5
- Mobvista: 14
- Criteo: nm
- Freakout: 14.6
- Magnite: 41.7
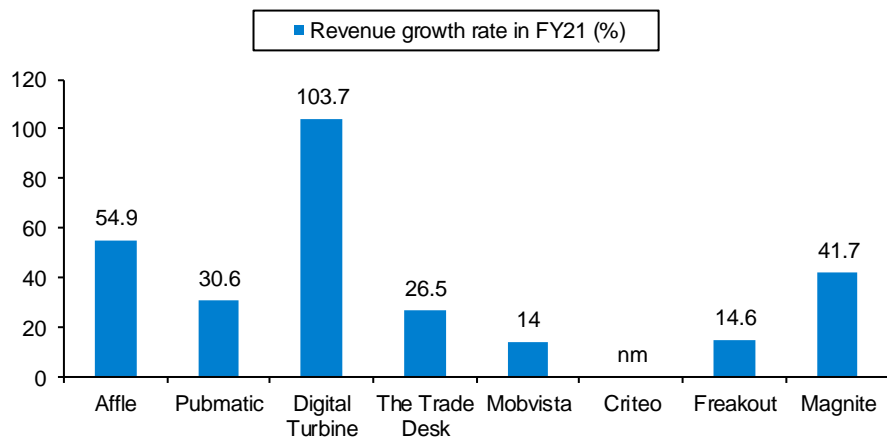
Source: Company, PL

Affle has huge headroom to grow

Legend: FY21 Revenue in USD (mn)

- Affle: 70
- Pubmatic: 149
- Digital Turbine: 258
- The Trade Desk: 836
- Mobvista: 602
- Criteo: 2073
- Freakout: 235
- Magnite: 222
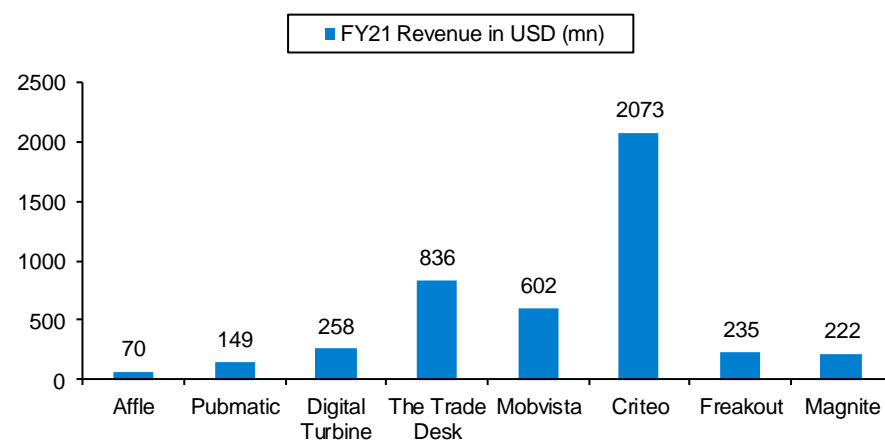
Source: Company, PL

Affle has one of the highest operating margins among peers

Legend: EBIT margin (%) in FY21

- Affle: 21.30
- Pubmatic: 21.30
- Digital Turbine: 17.90
- The Trade Desk: 17.20
- Mobvista: 5.90
- Criteo: 5.30
- Freakout: 1.10
- Magnite: nm
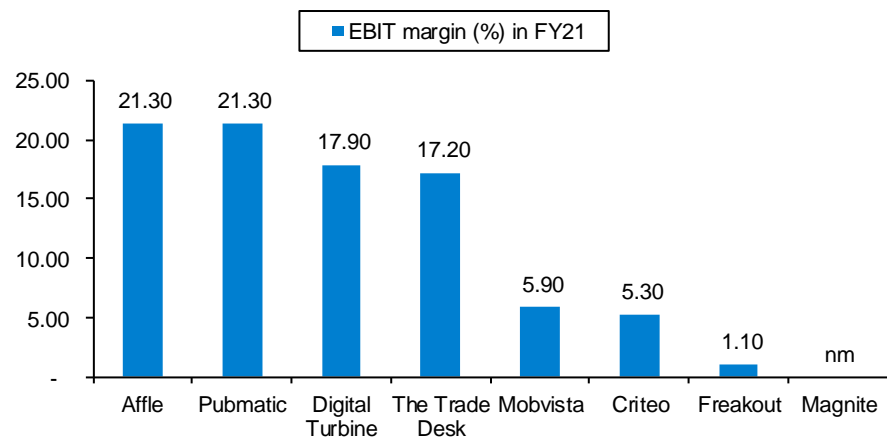
Source: Company, PL

Affle has one of the highest PAT margins among peers

Legend: Profit Margin in FY21 (%)

- Affle: 19.8
- Pubmatic: 17.9
- Digital Turbine: 15
- The Trade Desk: 29
- Mobvista: 5.1
- Criteo: 3.6
- Freakout: nm
- Magnite: nm

Source: Company, PL

Note: *Financial Year-End: TradeDesk,, Magnite, Mobvista are Dec-Ending. Freakout is Sept-Ending, Digital Turbine, Vertoz and Affle are March-ending.*   September 24, 2021
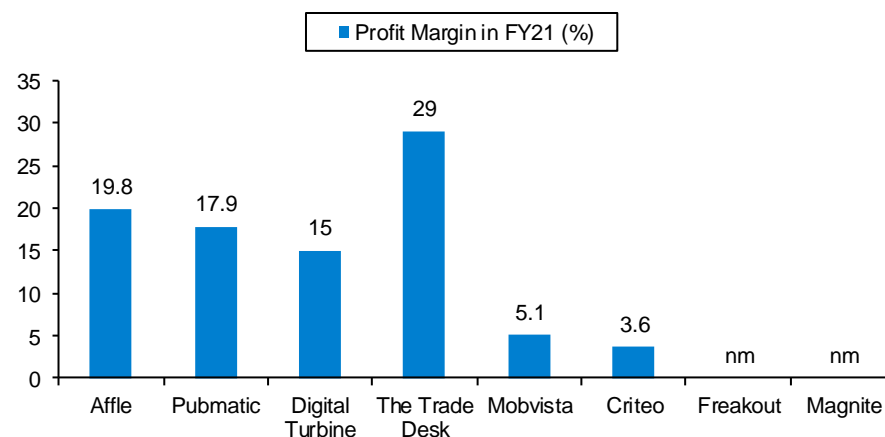
Peer Group Financial Comparison

Affle has healthy ROCE as compared to peers

Bar chart — FY21 ROCE (%):
- Affle: 23.6
- Pubmatic: 18.1
- Digital Turbine: 34.5
- The Trade Desk: 11.3
- Mobvista: 9.2
- Criteo: 8.7
- Freakout: 7.5
- Magnite: nm
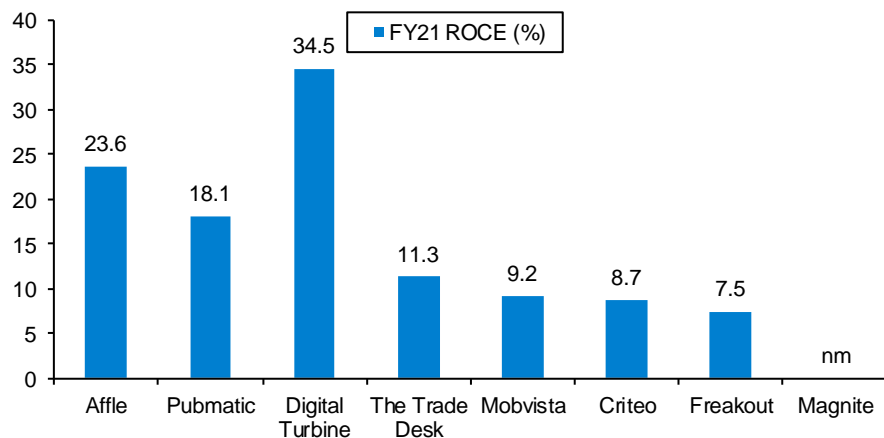
Source: Company, PL

