



About Company



Founded in 2005, Affle is a global technology company with a proprietary consumer intelligence platform that delivers consumer engagements, acquisitions and transactions through relevant Mobile Advertising. The platform aims to enhance returns on marketing investment through contextual mobile ads and also by reducing digital ad fraud.

The company has two business segments viz. Consumer Platform and Enterprise Platform. Its Consumer Platform is used primarily by online & app companies for mobile advertising & monetization and Enterprise platform helps offline companies to go online through platform-based app development, enablement of O2O commerce and customer data platform.

Consumer Platform comprises the following:

- “Affle” branded consumer intelligence platform that deliver consumer acquisitions, engagements and transactions through relevant mobile advertising.
- “RevX” branded mobile only self-serve programmatic platform that delivers consumer acquisitions, engagements and transactions through relevant mobile advertising.
- “Vizury” branded retargeting media business for e-commerce companies and push notifications offerings for e-commerce companies on a software as a service model.
- “Shoffr” branded online to offline platform that converts online consumer engagement into in-store walk-ins and transactions.

As at March 31, 2019, Affle Consumer Platform had approximately 202 crore consumer profiles, of which approximately 57.1 crore were in India, 58.2 crore were in other Emerging Markets (which comprises Southeast Asia, the Middle East, Africa and others) and 86.7 crore were in Developed Markets (which comprises North America, Europe, Japan, Korea and Australia). During FY2019, the Affle Consumer Platform accumulated over 30,000 crore data points, which power their prediction and recommendation algorithm for their Affle Consumer Platform.

Its Consumer Platform is used by business to consumer (“B2C”) companies across industries, including e-commerce, fin-tech, telecom, media, retail and FMCG companies, both directly and indirectly through their advertising agencies.

Company’s Enterprise Platform

Company also provides end-to-end solutions for enterprises to enhance 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 (collectively, the “Enterprise Platform”).

For Fiscal 2019 on a consolidated basis, Company’s revenue from Enterprise Platform represented 3.0% of the revenue from contracts with customers.

Promoters

- Anuj Khanna Sohum
- Affle Holdings

Issue details

Price Band (in ₹ per share)	740-745
Fresh Issue (in ₹ Crore)	90.00
Offer for Sale (Shares in lakhs)	49.53
Total Issue Size (in ₹ Crore)	456.52-459.00
Issue open date	29/07/2019
Issue close date	31/07/2019
Total number of shares (lakhs)	61.69-61.61
No. of shares for QIBs (75%) (lakhs)	46.27-46.21
No. of shares for NII (15%) (lakhs)	9.25-9.24
No. of shares for retail investors (10%) (lakhs)	6.17-6.14
No. of shares for Employees (lakhs)	NA
Employees Discount (in ₹)	NA
Minimum order quantity	20
Face value (in ₹)	10.00
Effective price band for Retail investors	740-745
Amount for retail investors (1 lot)	14800-14900
Maximum number of shares for Retail investors at lower Band	260(13 Lots)
Maximum number of shares for Retail investors at upper band	260(13 Lots)
Maximum amount for retail investors at lower Band- upper band (in ₹)	192400-193700
Exchanges to be listed on	BSE, NSE

**Objective of the Offer**

The objects of the Issue are:

1. Funding the working capital requirements of the Company
2. For the sale of an aggregate of up to 49,53,020 equity shares by the selling shareholders
3. General corporate purposes.

Brief Financials *

Particulars (Rs. Crore)	FY19	FY18**	FY17**
Equity Share Capital	24.29	24.29	24.29
Net Worth	72.41	30.17	21.03
Revenue from operation	249.40	83.76	65.63
Profit before tax	59.80	13.60	0.80
Profit after tax	48.82	8.83	0.33
Basic EPS share (Rs)	20.10	3.64	0.14
NAV per Share (Rs)	29.81	12.42	8.66
P/E #	37.07	-	-
P/B #	24.99	-	-

- Restated Consolidated (FV. Rs.10/-), # Calculated on upper price band (annualised), ** Restated Standalone

Industry Review**Growing impact of E-commerce**

E-commerce comprised one-tenth of the total global retail sales at USD 2.29 trillion (Source: eMarketer 2017), with about a fifth of this contribution coming from the United States. The U.S. has over 200 million e-commerce users (comprising 74% of its Internet users) and generated about USD 460 billion in 2017. This market is expected to grow to 250 million by 2022, exceeding USD 640 billion in revenue.

The Indian e-commerce market had revenues of USD 38.5 billion in 2017 and is likely to grow at a CAGR of 12.4% to USD 69.2 billion by 2022. However, with further increase in avenues for digital payments, accelerated broadband penetration, and an increasing number of product options across the breadth of the country, the market has the potential to grow to USD 130 billion over the same time period.

