

Apr-Jun'23 Earnings Preview

July 6, 2023

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Nazara Technologies	BUY	726	804
PVR Inox	BUY	1,372	1,704
Zee Ent. Enterprises	BUY	183	236

Source: PL

A tough quarter

Media: In line with the previous quarter, NBOC's for the industry stood at ~Rs18.6bn in 1QFY24. Accordingly, we expect PVR-Inox to mimic the performance of earlier quarter with footfalls of 33mn (30.5mn in 4QFY23) and pre-IND AS EBITDA margin of 5.8% (achieved break-even in 4QFY23). On broadcasting side, ZEEL's performance is likely to be impacted by continued weakness in ad-environment and higher investment in content. We expect domestic ad-revenues to decline 2.5% YoY to Rs9bn with an EBITDA margin of 6.3%.

Entertainment: While Nazara's top-line growth of 26.1% YoY will be aided by consolidation of WildWorks, we expect sequential expansion in EBITDA margin to 12%. We believe Nodwin is on a strong growth path as recent fund infusion of ~Rs2bn can help the business expand inorganically, while return of BGMI is a big positive for Esports viewership.

Top pick: Nazara remains our preferred pick in the media & entertainment space and we expect sales/PAT CAGR of 27%/49% respectively over FY23-25E. Retain 'BUY' with a DCF based TP of Rs804.

Multiplex: NBOC's for Bollywood and Hollywood genre (excluding regional movies) declined 14.6% YoY to ~Rs9.6bn in 1QFY24. While The Kerala Story turned out to be a sleeper HIT, subdued collections from movies like Kisi Ka Bhai Kisi Ki Jaan (Rs1.1bn) and Adipurush (Rs2.8bn; considered as sub-par given the budget and huge expectations surrounding the movie that had pan-India appeal) impacted overall performance for the quarter.

We expect PVR-Inox to report footfalls of 33mn with pre Ind-AS EBITDA margin of 5.8%. Given weak performance in 1QFY24; **we cut our pre-IND AS EBITDA estimates by 9%/8% for FY24E/FY25E** but retain 'BUY' on the stock with a revised TP of Rs1,704 (14.5x Sep-24 EBITDA) as content pipeline for near-term is healthy with movies like Gadar-2, Oh My God-2, Jawan, Dream Girl-2, MI-Dead Reckoning and Oppenheimer in pipeline.

Broadcasting: We expect ZEEL to report 5.8% YoY growth in top-line to Rs19.5bn while EBITDA margin is expected to succumb to 6.3% amid weakness in ad-environment and continued investment in content. **Given persistent margin pressure, we cut our EPS estimates by 13%/4% for FY24E/FY25E.** Nonetheless, we maintain our 'BUY' rating with a TP of Rs236 (19x FY25E EPS) as we believe merger with SPNI will go through (key re-rating lever) notwithstanding the current challenges viz: 1) Puneet Goenka's directorship in merged entity given imminent SAT order and 2) pending NCLT approval.

Entertainment: We expect Nazara's top-line to increase 26.1% YoY on account of consolidation of WildWorks, while EBITDA margin is expected to improve sequentially to 12%. We expect Kiddopia's subscriber base to increase by 2% QoQ to 317,012 while the Freemium and SportsKeeda business will get a fillip in 1QFY24 due to presence of IPL. In a seasonally weak quarter, Esports business is expected to grow by 10% YoY. **We retain 'BUY' on Nazara with a DCF based TP of Rs804 and it remains our preferred pick in the media & entertainment space.**

Jinesh Joshi
jjineshjoshi@plindia.com | 91-22-66322238

Stuti Beria
stutiberia@plindia.com | 91-22-66322246

Exhibit 2: Q1FY24 Result Preview (Rs mn)