Affle's ROE is one of the highest among peers

Bar chart — FY21 ROE (%):
- Affle: 33.8
- Pubmatic: 15.2
- Digital Turbine: 34.6
- The Trade Desk: 23.9
- Mobvista: 4.6
- Criteo: 6.5
- Freakout: nm
- Magnite: nm
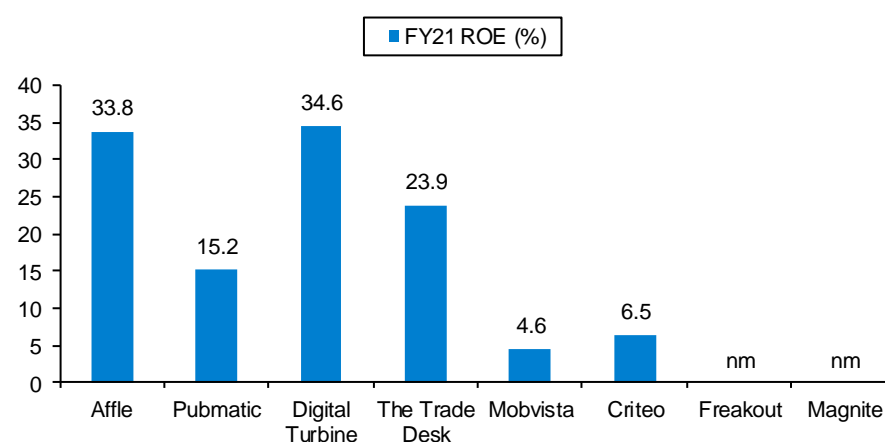
Source: Company, PL

Comparing valuation of listed global peers (Valuations as per market price on 17-09-2021)

Peers	Revenue (USD mn)			Revenue growth %			EBITDA (USD mn)			EBITDA growth %			P/E (x)			EV/EBITDA			EV/Sales		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Affle	127	187	260	77%	47%	39%	25	40	60	20%	60%	50%	97.1	68.1	44.7	77.2	48.2	31.8	15.2	10.3	7.3
Pubmatic*	207	267	319	39%	29%	19%	34	40	59	-3%	18%	48%	54.7	49.5	36.0	19.2	16.0	13.0	6.3	4.9	4.1
Digital Turbine*	1,192	1,575	2,204	281%	32%	40%	193	287	425	155%	49%	48%	39.1	27.4	17.9	32.3	21.7	14.6	5.2	3.9	2.8
The Trade Desk*	1,168	1,502	1,926	40%	29%	28%	446	560	558	58%	26%	0%	119.0	100.0	72.7	76.8	61.2	45.3	29.6	23.1	17.9
Mobvista*	686	867	1002	33%	26%	16%	17	32	55	136%	88%	72%	66.2	31.9	22.6	82.8	45.0	25.8	2.1	1.6	1.4
Criteo*	901	977	1,060	9%	8%	8%	294	316	349	17%	7%	10%	13.9	13.1	11.9	5.5	5.1	4.6	1.9	1.8	1.6
Magnite*	416	536	651	88%	29%	21%	131	176	233	205%	34%	32%	46.5	35.6	25.9	33.5	24.9	18.8	10.7	8.3	6.8

Source: Bloomberg estimates, Company, PL*

Key Risks

Risk due to inability to turnaround acquired companies:

- Over past few years, Affle has remained aggressive in acquisitions to build an end to end digital marketing solution. With Ad-tech known to be acquisition heavy, there lies risk in case of failed acquisitions. Example: failure to integrate technology with Affle's tech stack or inability to scale up the acquisition profitably. However, Affle has been successful in profitably scaling up all the acquisitions. **Affle's strategy has been largely to acquire businesses struggling to scale up profitably with unique technological capabilities or access newer markets. It acquires such businesses for attractive valuations, turns them around and profitably scales them up.**

Amazon, one of Affle's top client, has entered into ad-tech business in India:

- Currently, Amazon is the third largest Digital Ad player in the US and has launched digital ad tech services in India for advertisers to place ads on its own platform. We believe e-commerce has substantial growth potential in markets like India and other emerging geographies. As a result, Amazon is likely to continue to spend on digital for acquiring customers especially given online shopper penetration is low, especially in India's Tier-2/3 cities. Further, Affle too has taken steps to diversify away from Amazon by increasing focus on large e-commerce and online travel players in SEA and MENA region.

Risk of reduced marketing spends by customers or drying up of funding to startups:

- Customers can reduce their marketing spends due to economic uncertainties in key markets like India, South East Asia, Middle East Africa and Latin America. Startups can also witness decline in ad spends due to decline in funding. However, Affle is well diversified across industry verticals and geographies with no major exposure to any client.

Affle Holding Structure

Affle India is owned by Affle Holding (Corporate Promoter based out of Singapore). Anuj Khanna Sohum, MD & CEO, is major shareholder and promoter of Affle Holdings.

Affle Holding has 46.84% stake and Affle Global has 15.76% stake – collectively 63.8% in Affle India Ltd. The rest of the stake was diluted through pre-IPO placement to Malabar (7.4%) and 24.2% through IPO raising Rs900mn and OFS of about Rs3690mn.

Other key Investors in Affle Holdings:

- **Microsoft Global Finance**: Microsoft India invested 20% (later diluted) in Affle in 2009 in Series B funding. At this time Affle was providing its' SMS 2.0 Services to Bharti Airtel.

- **D2C Inc**: D2C Inc, digital advertising agency, is a Japan based JV between NTT Docomo and Dentsu. D2C invested $10mn in 2011.

- **Bennett & Coleman:** Invested in Affle in 2009 in Series B round (potentially through Inventory-Equity swap).

- **Itochu Corporation:** Itochu Corp invested in Affle in 2009.

Shareholding Pattern as on 31st Dec 2020

Category	Shareholding
Promoter and Promoter Group (Affle Global Pte Ltd & Affle Holdings Pte Ltd)	63.8%
FIIs / FPIs	20.4%
Mutual Funds / Banks / AIIFs / Insurance / QIBs	7.3%
Individual shareholders	6.0%
Other institutions	2.5%

Source: Company, PL

Material Ownership details for Affle Holdings (Corporate Promoter)

Particulars	Ownership %	Particulars	Ownership %
Fess Old New Pte Ltd (Anuj Khanna holds directorship)	28.11	Richard Alan Humphreys	3.02
Affle Global Pte Ltd	13.13	Madhusudana Ramakrishna	2.39
D2c Inc.	9.09	Centurion Private Equity Ltd	2.08
Microsoft Global Finance	6.23	Benjamin Fones Tse Min	1.76
Anuj Khanna Sohum	6.04	Sam Balsara	1.48
Anuj Khanna Investments Pte Ltd	5.95	John Patrick Baron	1.14
Bennett, Coleman & Co. Limited	5.19	Pang Sheng Dong	1.08
Itochu Corporation	3.78	Anuj Kumar	0.87

Source: Company, PL

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Group Holding Structure

Affle Holdings Pte Ltd ("AHPL") — Singapore

- 100.0% → Affle Global Pte Ltd ("AGPL") — Singapore
- 46.84% → Affle (India) Ltd ("Affle") — India
- 15.76% (AGPL → Affle)

Affle (India) Ltd ("Affle") — India
- 100.0% → Affle International Pte Ltd. ("AINT") — Singapore

Affle International Pte Ltd. ("AINT"):
- 100.0% → PT Affle Indonesia ("PAI") — Indonesia
- 100.0% → Affle MEA FZ LLC ("AMEA") — Dubai, UAE
- 100.0% → Mediasmart Mobile S.L. ("Mediasmart") — Madrid, Spain
- 66.67% → Appnext Pte. Ltd. ("Appnext")[1] — Singapore

Appnext Pte. Ltd.:
- 100.0% → Appnext Technologies Limited ("Appnext IL") — Israel

1. Acquired 66.67% of equity ownership (100.0% voting rights) and 100.0% ownership of Tech IP assets - As on June 8, 2020

Board Composition & Founder Background

Founder - Anuj Khanna Sohum's background & history

- Anuj is a serial entrepreneur with 18 years of experience in leading tech & data platform-based businesses. He completed a bachelor's degree in computer engineering from the National University of Singapore. He is also an alumnus of Harvard Business School (OPM) & Stanford GSB (SEP).

