Affle 3i Limited (AFFIND)

CMP: ₹ 1,535 | Target ₹ 1,900 (24%) | Target Period: 12 months

BUY

November 3, 2026

Strong Q1; Perion acquisition to expand addressable market...

About the stock: Affle 3i Ltd. (erstwhile Affle (India) Ltd.) is a global ad-tech company specializing in consumer intelligence and engagement solutions. It has built a strong presence in programmatic digital advertising for mobile devices with a differentiated Cost Per Converted User (CPCU) model.

Q2FY27 performance: Affle reported revenues of ₹783.6 crore, up 4.9% QoQ/21.2% YoY. EBITDA margins came at 23.2%, up ~70bps QoQ/56bps YoY. PAT at ₹129.8 crore grew 1.1% QoQ/18.6% YoY, with lower other income amid forex volatility moderating growth.

Investment Rationale:

- Consistent growth momentum supported by improving monetisation and operating efficiencies: Affle's continues to deliver resilient growth despite geopolitical tensions and regulatory and macroeconomic headwinds affecting select customer segments (RMG & FinTech). **Converted users increased 4% QoQ/ 18.2% YoY to a record 128.9mn, while avg. CPCU improved 0.7% QoQ/ 4.5% YoY to ₹60.6 aided by higher-LTV user conversions, higher CPCU-contributing verticals and increasing developed-market penetration. Management reiterated its confidence in sustaining 20%+ medium-term growth with 10x growth vision intact**. Better inventory and data costs, cloud-platform scalability and disciplined employee cost management should support operating leverage and sustained profitability. **We expect user conversions to grow at a CAGR of ~16.9% over FY26-28E to 622.7 mn users with average CPCU growing at ~2.8% CAGR to ₹62.3 in FY28E. Accordingly, we expect revenue CAGR of 20% over FY26-28E, while operating leverage and improving developed-market mix should support EBITDA margin expansion to 23%/23.2% in FY27E/FY28E.**
- **Perion acquisition to strengthen global reach and expand addressable market: The proposed US$420mn (EV/Sales of 0.95x) acquisition of Perion Network Limited** will complement Affle's deeper-funnel CPCU capabilities with Perion's upper-funnel reach across Retail Media, CTV and DOOH, enabling integrated consumer engagement from awareness to conversions. **The acquisition provides access to ~1,000 customers, established North American infrastructure and a salesforce of 100+,** creating opportunities to cross-sell Affle's CPCU solutions and expand its presence in developed markets. **Management expects the combined business to achieve a FY28 revenue run-rate of over US$700mn (~₹6,630 crore i.e., >2x current annualised run-rate of Affle), with ~US$40mn (₹379 crore) adjusted EBITDA expected from Perion by end-CY26 and EPS accretion (30% incremental EPS) by end of 1st year post-closing.** However, the expected technology, cost and revenue synergies will be contingent on successful integration and business-model transformation, including migration towards Affle's CPCU-led model**. We have not factored incremental acquisition benefits into our estimates pending closure and clarity on revenue recognition.**

Rating and Target Price: We value Affle at 38x (revised from 40x) FY28E EPS, factoring in execution and integration uncertainties associated with the acquisition, for a target price of ₹1,900.

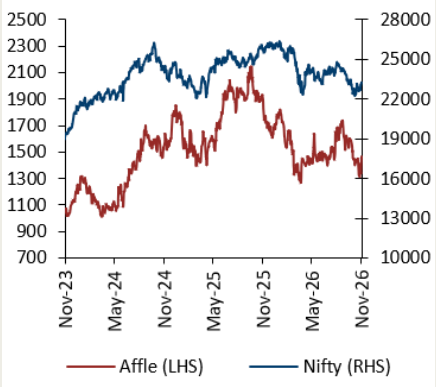
Particulars

Particular	Amount
Market Cap (₹ Crore)	21,544
Total Debt (₹ Crore)	12
Cash & Equiv. (₹ Crore)	1,294
EV (₹ Crore)	20,262
52 week H/L (₹)	1952 / 1251
Equity capital	28.1
Face value (₹)	2.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Oct-26
Promoters	54.9	54.9	54.9	55.8
FII	17.8	16.7	15.4	14.2
DII	16.4	17.9	18.8	18.7
Others	10.9	10.5	10.9	11.2

Price Chart



Key risks

- Lower than expected growth in converted users;
- Lower than expected synergies from Perion acquisition

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Key Financial Summary

₹ Crore	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	1,843	2,266	2,709	39.3%	3,259	3,903	20.0%
EBITDA	360	483	610	29.9%	750	905	21.8%
EBITDA Margins (%)	19.5	21.3	22.5		23.0	23.2	
Adjusted Net Profit	297	382	453	34.5%	555	688	23.3%
Adjusted EPS (₹)	21.9	27.2	32.3		39.5	49.0	
P/E	72.3	56.4	47.6		38.8	31.3	
RoNW (%)	11.9	13.0	12.4		13.2	16.4	
RoCE (%)	12.6	15.7	15.3		14.8	18.1	

Source: Company, ICICI Direct Research

Result Update

ICICI Securities – Retail Equity Research

Performance highlights and outlook

- **Revenue Performance:** Affle reported Q2FY27 revenue of ₹783.6 crore, up 4.9% QoQ/21.2% YoY. The company recorded its 15th consecutive quarter of sequential topline growth. Management highlighted that the business sustained its growth trajectory despite geopolitical tensions and regulatory and macroeconomic headwinds affecting select customer segments, including RMG and FinTech.