Company Name		Q1FY24E	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	Remark
Nazara Technologies	Sales	2,813	2,231	26.1	2,893	(2.8)	Headwinds in Kiddopia have subsided due to price hike undertaken earlier and we expect subscriber growth of 2% on sequential basis. Even the Esports business is expected to grow by just 10% YoY in a seasonally weak quarter. Overall, we expect top-line growth of 26.1% YoY buoyed by consolidation of WildWorks while EBITDA margin is expected to improve on sequential basis to 12%.
	EBITDA	338	301	12.2	277	21.9	
	Margin (%)	12.0	13.5		9.6		
	PBT	270	227	19.0	165	63.7	
	Adj. PAT	138	115	19.8	53	159.9	
PVR-Inox*	Sales	13,414	9,814	36.7	11,432	17.3	We expect PVR-Inox to report revenues of Rs13.4bn with ATP/SPH of Rs245/129 respectively. (figures are not comparable on YoY basis due to consolidation with Ino). As industry NBOC's were flat on sequential basis, we expect footfalls to mimic 4QFY23 performance. Accordingly, we expect footfalls of 33mn (30.5mn in 4QFY23), with pre-IND AS EBITDA margin of 5.8% (achieved break-even in 4QFY23).
	EBITDA	3,478	3,416	1.8	2,639	31.8	
	Margin (%)	25.9	34.8		23.1		
	PBT	-934	851	NA	-1,992	NA	
	Adj. PAT	-701	534	NA	-3,226	NA	
Zee Entertainment Enterprises	Sales	19,537	18,457	5.8	21,121	(7.5)	We expect domestic ad-revenues to decline by 2.5% YoY due to continued weakness in the ad-environment. On the other hand, the overall subscription business is expected to increase by 11.2% YoY. We expect EBITDA margin to remain under pressure and settle at ~6.3% due to continued investment in content and persistent weakness on the revenue front.
	EBITDA	1,231	2,507	(50.9)	1,517	(18.9)	
	Margin (%)	6.3	13.6		7.2		
	PBT	645	1,986	(67.5)	430	50.0	
	Adj. PAT	451	1,365	(66.9)	171	164.2	

Source: Company, PL

*YoY figures are not comparable due to consolidation with Inox

Exhibit 3: Valuation Summary - Media

Company Names	S/C Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs mn)				EBITDA (Rs mn)				PAT (Rs mn)				EPS (Rs)				RoE (%)				PE (x)			
					FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Nazara Technologies	C BUY	726	804	48.1	6,217	10,910	14,672	17,616	946	1,097	1,542	2,025	284	414	688	875	4.6	6.2	10.4	13.2	3.3	3.9	6.0	7.2	159.6	116.2	69.9	55.0
PVR Inox	C BUY	1,372	1,704	134.3	13,310	37,507	65,649	75,297	1,057	10,477	21,959	25,815	-4,882	-3,243	3,254	5,786	-80.1	-33.1	33.2	59.1	-35.8	-4.6	4.3	7.1	NA	NA	41.3	23.2
Zee Ent. Enterprises	C BUY	183	236	175.9	81,857	80,879	86,268	94,241	17,803	11,011	11,991	16,963	11,908	5,811	6,703	10,840	12.4	6.0	7.0	11.3	11.4	5.4	6.1	9.3	14.8	30.3	26.2	16.2

Source: Company, PL

S=Standalone / C=Consolidated

Exhibit 4: Change in Estimates - Media

	Rating		Target Price			Sales						PAT						EPS					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Nazara Technologies	BUY	BUY	804	804	0.0%	14,672	14,672	0.0%	17,616	17,616	0.0%	688	701	-1.9%	875	889	-1.6%	10.4	10.6	-1.9%	13.2	13.4	-1.6%
PVR-Inox	BUY	BUY	1,704	1,879	-9.3%	65,649	68,567	-4.3%	75,297	78,370	-3.9%	3,254	4,045	-19.6%	5,786	6,682	-13.4%	33.2	41.3	-19.6%	59.1	68.3	-13.4%
Zee Ent. Enterprises	BUY	BUY	236	240	-1.8%	86,268	87,234	-1.1%	94,241	95,323	-1.1%	6,703	7,694	-12.9%	10,840	11,315	-4.2%	7.0	8.0	-12.9%	11.3	11.8	-4.2%

Source: Company, PL

C=Current / P=Previous

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	504	401
2	Entertainment Network (India)	Hold	180	126
3	Indian Railway Catering and Tourism Corporation	Hold	679	644
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	BUY	2,565	2,257
6	Music Broadcast	Hold	18	11
7	Navneet Education	BUY	152	113
8	Nazara Technologies	BUY	804	566
9	PVR Inox	BUY	1,879	1,435
10	S Chand and Company	BUY	257	192
11	Safari Industries (India)	BUY	3,202	2,884
12	V.I.P. Industries	BUY	913	621
13	Zee Entertainment Enterprises	BUY	240	179

PL's Recommendation Nomenclature

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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