- He started his first startup at the age of 20 during undergraduate degree called "Anitus Technologies". Anitus Tech was into knowledge and document managing, got acquired by Malaysian conglomerate MCSB, which renamed it myMCSB. His second startup "SecLore" an information security which was acquired by Herald Logic in 2007.

- He founded Affle by acquiring "Tejus Securities Private Limited" in Jan 2006. He aims to address industry challenges including digital fraud and data privacy through technology innovations. He ensures strategic alignment across all key stakeholders resulting in sustainable growth & value creation.

Board Composition

Name	Position	Profile
Anuj Khanna Sohum	Chairman, MD & CEO	Anuj Sohum is a technopreneur with over 19 years of experience in leading technology products / platform-based businesses.
Anuj Kumar	Director, CRO & COO	Anuj Kumar is Co-founder and he holds a PG diploma in Communications from Mudra Institute of Communications, Ahmedabad and has 18 years of experience in advertising and technology platforms based business roles. His past experience was with J Walter Thompson (JWT), WPP Marketing India Pvt. Ltd. and ESPN Software India Pvt. Ltd.
Mei Theng Leong	Non-Executive Director	Mei Theng Leong leads finance and commercial functions for Affle International. She has played a pivotal role in the ERP implementation and the SG:Accreditation of Affle's platform.
Sumit Mamak Chadha	Non-Executive Independent Director	Sumit Chadha is the Chairperson of CSR Committee. She holds a masters from Delhi School of Economics and 27 years of experience in BFSI and has previously worked in Citibank N. A. India as a Director for 20 years and at BlackRock Services India Pvt. Ltd. for two years as Managing Director.
Vivek Narayan Gour	Non-Executive Independent Director	Vivek Gour is the Chairperson of Audit Committee. He holds an MBA from FMS, University of Delhi. He holds over 32 years of rich experience across industries and has worked with Genpact India, GE Capital Services India and held the position of MD & CEO in Air Works India (Engineering).
Bijynath	Non-Executive Independent Director	He is admitted to practice as an advocate and solicitor in Singapore. He founded the law firm Oxon Law and currently heads its practice. He holds a bachelor's degree in jurisprudence from the University of Oxford.

Source: Company, PL

September 24, 2021

Key Management Personnel

Name	Designation	Experience	Past Organizations
Anuj Khanna Sohum	Founder & CEO	19 years of experience in leading tech platform businesses.	Startups Anitus Technologies and Seclore.
Anuj Kumar	Co-Founder, CRO & COO	17 years of media and advertising industry experience.	ESPN STAR Sports, GroupM Mindshare and JWT
Kapil Bhutani	CFO	20 years of audit and industry experience	KMG Infotech, a NY based software Co
Vipul Kedia	Chief Data & Platforms Officer	13 years of experience in Consulting and Adtech.	IBM business consulting specializing in the Telecom Practice.
Charles Yong	Chief Architect & Technology officer	20 years of consulting and programming design experience (14 years in Affle).	Founder and CTO of Okilabs (which he continues to run now)
Madan Sanglikar	Co-Founder, Managing Partner - SEA & Chief of Staff	20 years in the Media Industry.	Mindshare.
Viraj Sinh	Co-Founder, Managing Partner - International	15 years across advertising, media and technology.	Joined post-acquisition of Mobimasta (his company) by Affle.
Elad Natanson	CEO- Appnext	17 years in digital space and mobile user acquisition area.	Prior to Appnext, He founded Prime Gaming.
Noelia Amoedo	CEO - Mediasmart	extensive experience in the of mobile, internet and social media.	Managing partner at NODEOM (consulting company).
Martje Abeldt	CRO- Revx	20 years in ad tech, IT, mobile, high-end consumer goods, and SaaS.	REMERGE - App Retargeting platform for APAC; leading App Annie in Central Europe, Russia, and CIS.
Danny Tuttnauer	COO - Appnext	Danny has led several startups, including a successful digital media tech company for 10 years.	Responsible for the finance & HR activities
Vikas Khoria	Global Director - Business Operations (Revx)	15 years of experience largely in Adtech.	Criteo, Amazon and Inmobi
Ankit Rawal	Director - BD & Partnerships (vizury)	13+ years of experience from Microsoft & Oracle to upstarts like GreedyGame & InMobi	GreedyGame.
Shailesh Garg	Executive Director - Technology (Revx)	16+years with product technology companies.	Novell, Webaroo, Amazon, Komli & RevX.
Eran Kariti	Chief Technology Officer - Appnext	20 years in the telecommunications, gaming and mobile domains.	CTO of one of the biggest social game companies.
Guillermo Fernandez Sanz	Chief Technology Officer - Mediasmart	20 years of experience in mobile, telecommunications and e-commerce.	He ran his own incubator Bipmo for mobile related projects.
Nagendra Dhanakeerthi	Technology Director - Shoffr	10 years of experience	Prior to founding Shoffr, he was working at Techstars, Singapore.
Kulpreet Singh	Lead Architect & Technology Director	~10 of experience in the mobile technologies and building scalable technology products.	Lumata.
Sujoy Golan	Chief of Marketing & Omnichannel Platforms	14 years across FinTech, E-Commerce, Ad-Tech and SaaS.	Lendingkart.
Mei Theng leong	CFO & Commercial Officer (International)	18 years of experience	Diversified group listed on Singapore SE

Affle's Journey

Year	Events/Milestone
2005-06	Affle founded in Singapore, set up team in Singapore, India and UK
2007	Launched SMS 2.0 - powering SMS with browser type functionalities
2008	Launched Search & Social Network discovery over SMS
2010	Launched Pinch - Cross Platform messaging App
2011	Ad2c - one of the earliest mobile focused agency launched
2012	Launched Ripple - Cross screen mobile monetisation platform
2013	Launched ad2campaign - data centric mobile marketing platform
2014	Arc platform - reusable components library for App development
2015	Launched Maas platform - Mobile Audience as a Service
2016	Launched mTraction - Data Analytics & CDP Platform
2017	Launched mFaas - Fraud Detection Platform
2017	Launched TVSync - TV linked digital Advertising
2018	Acquired Vizury (Retargeting CRM) for Rs293mn in Sep'18
2019	Acquired Shoffr (O2O) for Rs.49mn in Feb'19.
2019	Acquired Revx (Retargeting) International business for Rs 339mn in Apr'19
2019	Launched Vizury Engage 360 (Omnichannel Marketing)
2019	Went public - IPO size Rs.4.6bn (Fresh issue of Rs0.9bn)
2020	Acquired Mediasmart for Rs.401mn on 28 Feb'20 - Europe based programmatic and proximity marketing platform
2020	Acquired 67% stake in On Device App-discovery player Appnext for $17.3mn
2020	Acquired 8% stake in IndusOS an App-store (features on select OEMs) for $2.8mn in July'20.
2021	Affle divested stake in IndusOS to free up capital to buy 100% stake in DiscoverTech (technology platform offering a consumer touchpoint in the mobile device lifecycle). Bought additional stake of 25.7% in Bobble AI Acquired Jampp (42% of Affle's revenue), to expand presence in LATAM for total consideration of USD 41.3 million