- **CPCU revenue, no. of conversion and CPCU:** CPCU revenue grew 23.7% YoY to ₹781.9 crore, contributing ~99.8% of overall revenue. Converted users increased 4% QoQ/18.2% YoY to a record 128.9 mn, while average CPCU improved 0.66% QoQ/4.5% YoY to ₹60.6. For H1FY27, conversions stood at 252.8 mn, with average CPCU of ₹60.4. **Management attributed improved CPCU realisation to higher-LTV user conversions, higher CPCU-contributing verticals and increasing developed-market penetration.**

- **Geography performance:** Geography-wise, **India & Global Emerging Markets (73.7% of revenue mix) grew 20.8% YoY, while Developed Markets (26.3% of mix) grew 22.3% YoY.**

- **Margin performance:** EBITDA margin at 23.2%, expanding ~70bps QoQ/~56bps YoY. Margin improvement was driven by favourable inventory and data costs, AI-powered optimisation, cloud-platform scalability and measured employee cost growth. These benefits were partly offset by an 11% sequential increase in other expenses due to higher business promotion activities. PAT grew 1.1% QoQ/18.6% YoY to ₹129.8 crore, with forex volatility impacting other income.

- **Guidance/Aspiration:** Management reiterated its confidence in sustaining **20%+ medium-term growth**, supported by organic business momentum, deeper developed-market penetration and strategic investments. The company remains **focused on its 10X growth vision**. Management also reiterated its focus on profitable growth and long-term shareholder value creation.

- **Perion acquisition:** Affle, through its wholly owned step-down subsidiary Affle 3iL, entered into a definitive agreement to acquire 100% of Israel-based **Perion Network** in an **all-cash transaction at US$11.70 per share, implying an equity value of ~US$420mn (implied EV/CY25 Sales of 0.95x).** Perion is an Israeli technology company headquartered in Tel Aviv with dual listings on NASDAQ and the Tel Aviv Stock Exchange.

  - **Funding structure: The transaction will be funded through a combination of committed bank financing and available cash resources. Perion had cash and liquid investments of ~US$228mn (implied enterprise value of ~US$192 mn ex-of-cash and EV/Sales of ~0.44x) and no financial debt as of September 30, 2026. The transaction is subject to regulatory and shareholder approvals and is expected to close in early CY27. Affle expects to remain net debt-free immediately post-acquisition.**

  - **Strategic and synergy benefits:** Perion operates across Retail Media, CTV, DOOH and other digital channels, complementing Affle's deeper-funnel mobile performance and consumer conversion capabilities with upper-funnel advertising reach. The combination is expected to enable integrated omnichannel solutions such as CTV-to-Cart and DOOH-to-Cart, strengthening Affle's CPCU proposition across developed markets. **The acquisition also provides access to Perion's established North American presence, ~1,000 customers and a salesforce of over 100, creating opportunities to cross-sell Affle's CPCU solutions.** However, realisation of technology, cost and

revenue synergies will remain dependent on successful integration and transformation of Perion's existing business.

- **Management expectations and financial outlook: Management expects the combined business to achieve a FY28 revenue run-rate of over US$700mn, with Perion expected to generate ~US$40mn adjusted EBITDA by end-CY26. Upon closing, Perion's ordinary shares will be delisted from Nasdaq and the Tel Aviv Stock Exchange while.** Affle expects to leverage its AI-powered Consumer Platform Stack, proprietary audience intelligence and CPCU model to transform Perion's business and improve profitability through revenue-model changes and operating synergies. **Management expects the acquisition to become EPS-accretive by the end of the first year following closure. Successful integration, business-model transformation and sustainable improvement in Perion's revenue and margins will remain key monitorable.**