M-commerce (goods and services purchased via mobile) contributed about 55% of the total Indian e-commerce market in 2017. With increasing data speeds, along with falling data access prices, this is likely to grow to over 70% of the e-commerce market by 2022.

Advertising Industry

India is one of the very few markets in the world where advertising spends are likely to grow at CAGR of 13% to USD 13.2 billion by 2022. Digital advertising spend in India has ramped up in growth over the past three years. It gained USD 1.1 billion in revenue in 2017 and will likely grow at a CAGR of 28.6% to USD 4 billion.

A segment that is fuelling growth for digital segment is mobile advertising, driven by 4G penetration, cost-effective data packages, proliferation of the mobile apps and social media, M-commerce and rapid growth in smartphone penetration. Mobile advertisement spend is expected to grow at a CAGR of 32.7% to reach USD 1.93 billion in 2022. Among types of advertising, there is a gradual shift from display and paid search ads to other forms - especially online video, and social media. The availability of smartphones and access to free data has increased the viewership for video-on-demand content (such as Hotstar, Prime and Netflix) and enabled easy access to social media.



Digital advertising by e-commerce is forecast to grow at a CAGR of 35% to equal 22% of the total digital ad spend, while FMCG is forecast to comprise 19% in 2022 (Source: Dentsu Aegis Reports and Frost & Sullivan Estimates). In the near term, Frost & Sullivan anticipates that advertisers from both sectors will make higher investments to cultivate and nourish consumer habits on digital platforms

Advertising Technology Market

The ad tech market today has evolved beyond the advertiser-publisher to include a number of intermediaries controlling one or more than one part of the value chain. The solutions offered by these companies range from Demand Side Platforms (DSP), Supply Side Platform (SSP), Data Management Platforms (DMP) to ad networks, ad exchanges and so on. Frost & Sullivan estimates that the global ad tech market earned revenue of USD 34 billion in 2017 and is likely to grow at a CAGR of 10% over the next five years.

India has become an attractive destination for many of these companies. Frost & Sullivan estimates that the Indian ad tech market with a market size of USD 304.9 million in 2017 will likely grow at a CAGR of 39% to USD 808 million in 2022. As digital advertising and in turn programmatic ad spend will grow at a rapid rate, it will help drive growth of the ad tech market. Retail, digital payments, gaming, travel, hospitality and e-commerce are the prime verticals contributing to the market growth currently.



Company Review

For FY2019 on a consolidated basis, the revenue from Consumer Platform contributed 97% of their revenue from contracts with customers. The revenue from the Enterprise Platform represented 3% of their revenue from contracts with customers.

Affle primarily earns revenue from Consumer Platform on a cost per converted user ("CPCU") basis, which comprises user conversions based on consumer acquisition and transaction models. Their consumer acquisition model focuses on acquiring new consumers for businesses, which is usually in the form of a targeted user downloading and opening an App or engaging with an App after seeing an advertisement delivered by Affle. Their transaction model is usually in the form of a targeted user submitting a lead acquisition form or purchasing a product or service after seeing an advertisement delivered by them. Affle also earns revenue from Consumer Platform through awareness and engagement type advertising, which comprises cost per thousand impressions ("CPM"), cost per view ("CPV") and cost per click ("CPC") models. These models are relevant for brand advertisers who want to build awareness and recall and engage users online to transact with them offline/online.

The Consumer Platform benefited from broad access to mobile ad inventory through their relationships with publishers and data platforms. Affle encourage publishers to provide them with access to their mobile ad inventory by offering a platform through which they can tap into their advertisers' marketing budgets and manage their inventory yields. They also have access to mobile display advertising inventory through real-time-bidding advertising exchanges. For each campaign, Affle bid for the consumer profiles which has a higher likelihood to transact on the basis of their data intelligence. Their proprietary optimization algorithm enables them to buy media efficiently and at high scale, giving them the ability to drive high volumes of CPCU-led campaigns at efficient prices.

Affle also provides end-to-end solutions for enterprises to enhance 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. Affle works with emerging customers who will help them to grow in the various countries, where these customers provide services. They are engaged to run ad campaigns either directly by the advertisers or indirectly via advertising agencies.

Global advertising spend is managed largely through 6 major advertising agencies: WPP (GroupM); Publicis; Omnicom (OMG); Dentsu Aegis Network (DAN); Interpublic Group (IPG) Mediabrands and Havas. (Source: Frost & Sullivan Report). Affle currently work with all of the top 6 global advertising agency groups and with other mobile focused advertising agencies, such as M&C Saatchi Mobile, and with domestic advertising agencies, such as Interactive Avenues and Madison.