Income Statement & Balance Sheet

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	**5,169**	**9,128**	**13,461**	**18,755**
YoY gr. (%)	*54.9*	*76.6*	*47.5*	*39.3*
Cost of Goods Sold	2,977	5,370	7,913	10,878
Gross Profit	2,192	3,758	5,548	7,877
Margin (%)	*42.4*	*41.2*	*41.2*	*42.0*
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	**1,300**	**1,795**	**2,872**	**4,314**
YoY gr. (%)	*46.2*	*38.1*	*60.0*	*50.2*
Margin (%)	*25.1*	*19.7*	*21.3*	*23.0*
Depreciation and Amortization	197	229	403	574
EBIT	**1,103**	**1,566**	**2,470**	**3,739**
Margin (%)	*21.3*	*17.2*	*18.3*	*19.9*
Net Interest	37	148	179	169
Other Income	415	215	56	66
Profit Before Tax	**1,482**	**1,633**	**2,347**	**3,637**
Margin (%)	*28.7*	*17.9*	*17.4*	*19.4*
Total Tax	129	207	317	546
Effective tax rate (%)	*8.7*	*12.7*	*13.5*	*15.0*
Profit after tax	**1,353**	**1,426**	**2,030**	**3,091**
Minority interest	2	7	7	7
Share Profit from Associate	-	-	-	-
Adjusted PAT	**1,351**	**1,419**	**2,023**	**3,084**
YoY gr. (%)	*106.2*	*5.1*	*42.6*	*52.4*
Margin (%)	*26.1*	*15.5*	*15.0*	*16.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,351**	**1,419**	**2,023**	**3,084**
YoY gr. (%)	*106.2*	*5.1*	*42.6*	*52.4*
Margin (%)	*26.1*	*15.5*	*15.0*	*16.4*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,351	1,419	2,023	3,084
Equity Shares O/s (m)	**25**	**27**	**27**	**27**
EPS (Rs)	**53.0**	**53.3**	**75.9**	**115.7**

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	**860**	**1,308**	**1,962**	**2,664**
Tangibles	32	53	79	105
Intangibles	828	1,255	1,883	2,559
Acc: Dep / Amortization	**-**	**-**	**-**	**-**
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	**860**	**1,308**	**1,962**	**2,664**
Tangibles	32	53	79	105
Intangibles	828	1,255	1,883	2,559
Capital Work In Progress	-	-	-	-
Goodwill	3,149	4,336	5,346	6,565
Non-Current Investments	1,000	1,000	1,000	1,000
Net Deferred tax assets	(5)	(5)	(5)	(5)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	1,079	1,951	2,950	4,111
Cash & Bank Balance	632	421	554	1,520
Other Current Assets	69	80	80	80
Total Assets	**7,526**	**9,832**	**12,627**	**16,675**
Equity				
Equity Share Capital	255	267	267	267
Other Equity	3,337	4,756	6,780	9,864
Total Networth	**3,592**	**5,023**	**7,046**	**10,131**
Non-Current Liabilities				
Long Term borrowings	893	893	843	793
Provisions	16	16	16	16
Other non current liabilities	7	7	7	7
Current Liabilities				
ST Debt / Current of LT Debt	275	255	235	215
Trade payables	1,260	2,305	3,397	4,680
Other current liabilities	401	351	301	251
Total Equity & Liabilities	**7,526**	**9,832**	**12,627**	**16,675**

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Cash Flow & Key Ratios

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	1,479	1,633	2,347	3,637
Add. Depreciation	196	229	403	574
Add. Interest	25	148	179	169
Less Financial Other Income	415	215	56	66
Add. Other	(393)	(222)	(63)	(73)
Op. profit before WC changes	1,308	1,788	2,866	4,307
Net Changes-WC	(174)	92	22	53
Direct tax	(117)	(207)	(317)	(546)
Net cash from Op. activities	**1,016**	**1,674**	**2,571**	**3,814**
Capital expenditures	(1,616)	(1,864)	(2,066)	(2,496)
Interest / Dividend Income	27	215	56	66
Others	(159)	-	-	-
Net Cash from Invt. activities	**(1,748)**	**(1,648)**	**(2,010)**	**(2,430)**
Issue of share cap. / premium	-	-	-	-
Debt changes	567	-	(50)	(50)
Dividend paid	-	-	-	-
Interest paid	(21)	(148)	(179)	(169)
Others	(18)	(88)	(200)	(200)
Net cash from Fin. activities	**528**	**(236)**	**(429)**	**(419)**
Net change in cash	**(204)**	**(211)**	**133**	**966**
Free Cash Flow	524	(190)	505	1,318

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	53.0	53.3	75.9	115.7
CEPS	60.7	61.9	91.0	137.3
BVPS	140.9	188.5	264.4	380.1
FCF	20.5	(7.1)	19.0	49.5
DPS	-	-	-	-
Return Ratio(%)				
RoCE	28.7	28.6	34.5	38.8
ROIC	24.4	23.8	28.2	33.0
RoE	45.9	33.0	33.5	35.9
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	0.1	(0.1)
Net Working Capital (Days)	76	78	80	80
Valuation(x)				
PER	97.7	97.1	68.1	44.7
P/B	36.7	27.5	19.6	13.6
P/CEPS	85.3	83.6	56.8	37.7
EV/EBITDA	101.9	77.2	48.2	31.8
EV/Sales	25.6	15.2	10.3	7.3
Dividend Yield (%)	-	-	-	-

Annexures

Vizury: Omni-channel marketing platform

In September 2018, Affle acquired Vizury to add re-targeting capabilities and expand business in Middle East Africa & US where Vizury had strong presence. **Affle turned around Vizury in to profitable business** by i) cutting down low profitable segments and ii) leveraging Vizury to build re-targeting SaaS platform.

Affle further added capabilities to the re-targeting platform and **launched Vizury Engage360 in Q3FY20, an Omni-channel marketing platform to help marketers unify their communication across channels, and devices and drive conversions powered by AI&ML.**

Affle integrated Shoffr, an **online to offline platform, with Vizury and renamed it as "Vizury In-store".** This platform converts online consumer engagement into in-store walk-ins and transactions.

Unique Features of Vizury In-store:

- Customers are engaged online wherein they identify the product and then book it. Then nearby store blocks the product for the customer.

- **StoreBoard App** is a order management and consumer intelligence app. It enables employees at a store to engage and interact with customers, provide shopping assistance through video or text chat

- **Offline attribution**: Sellers can track footfall and learn shopper's product intent by scanning 'Arrival Code' on Affle's Store Board app; available on iOS, Android, and Web.

- **Vizury Feedbus** enables brands to unify online and offline inventory across different customer touch points.

- **Vizury Conversational Hub** enables brands to drive product discovery, engagement, customer support and loyalty flows on popular chat apps.

Affle anticipates strong traction for Engage360 in developed markets from remote execution perspective and later plans on doubling up with on-ground presence to expand the capabilities in those markets. Engage360 complements the CPCU business model and adds another source of generating revenue as a SaaS model.