Exhibit 1: Quarter Performance

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
Revenue	783.6	646.7	21.2	747.2	4.9	Consumer Platform CPCU business contributed ~99.8% of revenue and recorded CPCU revenue of ₹781.9 crore, up 4.9% QoQ/23.7% YoY, driven by converted users rising 4% QoQ/18.2% YoY to a record 128.9mn, while average CPCU increased 0.66% QoQ/4.5% YoY to ₹60.6.
Employee expenses	66.3	63.2	5.4	65.6	1.1	
Inventory & data costs	489.6	396.1	26.0	472.2	4.1	
SG&A expenses	46.3	41.4	11.8	41.7	11.0	
EBITDA	181.4	146.1	24.2	167.6	8.2	
EBITDA Margin (%)	23.2	22.6	56 bps	22.4	72 bps	
Depreciation & amortisation	41.2	31.9	29.3	34.2	20.5	
EBIT	140.2	114.2	22.8	133.4	5.1	
Finance cost	0.8	2.2	-62.6	0.7	22.5	
EBIT Margin (%)	17.9	17.7	23 bps	17.9	4 bps	
Other income	20.0	22.3	-10.0	25.0	-19.9	
PBT	159.5	134.3	18.7	157.8	1.1	
Tax paid	29.7	24.8	19.5	29.3	1.1	
PAT	129.8	109.5	18.6	128.4	1.1	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY27E			FY28E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue	3,247	3,259	0.4	3,887	3,903	0.4
EBITDA	736	750	1.9	901	905	0.4
EBITDA Margin (%)	22.7	23.0	34 bps	23.2	23.2	0 bps
PAT	560	555	-0.9	708	688	-2.8
Diluted EPS (₹)	39.9	39.5	-0.9	50.4	49.0	-2.8

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Total operating Income	**2,709**	**3,259**	**3,903**
Growth (%)	19.5	20.3	19.8
COGS (employee and Inventory)	1,931	2,312	2,745
Other expenses	168	197	254
Total Operating Expenditure	2,099	2,509	2,999
EBITDA	**610**	**750**	**905**
Growth (%)	26.3	22.9	20.6
Depreciation	124	155	168
Other Income (net)	71	89	113
PBT	557	683	850
Total Tax	104	129	161
Reported PAT	**453**	**555**	**688**
Adjusted PAT	453	555	688
Growth (%)	18.6	22.5	24.1
Reported EPS	32.3	39.5	49.0
Adjusted EPS (₹)	32.3	39.5	49.0
Growth (%)	18.6	22.5	24.1

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Profit after Tax	**559**	**683**	**850**
Add: Depreciation	124	155	168
(Inc)/dec in Current Assets	(255)	(273)	(320)
Inc/(dec) in CL and Provisions	203	540	256
Taxes paid	(107)	(129)	(161)
CF from operating activities	**502**	**888**	**680**
(Inc)/dec in Investments	(151)	94	119
(Inc)/dec in Fixed Assets	(223)	(199)	(238)
CF from investing activities	**(374)**	**(105)**	**(119)**
Interst expenses	(1)	(5)	(6)
Others	(39)	2	(688)
CF from financing activities	**(43)**	**(4)**	**(694)**
Net Cash flow	85	780	(134)
Exchange difference	-	-	-
Opening Cash	1,047	1,207	1,987
Closing Cash	1,207	1,987	1,853

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Equity Capital	28	28	28
Reserve and Surplus	3,624	4,179	4,179
Total Shareholders funds	3,652	4,207	4,207
Total Debt	12	14	14
Long term provisions	22	98	117
Deferred Tax Liability	10	327	392
Total non current liablity	33	425	509
Total Liabilities	**3,697**	**4,646**	**4,730**
Assets			
Property ,plant and equipment	7	9	(0)
Goodwill	1,112	1,112	1,112
Intangibles	274	316	136
Intangible assets under development	131	131	131
Other assets	257	257	257
Cash	1,207	1,987	2,113
Bank	87	87	87
Trade receivables	386	464	556
Unbilled revenue	324	390	467
Prepayment & O.fin.assets	350	421	504
Other current assets	286	344	412
Total Current Assets	2,640	3,692	4,138
Trade payables	594	714	855
Unearned revenue	3	4	5
OCL & provisions	128	154	184
Total Current Liabilities	725	872	1,044
Net Current Assets	1,915	2,821	3,094
Application of Funds	**3,697**	**4,646**	**4,730**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
Adjusted EPS	32.3	39.5	49.0
Cash EPS	41.1	50.6	61.0
BV	260.2	299.7	299.7
DPS	-	-	-
Cash Per Share	92.2	147.7	156.7
Operating Ratios (%)			
EBITDA margin	22.5	23.0	23.2
EBIT margin	17.9	18.2	18.9
PAT Margin	16.7	17.0	17.6
Debtor days	52	52	52
Unbilled revenue	44	44	44
Creditor days	80	80	80
Return Ratios (%)			
RoE	12.4	13.2	16.4
RoCE	15.3	14.8	18.1
RoIC	21.4	24.4	30.7
Valuation Ratios (x)			
P/E	46.5	38.0	30.6
EV / EBITDA	32.5	25.4	20.9
EV / Net Sales	7.3	5.8	4.8
Market Cap / Sales	7.8	6.5	5.4
Price to Book Value	5.8	5.0	5.0
Solvency Ratios			
Debt/EBITDA	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0
Current Ratio	1.9	1.9	1.9
Quick Ratio	1.4	1.4	1.4

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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