Affle has run mobile advertising campaigns for:

E-commerce and Mobile app companies/brands		Other Industries
Amazon	Jobang	Airtel
Flipkart	BookMyShow	Reckitt Benkiser
Goibibo	Wynk	Johnson & Johnson
Zee	ALT Balaji	McDonalds
Dunzo	PhonePe	Nissan
Daillyhunt	Gojek	Air Asia
Meesho	Spotify	Axis Bank
Games 24x7	Sivvi	Citibank
Shipt		BTPN

Source: Company, CBSL

**COMPETITIVE STRENGTHS:****Affle is market leader in Consumer Platform in India; a high growth market with substantial barriers to entry**

According to Frost & Sullivan, Affle is a leading ad tech solution provider in India. As on FY2019, its Consumer Platform had approximately 571 million consumer profiles in India. The company provides services across the value chain in digital advertising, spanning the areas of DMP, DSP/SSP, fraud detection and ad network. Affle is one of the very few companies that have products spanning the entire value chain. Further, it has increased breadth of service offerings, especially to e-commerce and mobile app driven companies, following the acquisition of Vizury Commerce Business and RevX Platform. While some companies are more focussed on buy-side platforms, others are focused on the publisher side.

Proven international track record

For FY2019 on a Proforma Basis Affle's revenue from contracts with customers outside India stood at INR 157.19 crore, which was 58.5% of total revenue from contracts with customers. For FY2019 on a consolidated basis, the company's revenue from contracts with customers outside India was INR 140.54 crore, which 56.4% of total revenue from contracts with customers.

The company's key international markets are Other Emerging Markets (which comprises Southeast Asia, the Middle East, Africa and others) and Developed Markets (which comprises North America, Europe, Japan, Korea and Australia). It has three international offices: Singapore; Jakarta (Indonesia); and Dubai (UAE). As at May 31, 2019, international offices had 11 sales staff and India offices had 13 sales staff focused on international markets. As at May 31, 2019, it also has one sales agent in Malaysia.

Low-cost Profitable business model built on an asset light

Company's platform is the result of over 13 years of focused research and development and investment. Their platform is supported by a flexible and scalable infrastructure, built in-house using cloud computing infrastructure and consists of their proprietary machine and deep learning algorithm for prediction and recommendation that operates in real time and at significant scale. As at May 31, 2019, the company had 236 employees, of which 209 were in India.

Risk Factors

The market for mobile advertising solutions is highly competitive and rapidly changing with multiple regional and global players. Although it is dominated by digital giants such as Google and Facebook, there are over a hundred companies around the world who offer one or more components of this solution. Apart from above some associated risks are involved:

Data Collection Risk

If Affle's ability to collect significant amounts of data from various sources is restricted by consumer choice, restrictions imposed by customers, publishers and browsers or other software developers, or changes in technology it may have a material adverse effect on company's business, results of operations, cash flows and financial condition.

Regulatory Risk

Regulatory, legislative or self-regulatory developments regarding data protection could adversely affect Affle's ability to conduct business. The legal, regulatory and judicial environment that company is facing around data protection and other matters is constantly evolving and can be subject to significant change. Various governments have enacted, considered or considering legislation or regulations that could significantly restrict ability to collect, process, use, transfer and pool data collected from and about consumers and devices.

Competition

The market for mobile advertising solutions is highly competitive and rapidly changing with multiple regional and global players. Although it is dominated by digital giants such as Google and Facebook, there are over a hundred companies around the world who offer one or more components of this solution. However, only a few companies/groups operate internationally, including, InMobi, Criteo, Tradedesk, Freakout, Mobvista and YouAppi.



Peer Comparison

Affle (India) does not have an exact competitor among listed space.

Name of the Company	Revenue (Rs Crore)	Face Value	Basic EPS	NAV	P/E ^	P/B^	EV/ Sales	EV/ EBITDA	RONW
Affle (India) Limited	249.40	10	20.10	29.81	37.07	24.99	7.17	25.29	67.43
*Based on the Restated Consolidated Financial Statement for the year ended March 31, 2019, ^ At upper price band of IPO price									

Our Views

Affle has robust consumer platform which helps to the company to reach out potential consumer so that to increase their converted user base. As at March 31, 2019, Affle Consumer Platform had approximately 202 crore consumer profiles, which power their prediction and recommendation algorithm for their Affle Consumer Platform.

The company had an EPS of Rs 20.10 and trades at 37.07x P/E for FY19 earnings. It had EV/Sales and EV/EBITDA at 7.17x and 25.29x respectively for FY19. We believe that the stock is fairly valued. On the back of consistent financial performance and potential to scale business, one may subscribe the IPO for listing gains.

Sources: Company Website and Red Herring Prospectus

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