Vizury Engage 360 unifies consumer connections across all channels

Source: Company, PL

Vizury Conversational Commerce
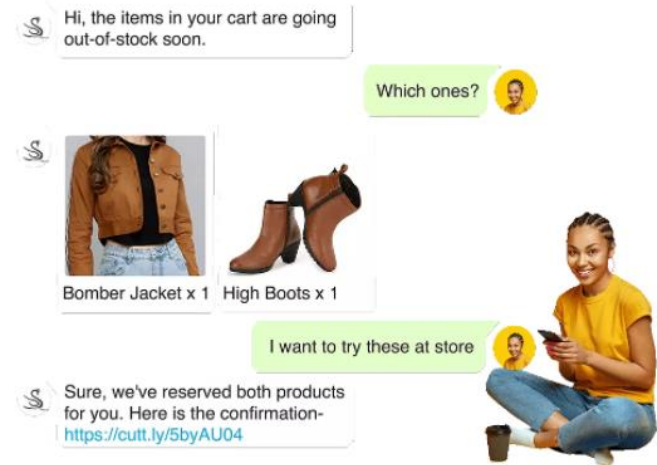
Source: Company, PL

RevX: Re-targeting platform

RevX is a **mobile only data science driven self-serve programmatic platform** that delivers new user acquisitions, user re-targeting, re-engagements using personalized dynamic video ads.

- **New user acquisition:** RevX leverages real-time bidding-based ad request signals together with App usage signals to predict new users who are most likely to convert and transact with a new App. Once the campaign starts, based on the profiles of converting users, similar segments of 'look-alike' users are targeted based on their App and content usage to further enhance ROI.

- **Re-targeting users:** RevX first segments the audience into different consumer types such as recent installers, casual browsers, shopping cart abandoners and purchasers using dynamic real-time data signals. Users who are most likely to convert, are then shown personalized ads based on their purchase/ interest habits.

Affle acquired contracts with nine customers of RevX Platform Business, which included contracts with e-commerce companies, primarily in Southeast Asia and the Middle East, and a well-known marketing platform for mobile brands. **Affle's RevX Platform was recognized as the #1 independent platform for Remarketing in APAC (non-gaming) with an overall category rank of #4 after Facebook and Google platforms by AppsFlyer Performance Index**. (January – June 2020)

RevX success stories

Clients	Client success stories
FirstCry	RevX built dynamic Multi-product Ads on Facebook which helped Online Baby Retailer Increase Sales (6% more click thru conversions)
ShopClues	Boosted conversion by 2x with RevX Dynamic Retargeting Solution
Zalora	Increased App conversion rate of first time buyers by 65%
Myntra	Myntra achieved 55% higher conversions with RevX highly personalized Retargeted Ads
Tokopedia	RevX delivered 4x higher RoA than other App Retargeting Partners for Tokopedia, Indonesia's biggest online marketplace
Namshi	Delivers Lowest CPA of about 15% amongst other App Retargeting Partners
UrbanClap	RevX drove 8x increase in bookings at 10% lower than target CPA for Urban Clap, India's leading local services marketplace
Lamudi	RevX enhanced mobile engagement by driving 9x higher seller contact ratio for Lamudi, a global real estate classified marketplace
Jabong	RevX beat Jabong's benchmark ROI by 18% and became preferred App Retargeting partner
ABOF	RevX partnered with ABOF and drove 60% increase in conversions, and became preferred App Retargeting partner
Backflip	RevX helped Backflip Studios reactivate lapsed purchasers, delivered 11X RoAS for their game titled DragonVale
Almosafer	RevX drove 5x increase in bookings for Almosafer, Middle East's leading online travel company
Sale Stock	RevX became leading App Retargeting platform for sale stock; delivered 25% lower CPT than other partners
Grofers	Grofers, India's leading hyperlocal delivery App, saw 8X increase in new user conversions driven by RevX
Zivame	Delivered 75% higher ROI amongst other App Retargeting partners
Swiggy	Swiggy acquired high-quality app users at 26% lower acquisition cost with RevX's AI-Powered solution
Shipt	Boosted paid memberships by 1.5x and decreased acquisition costs

Source: Company, PL

Mediasmart Acquisition: provides unique targeting capabilities

Mediasmart is self-serve mobile programmatic platform (SAAS based) with unique capability of measuring incremental impact in real time for Proximity and App marketing campaigns. The acquisition of Mediasmart gives Affle access to broader Europe & Latin American markets. Mediasmart's 95% of revenue comes from outside of home country Spain, largely from developed countries like US, France, UK and Germany.

Unique targeting capabilities of Mediasmart

- **Proximity Marketing:** Using Geo-fencing approach, the platform tracks user's location patterns and targets them at the right place and right time. It also enables the stores to measure impact of online ads on how it drives offline walk-ins.

- **Connected TV:** In Oct'20 Affle launched Audience Targeting and Household Sync Technology on Connected TV (CTV). This technology is expected to improve brand impact by synchronizing campaigns across devices in the household. With additional level of dataset on connected devices, targeting efficiency will improve. Enterprises / Stores can now reach out to connected TV viewers which were earlier reachable by only traditional TV commercials.

- Spends on Video-ads are likely to reach 15% of all programmatic ad spends. The combined opportunities in mobile-app video, OTT and CTV programmatic ad spending is expected to clock a 17% CAGR to $165 billion over 2020-2025 for the industry. (Source: MAGNA digital advertising report)

- **Incremental App Marketing:** DSP platform allows advertisers to automatically measure incremental impact of their app marketing campaigns delivered either on the Mediasmart platform or elsewhere through the Mediasmart ad server. Clients pay not for conversions but for incremental conversions - a true measure of lift created by consumers exposed to their ads.

- **Programmatic Brand Marketing:** This feature drives higher brand recall and top of the mind awareness with brand-safe advertising.(avoiding placing adds next to inappropriate content). Clients can measure and optimize viewability in real-time with total control on deal management, whitelist and blacklist for publishers with full protection on publisher spoofing.

Mediasmart platform integrates and analyzes data from all sources (first party, third party, Affle's DMP, location data, time data etc) and across all devices (Mobile, Desktop, CTV, Tablet etc) to drive user conversions. Due to the unique targeting capabilities of Mediasmart their user conversion approach is a notch higher than probabilistic and can be more categorized as deterministic.

Affle is bringing Connected TV proposition to India and Emerging markets. **Mediasmart won a deal with the global media and data arm of Interpublic Group in Indonesia in 3QFY21.**

Mediasmart Story in charts

Location based targeting achieved through geo-fencing
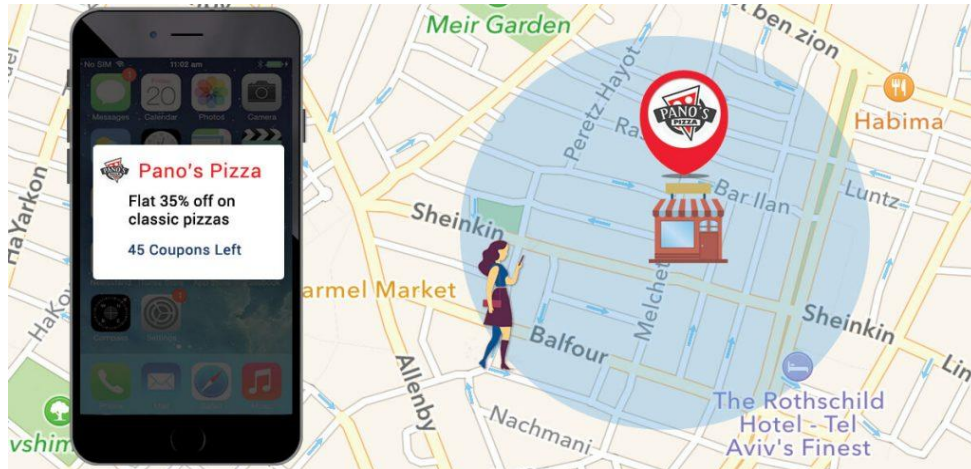
Source: Mindinventory, PL

Mediasmart case study

Task details	Results / Outcome
Client details	Artefact, an agency with tech, data and AI at its core, used MediaSmart for real-time footfall tracking and optimization capabilities to allow advertisers maximize the incremental impact of their drive-to-store campaigns.
Campaign details	33 stores were targeted across Italy, including 9 across the city of Milan & 12 stores were targeted in UK, including those at the main shopping areas in London, Nottingham, Birmingham etc
Attributed visits	For the city of Milan, there were 23k attributed visits counted, whilst for London there were 16.4k
Incremental visits % distribution	Milan & London had 10.63% / 4.74% incremental visits. (Incremental visits = taking the % of measured visits that were exposed to the campaign, and deducting any visits that would have happened independently of your campaign.)

Source: Mediasmart, PL

20 mn connected TV users in India

No of Connected TV users (in mn)

India	Vietnam	Japan	Australia
20	25	20	8

Source: Google, Pubmatic, PL

2x more consumers prefer watching YouTube on CTV vs mobile/desktop

Watchtime of YouTube on CTV, compared to mobile and desktop

Japan	Australia	India
60%	30%	200%

Source: Google, Pubmatic, PL

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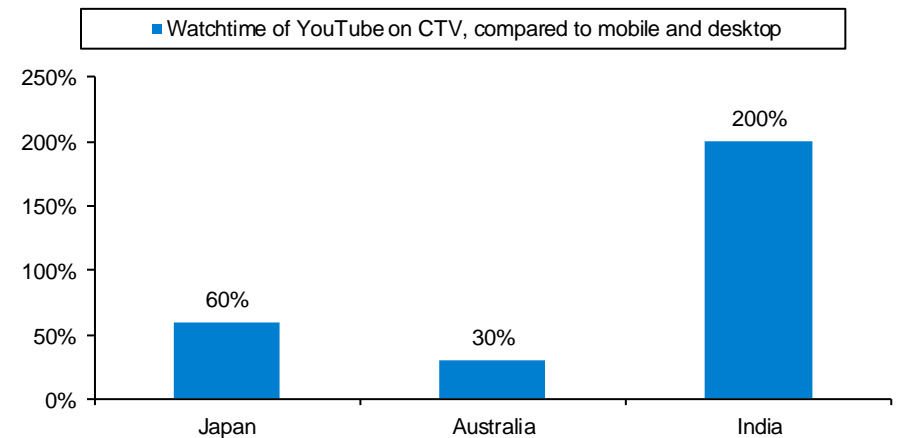
Appnext: App recommendation technology

Appnext is an app-discovery and recommendation platform that enables mobile handset OEMs, MNOs and apps developers to deliver personalized app recommendations to mobile users globally both in-app and on-device.

- **Exclusive partnership with Smartphone OEMs**: Acquisition of Appnext gives Affle exclusive access to few of the largest mobile OEM's (Samsung, Xiaomi and Oppo) for app recommendations. **This enables Affle to place adds on the OEM lock screen, minus one screen, app folders without accessing apps and mobile keyboards.** The OEMs collectively accounts for over two-third of Indian mobile shipments and Appnext has become their single largest partner in India and South East Asia.

- **Appnext Timeline is a patent user intelligence technology** that monitors mobile user's daily journey on the device and turns behavioral data into app recommendations by predicting the type of app users are likely to use next. It also helps refine Appographic profile for that unique device ID and helps reach more engaged users.

- **Appnext performance metrics:** Appnext has 300Mn daily active users (100mn in India), 20+ on-device daily interactions through OEM partnerships and 60,000+ apps and delivers over 4Bn app recommendations per day. **Appnext was recognized as the leading independent app recommendation platform in India, ranked among the top 10 in India & South East Asia and #14 globally for all apps categories on Android.**

- **Appnext OOBE**: In Jan 2021, Affle launched Appnext Out of Box Experience (OOBE) solution powered by the acquisition of business assets of DiscoverTech to get access to consumer journey **right from the initial boot or reset of a device.** Appnext OOBE has capabilities to place client's apps and services in front of new and existing high-intent users as they personalize their devices for the first time. It can also preinstall apps on new devices at a massive scale, all managed via Appnext self-serve advertising platform. It has also strengthened Affle's vernacular consumer offering platform given access to daily mobile journey.

Affle has turned around Appnext and Mediasmart platforms and converted them into cash flow positive business:

At the time of acquisition Appnext and Mediasmart were just breakeven. Affle scaled these platforms, with Appnext and Mediasmart together contributing INR 324 Mn, 24% of revenue, in 2QFY21 and INR 29 Mn to PAT. Revenue from these platforms improved by 11% QoQ to INR 360 Mn and PAT increased by 16.5% QoQ to INR 34 Mn in 3QFY21. Affle has been able to leverage these platforms and turn them around into positive cash flow businesses. Affle is making efforts to realize more synergies of scale through these platform and expect to further improve revenue and margins from these platforms.

Appnext story in charts

Appnext is leading Independent app discovery platform in India & SEA

Source: Appnext website, PL

Margins improved to ~9% from just break-even at the time of acquisition

Legend: Appnext & Mediasmart PAT (Rs Mn) | Contribution to total PAT

	1QFY21	2QFY21	3QFY21
PAT (Rs Mn)	10	29	34
Contribution	6%	11%	11%
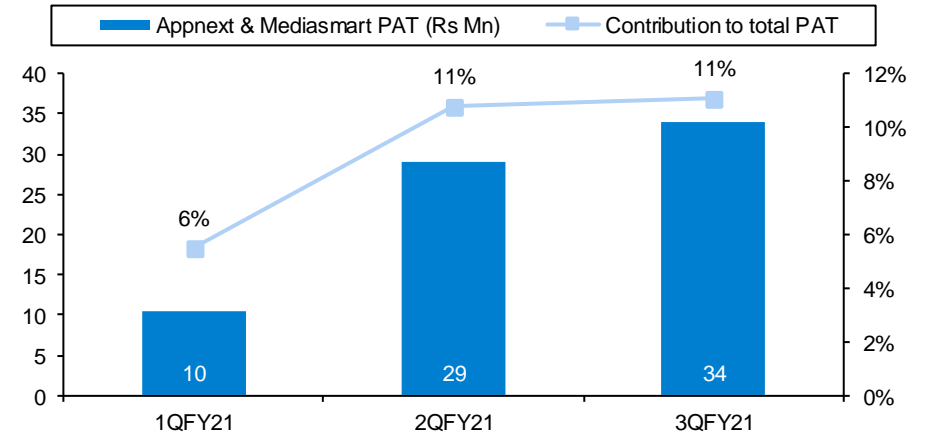
Source: Company, PL

Banner adds + App recommendations on home screen
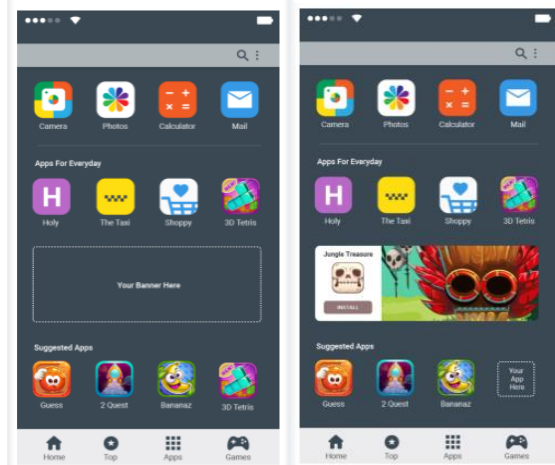
Source: Appnext website, PL

In folder App recommendation by Affle

Source: Appnext website, PL

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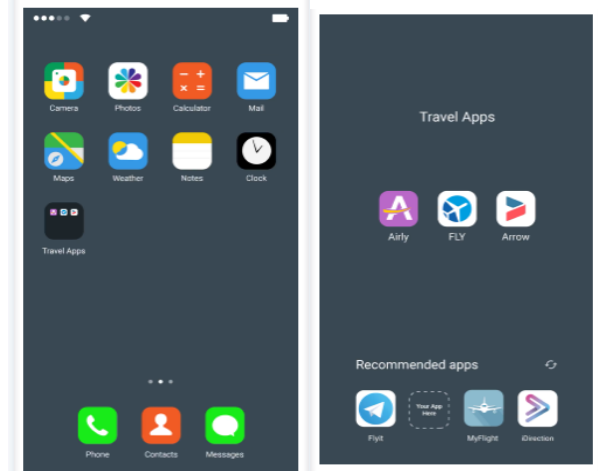
Bobble AI acquisition to strengthen vernacular capabilities

Bobble AI

On 13th Aug 2020, Affle acquired 8% stake in Bobble AI, a **Conversation Media Platform which offers indigenous social keyboard on smartphones.** Affle also secured exclusive global ad monetization rights of Bobble AI tech products for 5 years, with incremental options to acquire more stake after certain performance targets within 3 years. Leveraging this option Affle further increased its stake in Bobble AI to 17.72% in Q1FY21. Existing large Investors in Bobble AI are Xiaomi (post deal stake at 27.6%) and SAIF Partners (19.42%).

Conversation Intelligence: Bobble AI has a unique interactive Keyboard which is accessible in 23 Indian Language and 100 international languages. It can profile the user by processing input text, voice messages and search queries across all-apps in real time. With its powerful AI capability it can understand user's intent in real time while conversing and providing contextual recommendation for branded stickers and emoji.

Performance Metrics: The company has achieved 30mn+ user base and has library of 100k+ stickers and Gifs. It has achieved milestone of 5bn+ impressions/day and is serving top-brands such as Adidas, Reebok, Sony Pictures, MI, ITC, Viacom, Tinder, Kingfisher, Cadbury, Ludo, Oreo etc.

Partnership with Smartphone OEM: Bobble AI has partnered with Xiaomi and pre-embedded itself as a default keyboard across multiple Xiaomi devices in India (all handset that were launched post-Aug'20). It is also partnering with other OEM (through Appstore), Mobile Network Operators as distribution partners. Its inventory (add-space) is premium given its presence across all apps on the device which improves targeting precision.

Divested minority stake in Indus OS

Affle International Pte. Ltd. (AINT), a wholly-owned Singapore subsidiary of Affle India sold its minority investment of 8.0% in "OS Labs Pte. Ltd. Singapore" (Indus OS) to its Promoter Group Company Affle Global Pte. Ltd. (AGPL Singapore) for a consideration of USD 2.86 million in cash. This transaction was done at arms length and has made 2.5X returns to shareholders of Affle India in less than one year. AINT has also secured an option to purchase the minority investment back from AGPL Singapore at a premium of 5% after 1 year or 10% after 2 years subject to any approvals that may be required.

Rationale behind divestment:

Indus OS is a local language Appstore marketplace for Samsung and few other OEMs. Using its AI-driven app recommendation engine, Indus OS delivered higher engagements and brought app developers, smartphone brands and users on a single platform. However few months post Affle's investment, Indus OS was planning to sell stake in their company to PhonePe at much lower valuation of $60mn than value determined by Affle at $90mn. As Indus OS did not want to remain exclusive partner of Affle, Affle decided to sell its stake in Indus OS.

Affle also saw this as an opportunity to divest Indus OS and utilize that cash for **100% acquisition of Discover Tech and its business assets**. So it was more of portfolio balancing strategy towards owning 100% of the TechIP versus having just a minority stake. Going forward, if Affle intends to buy stake in Indus OS, they have option to buy it at 5% or 10% premium in the next two years from its Promoter Group company.

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Conversational Marketing capabilities of Bobble AI

Bobble AI segments users based on keyboard inputs across apps
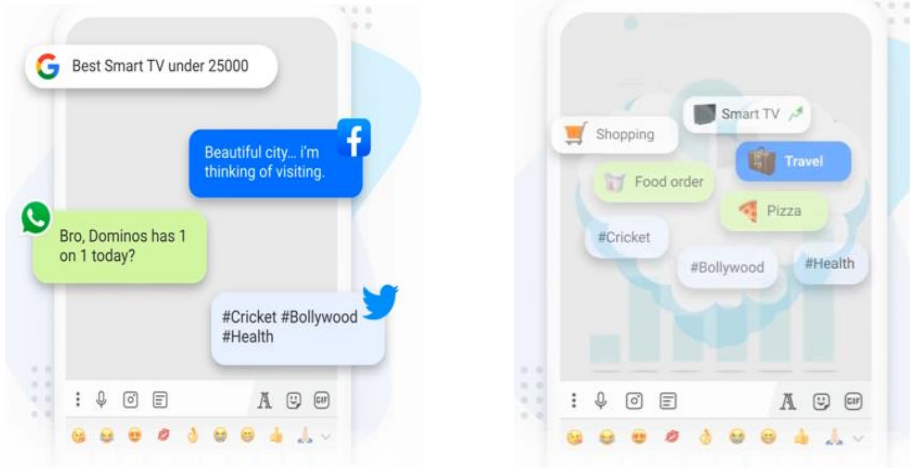
Source: Bobble.ai website, PL

Bobble AI can deliver brand stories via GIF
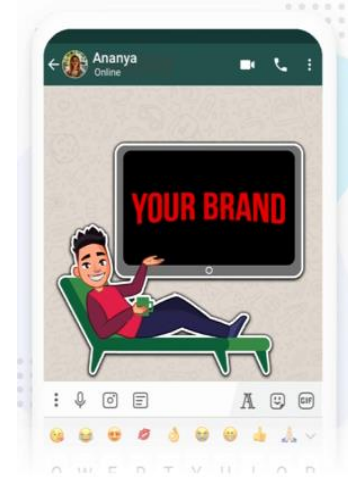
Source: Bobble.ai website, PL

Bobble AI can recommend brands through GIFs in vernacular language

Source: Bobble.ai website, PL

Bobble AI can recommend context based GIFs
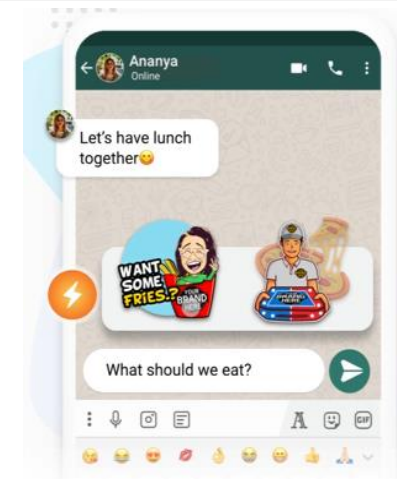
Source: Bobble.ai website, PL

Conversational Banking enabled by Bobble AI

- Bobble AI keyboard has ability to understand user intent across apps based on conversations and can help drive banking transaction. For example, as shown in below images, based on the conversation between the two users, Bobble AI recommends banking app for transferring money. The banking app is integrated with the keyboard (post user provides necessary permission during app installation) and users can seamlessly make payment within the app in fraction of seconds. Similarly it can help drive conversions for other fin-tech and e-commerce applications.

Automated banking transaction through Bobble AI Keyboard
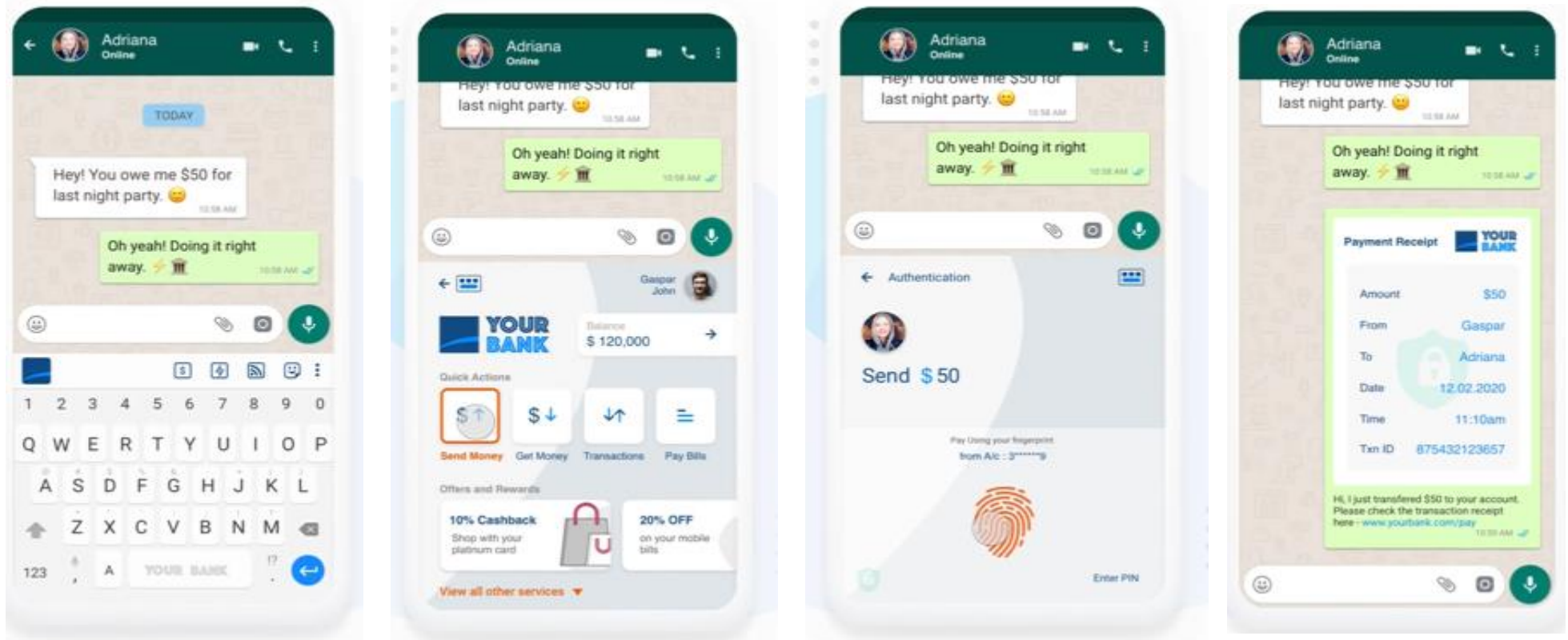
Source: Bobble AI, PL

Jampp is well rated in Appsflyer performance index

Ranked 13th in Appsflyer Retargeting index

Rank	Company
1	Facebook Ads
2	Google Ads
3	Remerge
4	Twitter
5	Criteo
6	RTB House
7	Adikteev
8	Liftoff
9	Google Marketing Platform (DV360)
10	Snapchat
11	TikTok For Business
12	Partnerize
13	Jampp

Ranked 12th in Appsflyer Growth index

Rank	Company
1	Digital Turbine
2	Appnext
3	TRANSSION
4	BIGO Ads
5	MobYoung
6	Google Marketing Platform (DV360)
7	AdTiming
8	VIVO
9	AdJoe
10	Aarki
11	Criteo
12	Jampp

Source: Company, PL

Source: Company, PL

September 24, 2021
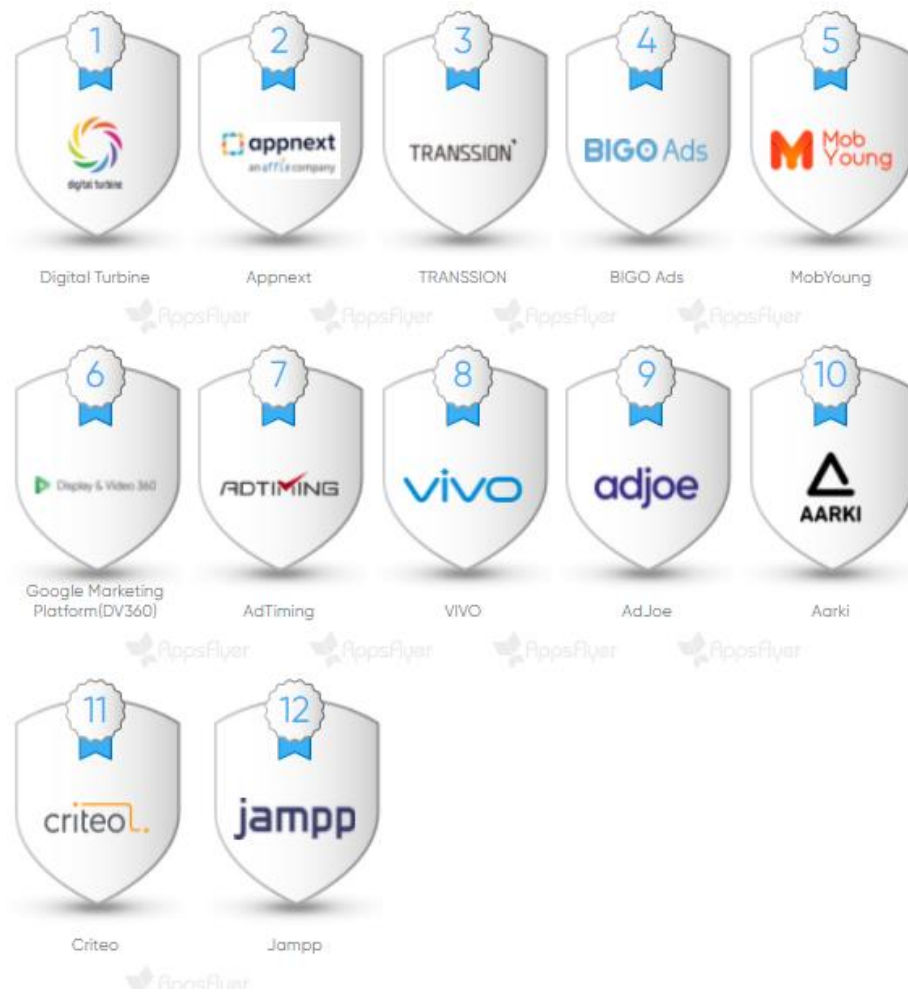
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Prabhudas Lilladher Pvt. Ltd. - 3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai 400 018, India. Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

PL's Recommendation Nomenclature (Absolute Performance)		
Buy	:	**> 15%**
Accumulate	:	**5% to 15%**
Hold	:	**+5% to -5%**
Reduce	:	**-5% to -15%**
Sell	:	**< -15%**
Not Rated (NR)	:	**No specific call on the stock**
Under Review (UR)	:	**Rating likely to change shortly**

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